

OMV Petrom Group Factsheet Q3/20

October 29, 2020

OMV Petrom S.A.

OMV Petrom Group results¹ for January – September and Q3 2020 including unaudited interim condensed consolidated financial statements as of and for the period ended September 30, 2020

Highlights Q3/20²

Group

- ▶ Results supported by demand recovery from the COVID-19 crisis lows and enhanced by vertical integration
- ▶ Clean CCS Operating Result at RON 0.6 bn, 54% lower
- ▶ Clean CCS net income attributable to stockholders at RON 0.5 bn, down 54%
- ▶ Cash flow from operating activities at RON 1.7 bn, 18% lower
- ▶ CAPEX at RON 0.8 bn, down 24%
- ▶ Free cash flow after dividends at RON 1.1 bn, 23% lower
- ▶ Clean CCS ROACE at 8.4%, 6 pp lower
- ▶ LTIR: 0.19 (Q3/19: 0.40)³

Upstream

- ▶ Clean Operating Result at RON (46) mn vs. RON 546 mn in Q3/19, mainly due to lower oil and gas prices
- ▶ Production decline at 6%, reflecting natural decline and planned maintenance activities
- ▶ OPEX up 8% to USD 11.2/boe, on lower production available for sale and unfavorable FX

Downstream Oil

- ▶ Clean CCS Operating Result at RON 373 mn, 36% lower, on declining refining margins, partly counterbalanced by good performance of the sales channels in the context of the pandemic crisis
- ▶ OMV Petrom indicator refining margin at USD 0.94/bbl, down by 85%
- ▶ Refinery utilization rate at 86%, reflecting the planned shutdown in July
- ▶ Retail volumes lower by only 3%, reflecting recovering demand

Downstream Gas

- ▶ Clean Operating Result at RON 190 mn, more than 3 times higher, driven by the excellent power business performance
- ▶ Net electrical output 30% higher at 1.31 TWh, supported by positive spark spreads
- ▶ Gas sales volumes dropped 9%, on lower quantities sold to wholesalers

Key events

- ▶ OMV Petrom completed the acquisition of Han Asparuh offshore Bulgaria interest
- ▶ OMV Petrom and Auchan Retail Romania announced the agreement to extend their partnership. Approximately 400 MyAuchan proximity stores will be opened in the Petrom-branded filling stations network in Romania, in the next five years
- ▶ OMV Petrom and Enel X partnered to install 10 fast recharging stations for electric cars in filling stations in Romania
- ▶ OMV Petrom recorded net impairments of RON 399 mn before tax, triggered by revision of mid- and long-term price assumptions
- ▶ OMV Petrom's Supervisory Board appointed Mr. Christopher Veit as new Executive Board member responsible for Upstream

¹ The financials are unaudited and represent OMV Petrom Group's (herein after also referred to as "the Group") results prepared according to IFRS; all the figures refer to OMV Petrom Group, unless otherwise stated; financials are expressed in RON mn and rounded to the closest integer value, so minor differences may result upon reconciliation; OMV Petrom uses the National Bank of Romania exchange rates for its consolidation process. Unless specified differently, amounts related to Downstream represent totals of Downstream Oil and Downstream Gas.

² All comparisons described relate to the same quarter in the previous year except where mentioned otherwise.

³ Lost-time injury rate (employees and contractors). The number of lost time injuries (fatalities and lost workday injuries) per one million hours worked.

Financial highlights

Q3/20	Q2/20	Q3/19	Δ% ¹	in RON mn	9m/20	9m/19	Δ%
5,053	3,984	6,869	(26)	Sales revenues ²	15,122	18,189	(17)
570	276	1,228	(54)	Clean CCS Operating Result ³	1,821	3,452	(47)
(46)	(130)	546	n.m.	Clean Operating Result Upstream ^{3,4}	(19)	2,144	n.m.
563	443	637	(12)	Clean CCS Operating Result Downstream ³	1,667	1,337	25
(22)	(9)	(21)	(3)	Clean Operating Result Co&O ³	(54)	(59)	9
76	(28)	66	14	Consolidation	227	30	n.m.
16	12	16	3	Clean CCS Group effective tax rate (%)	16	16	1
471	318	1,024	(54)	Clean CCS net income ^{3,7}	1,549	2,926	(47)
471	317	1,024	(54)	Clean CCS net income attributable to stockholders ^{3,6,7}	1,548	2,926	(47)
0.0083	0.0056	0.0181	(54)	Clean CCS EPS (RON) ^{3,6,7}	0.0273	0.0517	(47)
570	276	1,228	(54)	Clean CCS Operating Result ³	1,821	3,452	(47)
(562)	12	(246)	(129)	Special items ⁵	(456)	(281)	(62)
(53)	(145)	(44)	(20)	CCS effects: Inventory holding gains/(losses)	(437)	25	n.m.
(44)	143	939	n.m.	Operating Result Group	928	3,196	(71)
(1,097)	(118)	512	n.m.	Operating Result Upstream ⁴	(1,085)	2,093	n.m.
1,058	435	383	176	Operating Result Downstream	1,811	1,309	38
(20)	(10)	(28)	30	Operating Result Co&O	(73)	(118)	38
14	(164)	72	(80)	Consolidation	275	(88)	n.m.
(8)	87	(13)	39	Net financial result	29	40	(27)
(52)	229	926	n.m.	Profit/(loss) before tax	957	3,236	(70)
21	7	15	41	Group effective tax rate (%)	14	15	(7)
(41)	214	785	n.m.	Net income/(loss)	826	2,760	(70)
(41)	214	785	n.m.	Net income/(loss) attributable to stockholders ⁶	826	2,760	(70)
(0.0007)	0.0038	0.0139	n.m.	EPS (RON) ⁶	0.0146	0.0487	(70)
1,719	1,230	2,094	(18)	Cash flow from operating activities	4,306	5,027	(14)
1,059	(1,239)	1,383	(23)	Free cash flow after dividends	(44)	996	n.m.
(5,841)	(4,841)	(5,394)	8	Net debt/(cash) including leases	(5,841)	(5,394)	8
(6,540)	(5,517)	(5,986)	9	Net debt/(cash) excluding leases	(6,540)	(5,986)	9
816	611	1,079	(24)	Capital expenditure	2,385	2,793	(15)
8.4	10.3	14.7	(43)	Clean CCS ROACE (%) ^{3,7}	8.4	14.7	(43)
5.6	8.5	15.1	(63)	ROACE (%)	5.6	15.1	(63)
11,798	11,938	12,611	(6)	OMV Petrom Group employees end of period	11,798	12,611	(6)
0.19	0.19	0.40	(53)	LTIR ⁸	0.12	0.36	(67)

¹ Q320 vs. Q3/19

² Sales revenues 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). The number of lost time injuries (fatalities and lost workday injuries) per one million hours worked.

Outlook for the full year 2020

All the below is based on the assumption of no further significant lockdowns by year end.

Market environment

- ▶ For the full year 2020, OMV Petrom expects the **average Brent oil price** to be at USD 40/bbl (2019: USD 64/bbl);
- ▶ **Refining margins** are expected to be around USD 3/bbl (previously: below USD 4/bbl; 2019: USD 4.67/bbl);
- ▶ Following the COVID-19 outbreak, **demand for oil products** and **power** is expected to be below 2019, while **demand for gas** is expected to be broadly similar to 2019, supported by gas intensive industries.

Taxation and regulatory environment

- ▶ According to public statements, the **Offshore Law** is intended to be changed through a parliamentary process to be initiated after the next parliamentary elections;
- ▶ In June 2020, a **gas release program (GRP)** was put in place. Subsequently, several changes were implemented related to producers' obligation, creating regulatory volatility and putting pressure on gas prices.

OMV Petrom Group

- ▶ **CAPEX** (including capitalized exploration and appraisal) is anticipated to be around RON 3 bn excluding acquisitions (2019: RON 4.2 bn); **operational costs and exploration and appraisal expenditures** are planned to be cut by around RON 0.3 bn yoy;
- ▶ Given our strong balance sheet, we paid in June RON 1.74 bn dividends for FY 2019; based on our strong cash generation capability, for the full year we aim for a slightly positive **free cash flow after dividends** (previously: negative);
- ▶ **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 a stable and competitive fiscal framework and a free gas market;
- ▶ **Partnership with Auchan**: the roll-out in the Petrom-branded network will start in Q4/20, alongside the rebranding of the filling stations;
- ▶ We are focused on energy efficiency and decreasing the emissions from our operations; our target is 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 and simplify footprint:
 - ▶ transfer 40 marginal fields to Dacian Petroleum, closing aimed around year-end;
 - ▶ marketing process under way to divest Kazakhstan assets;
 - ▶ focus on our strategic Black Sea assets.
- ▶ **CAPEX**: around RON 2 bn (2019: RON 3.2 bn), excluding acquisitions; drill around 60 new wells and sidetracks and perform around 800 workover jobs (previously: a constant level of workovers yoy);
- ▶ **Exploration**: exploration expenditures around RON 0.2 bn (2019: RON 0.4 bn);
- ▶ **Regional expansion**: following successful bidding procedure, ongoing negotiations of production sharing contract for **Georgia Offshore Exploration Block II** estimated to be finalized by year-end.

Downstream

- ▶ The **refinery utilization rate** is estimated to be around 90% (2019: 97%);
- ▶ We estimate **total gas sales volumes** to be at similar level to 2019; OMV Petrom no longer has an allocation to supply the regulated **gas** market in H2/20 following market liberalization as of July 1;
- ▶ We estimate **total net electrical output** to be higher vs. 2019; the Brazi power plant has received a 0.13 TWh allocation to supply the regulated **power** market in Q4/20 at a RON 223/MWh regulated price; Brazi power plant: a two week planned shutdown for the entire capacity, already finalized in October.

Business segments

Third quarter 2020 (Q3/20) vs. third quarter 2019 (Q3/19)

Upstream

- ▶ **Clean Operating Result at RON (46) mn vs. RON 546 mn in Q3/19, mainly due to lower oil and gas prices**
- ▶ **Production decline at 6%, reflecting natural decline and planned maintenance activities**
- ▶ **OPEX up 8% to USD 11.2/boe, on lower production available for sale and unfavorable FX**

Clean Operating Result was a RON (46) mn loss vs. a RON 546 mn profit in Q3/19, mainly driven by lower oil and gas prices, lower sales volumes and unfavorable FX (weaker USD against RON), which were partly compensated by lower clean exploration expenses, royalties, as well as selling and distribution expenses.

Special items amounted to RON (1,051) mn, reflecting impairments and restructuring charges. The restructuring costs were triggered by ongoing projects for outsourcing of certain production support activities. **Reported Operating Result** was a loss of RON (1,097) mn vs. a RON 512 mn profit in Q3/19.

Group production costs (OPEX) in USD increased by 8% to USD 11.24/boe, mainly due to lower production available for sale and unfavorable FX, partly compensated by ongoing cost optimization. In Romania, production costs in USD were up by 9% to USD 11.41/boe, while in RON terms they increased by 6% to RON 47.19/boe.

Group hydrocarbon production decreased by 5.97% due to lower production in Romania, while production in Kazakhstan slightly increased.

In **Romania**, hydrocarbon production was 12.35 mn boe or 134.3 kboe/d (Q3/19: 13.21 mn boe or 143.6 kboe/d). Crude oil and NGL production in Romania declined by 3.6% to 5.77 mn bbl mainly due to natural decline. Gas production in Romania decreased by 8.9% to 6.58 mn boe due to natural decline in the main fields (Totea Deep and Lebada East) and planned maintenance activities, especially at Hurezani, partly counterbalanced by the contribution of exploration well 4461 Totea South.

In **Kazakhstan**, hydrocarbon production increased by 5.6% to 0.65 mn boe mainly due to workover and interventions activities.

Group hydrocarbon sales volumes decreased by 6.3% compared with Q3/19 due to lower sales in Romania.

Exploration expenditures decreased to RON 25 mn as less drilling activities were performed.

Exploration expenses increased to RON 661 mn in Q3/20 mainly due to write-off of exploration wells as a result of the change in mid- and long-term oil price assumptions.

Capital expenditure including capitalized E&A declined by 33% mainly due to reduced development drilling and exploration activities as well as due to a high base in Q3/19, from recognition of assets under IFRS 16 "Leases" for a long-term contract.

In 9m/20, we finalized the drilling of 43 new wells and sidetracks, including one exploration well (9m/19: 65 new wells and sidetracks, including one exploration well).

Downstream

- ▶ **Downstream Oil: Clean CCS Operating Result at RON 373 mn, 36% lower, on declining refining margins, partly counterbalanced by good performance of the sales channels in the context of the pandemic crisis; refinery utilization rate at 86%, reflecting the planned shutdown; retail sales volumes down by 3%**
- ▶ **Downstream Gas: Very good results from the integrated business model: excellent power business performance, as well as good resilience of our gas business**

Clean CCS Operating Result decreased to RON 563 mn in Q3/20 (Q3/19: RON 637 mn), reflecting the lower Downstream Oil result, partly offset by significantly higher result in Downstream Gas. **Reported Operating Result** of RON 1,058 mn reflecting **special income** of RON 486 mn (mainly from the full reversal of impairments for Brazi gas-fired power plant) and a **CCS gain** of RON 9 mn.

In Q3/20, **Downstream Oil Clean CCS Operating Result** decreased to RON 373 mn (Q3/19: RON 580 mn), negatively impacted by the lower indicator refining margin and the planned shutdown in July. Sales volumes were still affected by the pandemic crisis, but recovered better than expected at the beginning of the quarter. The negative effects were also counterbalanced to some extent by good performance of the sales channels, the positive impact related to middle distillate margin hedges and by strict cost management.

OMV Petrom indicator refining margin decreased by USD 5.5/bbl to USD 0.94/bbl in Q3/20, mainly as a result of falling product spreads (particularly diesel and gasoline). The **refinery utilization rate** was 86% in Q3/20 (Q3/19: 99%) reflecting the two weeks' shutdown in July.

Total **refined product sales** volumes were down 7% vs. Q3/19, reflecting the weaker demand under the pandemic crisis circumstances. Group retail sales volumes, which accounted for 57% of total refined product

sales, decreased by 3% compared to Q3/19, being affected by lower traffic. Q3/20 non-retail sales volumes decreased by 12% yoy, reflecting the lower domestic demand and higher export sales.

Downstream Gas Clean Operating Result was RON 190 mn in Q3/20 (Q3/19: RON 57 mn), reflecting the excellent contribution from power forward contracts complemented by balancing market and ancillary services revenues. The gas business proved a very good portfolio resilience in the context of declining gas prices.

As per OMV Petrom's estimates, national **gas** consumption increased by approximately 13% compared to Q3/19. Since July 2020, the Romanian gas market is fully liberalized. On the centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products closed in Q3/20 (20.3 TWh) was RON 56/MWh^{4,5} (Q3/19: RON 112/MWh for standard products traded). Regarding short-term deliveries, on BRM day-ahead market, the average price⁶ in Q3/20 was RON 48/MWh (Q3/19: RON 102/MWh).

In Q3/20, OMV Petrom's total gas sales volumes decreased by 9% to 12.11 TWh. Gas volumes sold to third parties were 17% lower vs. Q3/19, mainly due to a high base effect from Q3/19 that included obligations for the regulated and the centralized markets.

On the centralized markets, OMV Petrom sold 4.2 TWh in standard products in Q3/20 at an average price in line with the market price⁴. At the end of Q3/20, OMV Petrom had 3.0 TWh natural gas in storage, compared to 4.3 TWh at the end of Q3/19.

As per currently available information from the grid operator, national **electricity** consumption was 2% lower compared to the same quarter of 2019, while national production increased by 3%. Romania was a net importer of electricity in Q3/20, as in Q3/19.

The Brazi power plant generated in Q3/20 a net electrical output of 1.30 TWh, 30% higher compared to 1.00 TWh in Q3/19, on positive spark spreads. The power plant accounted for approximately 10% of Romania's power generation in Q3/20. According to allocations in effect, 0.05 TWh were supplied to the regulated power market at a regulated price of around RON 223/MWh.

Total **Downstream investments** amounted to RON 184 mn (Q3/19: RON 117 mn), in both periods almost all amounts directed to Downstream Oil, in Q3/20 mainly related to recognition of assets under IFRS 16 "Leases" for a long-term land rental contract and various works performed in the context of the refinery planned shut-down. In Q3/19, investments were mainly directed to the upgrade of unloading and storage facilities for bio-blending components at Petrobrazi refinery.

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⁴ OMV Petrom estimates based on available public information

⁵ 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

⁶ Average computed based on daily trades published on BRM platform