OMV Petrom Group Factsheet Q1/20

April 29, 2020

Highlights Q1/20 [1]

Group

- Clean CCS Operating Result at RON 975 mn, 21% lower
- Clean CCS net income attributable to stockholders at RON 760 mn, down 28%
- Cash flow from operating activities at RON 1.4 bn, 10% lower
- CAPEX at RON 958 mn, up 16%
- Clean CCS ROACE at 12.5%, 2.6 pp lower
- LTIR: zero incidents [2]

Upstream

- Clean Operating Result at RON 157 mn, down 81%, mainly due to lower oil and gas prices and higher depreciation
- Daily production decline below 2%, supported by increased production in Kazakhstan
- OPEX improved by 7% to USD 10.9/boe due to further operational efficiencies and favorable exchange rate
- Europe’s largest onshore 3D seismic survey acquisition finalized ahead of schedule and on budget

Downstream Oil

- Clean CCS Operating Result at RON 514 mn, higher by 133% due to improved refining margins, as well as strong operational and sales performance, partly offset by the start of the pandemic crisis
- OMV Petrom indicator refining margin at USD 6.75/bbl, up 86%, due to better product spreads, except middle distillates, and lower crude price
- Refinery utilization rate at 96%; retail volumes up 1%

Downstream Gas

- Clean Operating Result at RON 147 mn, down 6%, as the impact from lower gas prices was largely offset by the positive effect from realized power forward contracts, reflecting the integrated model
- Gas sales volumes up 52%, covering all sales channels, supported by strong third party supply; net electrical output at 1.12 TWh, 3% higher, supported by lower, but positive spark spreads
- In Q1/20, OMV Petrom supplied the regulated gas market with 5.52 TWh. Brazi power plant did not receive an obligation to supply the regulated market in Q1/20

Response to COVID-19:

- The health of our employees re-emphasised as our top priority, implemented work from home and flexible working hours
- Operations continued while applying a comprehensive set of safety measures across the value chain to ensure security of supply of fuels, gas and power
- Financial measures:
  - CAPEX guidance for 2020 reduced by 30% or RON 1.2 bn to RON 3 bn
  - E&A and operational costs for 2020 cut yoy by around RON 320 mn

---

[1] *All comparisons described relate to the same quarter in the previous year except where mentioned otherwise.*

[2] *Lost-time injury rate (employees and contractors); this figure assists in the evaluation of the average injury frequency with more than one day of work lost related to the working time performed.*

OMV Petrom
The energy for a better life.

Financial highlights

Q1/20	Q4/19	Q1/19	Δ% [1]	in RON mn	2019
6,086	7,296	5,420	12	Sales revenues [2]	25,485
975	**1,120**	**1,227**	**(21)**	**Clean CCS Operating Result** [3]	**4,573**
157	700	825	(81)	Clean Operating Result Upstream [3, 4]	2,845
661	447	378	75	Clean CCS Operating Result Downstream [3]	1,783
(22)	(30)	(16)	(42)	Clean Operating Result Co&O [3]	(89)
180	4	40	351	Consolidation	34
18	15	15	16	Clean Group effective tax rate (%)	16
760	938	1,056	(28)	Clean CCS net income [3, 7]	3,864
760	**938**	**1,056**	**(28)**	**Clean CCS net income attributable to stockholders** [3,6,7]	**3,863**
0.0134	0.0166	0.0186	(28)	Clean CCS EPS (RON) [3,6,7]	0.0682
975	**1,120**	**1,227**	**(21)**	**Clean CCS Operating Result** [3]	**4,573**
94	(89)	23	303	Special items [5]	(370)
(239)	17	38	n.m.	CCS effects: Inventory holding gains/(losses)	42
830	**1,049**	**1,288**	**(36)**	**Operating Result Group**	**4,245**
130	496	875	(85)	Operating Result Upstream [4]	2,589
318	605	567	(44)	Operating Result Downstream	1,913
(43)	(38)	(64)	33	Operating Result Co&O	(156)
425	(14)	(89)	n.m.	Consolidation	(102)
(50)	(8)	24	n.m.	Net financial result	32
780	**1,041**	**1,313**	**(41)**	**Profit before tax**	**4,277**
16	16	12	32	Group effective tax rate (%)	15
653	875	1,151	(43)	Net income	3,635
653	**875**	**1,151**	**(43)**	**Net income attributable to stockholders** [6]	**3,635**
0.0115	0.0154	0.0203	(43)	EPS (RON) [6]	0.0642
-	-	-		Dividend/share (RON)	0.031
1,358	1,775	1,505	(10)	Cash flow from operating activities	6,803
136	734	666	(80)	Free cash flow after dividends	1,730
(6,095)	(5,982)	(5,237)	16	Net debt/(cash) including leases	(5,982)
(6,797)	(6,683)	(5,703)	19	Net debt/(cash) excluding leases	(6,683)
958	1,432	826	16	Capital expenditure	4,225
12.5	13.8	15.2	(17)	Clean CCS ROACE (%) [3, 7]	13.8
11.0	12.9	16.5	(33)	ROACE (%)	12.9
12,135	12,347	12,853	(6)	OMV Petrom Group employees end of period	12,347
0.00	0.17	0.28	n.m.	LTIR [8]	0.31

[1] Q1/20 vs. Q1/19
[2] Sales excluding petroleum excise tax;
[3] Adjusted for special items; Clean CCS (current cost of supply) figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil; special items include temporary effects from commodity hedging (in order to mitigate Income Statement volatility);
[4] Excluding intersegmental profit elimination shown in the line "Consolidation";
[5] Special items, representing exceptional, non-recurring items, are added back or deducted from the Operating Result; for more details please refer to each specific segment;
[6] After deducting net result attributable to non-controlling interests;
[7] Excludes additional special income related to field divestments reflected in the financial result.
[8] Lost-time injury rate (employees and contractors); this figure assists in the evaluation of the average injury frequency with more than one day of work lost related to the working time performed.

Outlook for the full year 2020

The outbreak of the coronavirus (COVID-19) and the efforts to contain it affect the global economy and, as a result, have a negative impact on prices and demand for oil products, gas, power and crude oil. Based on the knowledge OMV Petrom had until publication date, the COVID-19 impact is included in the outlook.

Market environment

- For the full year 2020, OMV Petrom expects the **average Brent oil price** to be at USD 40/bbl (revised down from USD 60/bbl; 2019: USD 64/bbl);
- **Refining margins** are expected to be above USD 5/bbl (2019: USD 4.67/bbl);
- Following the COVID-19 outbreak**, demand for oil products, gas and power** is expected to be significantly lower than in 2019.

Taxation and regulatory environment

- A stable, predictable, and investment-friendly fiscal and regulatory framework remains a key requirement for our future investments, both onshore and offshore;
- The Romanian authorities delayed the decision to change the Offshore Law, which is intended to take place through a parliamentary process;
- Impact of price caps for fuels, gas and power introduced by Military Ordinances will be assessed once secondary legislation becomes available.

OMV Petrom Group

- **CAPEX** (including capitalized exploration and appraisal) is currently anticipated to be around RON 3 bn excluding acquisitions (vs. RON 4.2 bn previous guidance and 2019 level); the reduction would mainly come from drilling activity prioritatisation, as well as postponement of petrochemical and retail projects;
- A **sustainable cost base**, supported by ongoing efficiency programs, is even more important in the context of the current market volatility and challenging regulatory environment; therefore a RON 320 mn yoy cut of operational costs and exploration and appraisal expenditures is currently planned for 2020;
- We expect a **positive free cash flow before dividends**; given our strong balance sheet, we kept unchanged the dividend proposal; consequently our **free cash flow after dividends is expected to turn negative** (revised from positive)**;**
- **Neptun Deep:** we remain keen to see the Neptun Deep strategic project being developed. The final investment decision depends on a range of factors including stable and competitive fiscal framework and the right to freely market the gas;
- **Partnership with Auchan**: contractual negotiations ongoing;
- We are focused on energy efficiency and decreasing the emissions from of our operations; we target to reduce carbon intensity by 27% until 2025 vs. 2010.

Upstream

- **Production:** maintain decline below 5% yoy, excluding portfolio optimization;
- **Portfolio optimization:** continue to focus on the most profitable barrels:
  - transfer 40 marginal fields to Dacian Petroleum, closing expected in H2/20;
  - simplify footprint and focus on our strategic assets.
- **Investments:** reduced to RON 2.0 bn (vs. RON 3.0 bn previous forecast; 2019: RON 3.2 bn):
  - drilling activities to slowdown in Q2/20, with drilling reduced along the creaming curve by more than 30% vs. the initial guidance of around 100 new wells and sidetracks;
  - maintain a constant level of workovers yoy.
- **Exploration:** exploration expenditures reduced to around RON 0.2 bn (vs. RON 0.3 bn previous forecast; 2019: RON 0.4 bn);
- **Regional expansion**: closing of the **acquisition of Han Asparuh** offshore Bulgaria interest expected in H2/20.

Downstream

- **The refinery utilization** rate is expected to be around 85% (previous forecast above 90%; 2019: 97%); this is to be impacted by a decrease in demand triggered by the pandemic crisis, and a two-week planned shutdown in Q3 for maintenance works (postponed from Q2/20);

- OMV Petrom Group has an allocation for Q2/20 to supply the regulated **gas** market with 5.06 TWh at the maximum price of RON 68/MWh; we estimate total gas sales volumes to be lower vs. 2019 (previously slightly lower);
- The Brazi power plant is no longer required to supply the regulated **power** market in 2020, as per current allocation; we estimate total net electrical output to be higher vs. 2019 (previously slightly lower);
- Brazi power plant: a two week planned shutdown for the entire capacity postponed from Q2/20 to Q4/20.

Business segments

First quarter 2020 (Q1/20) vs. first quarter 2019 (Q1/19)

Upstream

- **Clean Operating Result at RON 157 mn, down 81%, mainly due to lower oil and gas prices and higher depreciation**
- **Daily production decline below 2%, supported by increased production in Kazakhstan**
- **OPEX improved by 7% to USD 10.9/boe due to further operational efficiencies and favorable exchange rate**

The **Clean Operating Result** decreased by 81% to RON 157 mn mainly due to lower oil and gas prices and higher depreciation. These were slightly compensated by favorable FX effects (USD 4% stronger against RON) and lower production cost.

In Q1/20, **special items** amounted to RON (27) mn, mainly due to impairment of production assets. In Q1/19, the result reflected special income of RON 50 mn, mainly with regards to fields divested to Mazarine Energy Romania. The **Reported Operating Result** declined by 85% to RON 130 mn in Q1/20.

Group **production costs** (OPEX) in USD/boe improved by 7% to USD 10.87/boe, mainly due to further operational efficiencies and favorable FX effect. In Romania, production costs in USD improved by 6% to USD 10.94/boe, while in RON terms they improved by 2% to RON 47.58/boe.

Total Group hydrocarbon production decreased by 0.8% to 13.68 mn boe, while **daily production** declined by 1.9% (or by 1.5% excluding impact from portfolio optimization) to 150.3 kboe/d, reflecting the leap day in Q1/20.

In **Romania**, hydrocarbon production stood at 13.04 mn boe or 143.3 kboe/d (Q1/19: 13.31 mn boe or 147.9 kboe/d). Crude oil and NGL production in Romania declined by 0.7% to 5.97 mn bbl mainly due to natural decline and the transfer of nine marginal fields to Mazarine Energy Romania in March 2019. Gas production in Romania decreased by 3.2% to 7.07 mn boe due to natural decline in the main fields (Totea Deep and Lebada East) and the impact of maintenance activities, partly compensated by the contribution of the exploration well 4461 Totea South, which started production in Q4/19, and the workover jobs results.

In **Kazakhstan**, hydrocarbon production increased by 34.3% to 0.64 mn boe mainly due to the increased level of interventions and workover activities.

Group hydrocarbon sales volumes was fairly in line with Q1/19 level, reflecting lower own consumption which compensated for the lower hydrocarbon production.

Exploration expenditures decreased to RON 72 mn due to lower exploration drilling and testing activity, partially counterbalanced by the 3D seismic acquisition in VIII - Urziceni East block which was finalized in Q1/20, ahead of schedule and on budget (1,583 km^2 acquired - largest onshore seismic survey in Europe, together with Hunt Oil Company of Romania S.R.L. as operator).

Exploration expenses increased to RON 46 mn due to seismic acquisition in VIII - Urziceni East block.

Capital expenditure including capitalized E&A was in line with the Q1/19 level.

In Q1/20, we finalized the drilling of 20 new wells and sidetracks (Q1/19: 21 new wells and sidetracks).

Downstream

- **Downstream Oil: Clean CCS Operating Result at RON 514 mn, higher by 133% due to improved refining margins, as well as strong operational and sales performance, partly offset by the start of the pandemic crisis**
- **Downstream Gas: Clean Operating Result at RON 147 mn, down 6%, as the impact from lower gas prices was largely offset by the positive effect from realized power forward contracts, reflecting the integrated model**

The **Clean CCS Operating Result** increased to RON 661 mn in Q1/20 (Q1/19: RON 378 mn), reflecting significantly higher Downstream Oil result and marginally lower Downstream Gas result. The **Reported Operating Result** of RON 318 mn reflected a **special gain** of RON 142 mn (mainly consisting of temporary positive effects from forward contracts in Downstream Gas) and negative **CCS effects** of RON 484 mn (mainly due to inventory net realizable value effect and decreasing crude quotations during the quarter).

In Q1/20, the **Downstream Oil Clean CCS Operating Result** increased to RON 514 mn (Q1/19: RON 221 mn), supported by improved refining margins, excellent operational and sales performance, as well as positive effects from hedging and the sale of CO2 certificates, partly offset by the start of the COVID-19 outbreak.

The **OMV Petrom indicator refining margin** increased by USD 3.13/bbl to USD 6.75/bbl in Q1/20, as an effect of better product spreads, except for middle distillates, and of lower crude price. The **refinery utilization rate** stood at the same level of 96% in Q1/20 as in Q1/19.

Total **refined product sales** volumes were higher by 1% vs. Q1/19, reflecting the favorable market conditions (mild winter and extra excise elimination) from the first two months of the year, the effect of COVID-19 outbreak being visible only towards the end of March. Group retail sales volumes, which accounted for 52% of total refined product sales, increased by 1% compared to Q1/19 as a result of higher demand until mid-March, particularly in Romania. Q1/20 non-retail sales volumes increased by 2% yoy, as a result of capturing market opportunities in the context of reduced supply in the domestic market.

The Downstream Gas Clean Operating Result was RON 147 mn in Q1/20, reflecting the integrated model, as the weaker gas performance impacted by volumes sold at the regulated price and also by the lower prices on the free market was largely compensated by an improved power performance built on forward contracts; for comparison, the clean operating result in Q1/19 was RON 157 mn.

As per OMV Petrom's estimates, national **gas** consumption decreased by approximately 2% compared to the same quarter of last year. On the Romanian centralized markets, the weighted average price of natural gas for transactions closed in Q1/20 (10.7 TWh) for various standard products was RON 71/MWh[3,4] (Q1/19: RON 100/MWh for standard products traded). Regarding short-term deliveries, on BRM day-ahead market, the average price[5] in Q1/20 was RON 66 /MWh (Q1/19: RON 107 /MWh).

In Q1/20, OMV Petrom's total gas sales volumes increased by 52% yoy to 18.61 TWh and the gas sales volumes sold to third parties were 64% higher yoy; enabled by third-party supply, OMV Petrom successfully maintained its customer portfolio in the context of the regulated market allocation and centralized market obligation. At the end of Q1/20, OMV Petrom had 0.3 TWh in underground storage, similar to Q1/19.

OMV Petrom supplied the gas regulated market, delivering 5.52 TWh to the households and district heating for households suppliers in Q1/20, as per the set allocation. In addition, on the centralized markets, OMV Petrom sold 4.7 TWh in standard products in Q1/20 at an average price in line with the market price[4].

As per currently available information from the grid operator, national **electricity** consumption decreased by 3% compared to the same quarter of 2019, while national production decreased by 4%; thus Romania was a net power importer in Q1/20, same as in Q1/19.

The Brazi power plant generated in Q1/20 a slightly higher net electrical output of 1.11 TWh (Q1/19: 1.08 TWh); no quantities were supplied to the regulated power market, as there was no allocation in this respect.

Total Downstream investments amounted to RON 295 mn (Q1/19: RON 168 mn), almost all amounts spent in the Downstream Oil segment in both Q1/20 and Q1/19. The Q1/20 investments were mostly directed to refining, mainly for securing long term logistic access through railway lines at Petrobrazi refinery and for the upgrade of unloading and storage facilities for bio-blending components project, while in Q1/19 they were directed to the completion of the Polyfuel and Coker closed blowdown system projects.

[3] OMV Petrom estimates based on available public information

[4] Standard products refers to all products offered on the BRM and OPCOM trading platforms i.e. weekly products, monthly products, quarterly products, gas-year products etc. and the price could include storage related tariffs in connection with the gas volumes sold/extracted from storage

[5] Average computed based on daily trades published on BRM platform