OMV Petrom Group Factsheet Q1/21

April 29, 2021

Highlights Q1/21[i]

Group

- Swift measures and the integrated business model partly counterbalanced the challenging environment
- Clean CCS Operating Result at RON 0.7 bn, 33% lower
- Clean CCS net income attributable to stockholders at RON 0.5 bn, down 32%
- Cash flow from operating activities at RON 1.2 bn, 15% lower
- CAPEX at RON 0.6 bn, down 40%
- Free cash flow after dividends at RON 0.4 bn, 212% higher
- Clean CCS ROACE at 5.7%, 7 pp lower
- TRIR 0.38 (Q1/20: 0.60)[ii]

Upstream

- Clean Operating Result at RON 311 mn vs. RON 157 mn in Q1/20, mainly due to higher oil price and lower total costs
- Production decreased by 7.6%, due to natural decline in main fields and lower investment level in 2020
- Production cost increased by 15% to USD 12.5/boe, driven by lower production available for sale and unfavorable FX, partly compensated by ongoing cost optimization

Downstream Oil

- Clean CCS Operating Result at RON 308 mn, down 40%, reflecting the weaker margins environment, as well as the high base effect due to one-off revenues in Q1/20
- OMV Petrom indicator refining margin at USD 2.80/bbl, down 58%, as a result of falling product spreads
- Refinery utilization rate at 95%, above European refineries' average
- Retail volumes flat, mainly on recovering demand, particularly in Romania

Downstream Gas

- Clean Operating Result at RON 181 mn, 23% higher vs Q1/20, driven by better performance of both the gas and power businesses
- Gas sales volumes down by 23%, in part due to a high base effect from regulatory-driven sales in Q1/20
- Net electrical output at 1.18 TWh, 6% higher, on supportive spark spreads

Key events

- OMV Petrom will be the operator of Neptun Deep block, in case Romgaz becomes a partner in the Neptun Deep project
- OMV Petrom signed the Production Sharing Contract for Block II, offshore Georgia

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

[ii] Total Recordable Injury Rate; the number of recordable injuries (fatalities + lost workday cases + restricted work day cases + medical treatment cases) calculated as 12 months rolling average per 1,000,000 hours worked.

Financial highlights

Q1/21	Q4/20	Q1/20	Δ% [1]	in RON mn	2020
4,861	4,595	6,086	(20)	Sales revenues [2]	19,717
653	**467**	**975**	**(33)**	**Clean CCS Operating Result [3]**	**2,287**
311	26	157	99	Clean Operating Result Upstream [3, 4]	7
489	505	661	(26)	Clean CCS Operating Result Downstream [3]	2,171
(24)	(30)	(22)	(9)	Clean Operating Result Co&O [3]	(84)
(122)	(34)	180	n.m.	Consolidation	193
16	15	18	(10)	Clean CCS Group effective tax rate (%)	16
520	382	760	(32)	Clean CCS net income [3]	1,931
520	**382**	**760**	**(32)**	**Clean CCS net income attributable to stockholders [3,6]**	**1,931**
0.0092	0.0067	0.0134	(32)	Clean CCS EPS (RON) [3,6]	0.0341
653	**467**	**975**	**(33)**	**Clean CCS Operating Result [3]**	**2,287**
(61)	31	94	n.m.	Special items [5]	(425)
114	41	(239)	n.m.	CCS effects: Inventory holding gains/(losses)	(396)
707	**539**	**830**	**(15)**	**Operating Result Group**	**1,467**
302	100	130	132	Operating Result Upstream [4]	(985)
619	507	318	95	Operating Result Downstream	2,317
(34)	(32)	(43)	22	Operating Result Co&O	(105)
(182)	(35)	425	n.m.	Consolidation	240
(34)	(17)	(50)	31	Net financial result	12
672	**522**	**780**	**(14)**	**Profit before tax**	**1,479**
15	11	16	(9)	Group effective tax rate (%)	13
573	465	653	(12)	Net income	1,291
573	**465**	**653**	**(12)**	**Net income attributable to stockholders [6]**	**1,291**
0.0101	0.0082	0.0115	(12)	EPS (RON) [6]	0.0228
-	-	-	-	Dividend/share (RON)	0.0310
1,152	1,249	1,358	(15)	Cash flow from operating activities	5,556
424	697	136	212	Free cash flow after dividends	652
(6,881)	(6,486)	(6,095)	13	Net debt/(cash) including leases	(6,486)
(7,550)	(7,167)	(6,797)	11	Net debt/(cash) excluding leases	(7,167)
571	821	958	(40)	Capital expenditure	3,206
5.7	6.4	12.5	(55)	Clean CCS ROACE (%) [3]	6.4
3.9	4.1	11.0	(64)	ROACE (%)	4.1
9,224	10,761	12,135	(24)	OMV Petrom Group employees end of period	10,761
0.38	0.29	0.60	n.m.	TRIR [7]	0.29

[1] Q1/21 vs. Q1/20

[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 hedging effects (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] Total Recordable Injury Rate; the number of recordable injuries (fatalities + lost workday cases + restricted work day cases + medical treatment cases) calculated as 12 months rolling average per 1,000,000 hours worked.

Outlook for the full year 2021

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

Market environment

- For the full year 2021, OMV Petrom expects the **average Brent oil price** to range between USD 60/bbl and USD 65/bbl (previous forecast: between USD 50/bbl and USD 55/bbl; 2020: USD 42/bbl)
- **Refining margins** are expected to be above 4 USD/bbl (2020: USD 2.9/bbl)
- **Demand for oil products** and **power** is expected to be above 2020, while **demand for gas** is expected to be broadly similar to 2020.

OMV Petrom Group

- **CAPEX** excluding acquisitions is anticipated to be around RON 2.9 bn (2020: RON 3 bn)
- We expect a **positive free cash flow before dividends** (2020: RON 0.7 bn)
- **Neptun Deep:** OMV Petrom sees a strong need for the Offshore Law to be amended
- **Partnership with Auchan:** up to 100 MyAuchan stores to be opened in upgraded Petrom-branded filling stations in 2021 (at year-end 2020: 25 stores)
- We target to **reduce carbon intensity** by 27% until 2025 vs. 2010 (2020: 26% lower vs. 2010).

Upstream

- **Production:** maintain decline at around 5% yoy in Romania, excluding portfolio optimization (2020: below 5%)
- **Portfolio optimization:** continue to focus on the most profitable barrels:
    - Transfer of 40 marginal fields to Dacian Petroleum, closing expected in Q2/21
    - Kazakhstan assets divestment to Magnetic Oil Limited, closing expected in Q2/21
- **Investments, excluding acquisitions:** at RON 1.8 bn (2020: RON 2.2 bn):
    - Drill up to 40 new wells and sidetracks and perform more than 700 workovers (2020: 63 new wells and sidetracks; 830 workovers)
- **Exploration:** exploration expenditures around RON 0.2 bn (2020: RON 0.2 bn)
- **Regional expansion:**
    - Han Asparuh offshore Bulgaria: seismic data processing towards maturing future drilling candidates
    - Georgia Offshore Exploration Block II: Production Sharing Contract signed in Q1/21.

Downstream

- The **refinery utilization rate** is estimated to be above 95% (2020: 92%)
- Total **refined product sales** are forecasted to be higher compared to 2020 (2020: 5.0 mn t)
- Total **gas sales volumes** are estimated to be lower vs. 2020 (2020: 57 TWh), in part due to regulatory-requirements in 2020
- **Net electrical output** is forecasted to be higher vs. 2020 (2020: 4.2 TWh); Brazi power plant: planned shutdown in Q2/21 (2020: in Q4).

Business segments

First quarter 2021 (Q1/21) vs. first quarter 2020 (Q1/20)

Upstream

- **Clean Operating Result at RON 311 mn vs. RON 157 mn in Q1/20, mainly due to higher oil price and lower total costs**
- **Production decreased by 7.6% due to natural decline in main fields and lower investment level in 2020**
- **Production cost increased by 15% to USD 12.53/boe, driven by lower production available for sale and unfavorable FX, partly compensated by ongoing cost optimization**

Clean Operating Result was RON 311 mn, 99% higher vs. Q1/20, driven by higher oil price and lower depreciation, exploration expenses, Upstream specific taxation, which were partly offset by lower sales volumes, lower gas price, and unfavorable FX.

Special items amounted to RON (9) mn in Q1/21 mainly reflecting restructuring charges, while in Q1/20 they amounted to RON (27) mn, mainly related to impairment of production assets. **Reported Operating Result** was RON 302 mn, 132% higher vs. Q1/20.

Group production costs (OPEX) increased by 15% to USD 12.53/boe, due to lower production available for sale and unfavorable FX (USD depreciated against RON by 7%), which were partly offset by ongoing cost optimization. In Romania, production costs in USD increased by 15% to USD 12.55/boe, while in RON terms they increased by 6.8% to RON 50.81/boe.

Group hydrocarbon production decreased by 7.6% due to lower production both in Romania and Kazakhstan.

In Romania, hydrocarbon production was 11.95 mn boe or 132.7 kboe/d (Q1/20: 13.04 mn boe or 143.3 kboe/d). Crude oil and NGL production in Romania dropped by 6.5% to 5.58 mn bbl mainly due to natural decline. Gas production in Romania decreased by 10.0% to 6.37 mn boe due to natural decline in the main fields (Totea Deep and Lebada East) and well 4461 Totea South, as well as planned maintenance activities.

In Kazakhstan, hydrocarbon production decreased by 13% to 0.55 mn boe mainly due to planned maintenance works and unplanned shutdowns.

Group hydrocarbon sales volumes decreased by 8% due to lower sales in Romania, while in Kazakhstan they increased by 1%.

Exploration expenditures decreased to RON 16 mn, due to less seismic acquisition and onshore drilling activities.

Exploration expenses decreased to RON 18 mn, due to less seismic acquisition activities, as Q1/20 was marked by the completion of the seismics aquisition in the VIII - Urziceni East block.

Capital expenditure declined by 22%, mainly due to reduced drilling activities and slower pace of facilities projects following reprioritization measures started last year.

In Q1/21 we finalized the drilling of 12 new wells and sidetracks (Q1/20: 20 new wells and sidetracks).

Downstream

- **Downstream Oil: Clean CCS Operating Result at RON 308 mn, down 40%, reflecting the weaker margins environment, as well as the high base effect due to one-off revenues in Q1/20; refinery utilization rate at 95%; retail sales volumes flat**
- **Downstream Gas: Clean Operating Result at RON 181 mn, up 23%, reflecting improved contribution from both gas and power businesses**

Clean CCS Operating Result decreased to RON 489 mn in Q1/21 (Q1/20: RON 661 mn), triggered by the weaker result in Downstream Oil, partly offset by the significant improvement of the Downstream Gas result. **Reported Operating Result** of RON 619 mn reflected also positive CCS effects of RON 174 mn and special charges of RON (43) mn.

In Q1/21, **Downstream Oil Clean CCS Operating Result** decreased to RON 308 mn (Q1/20: RON 514 mn), impacted by the weaker margins environment, reflecting also a high base effect from the CO2 certificates sale and positive hedging impact in Q1/20.

OMV Petrom indicator refining margin decreased by USD 3.95/bbl to USD 2.80/bbl in Q1/21, as a result of falling product spreads, mainly for diesel. The **refinery utilization rate** was 95% in Q1/21, marginally lower than the Q1/20 level of 96%, but remaining above the average utilization rate of European refineries of around 71%[iii]. The high refinery utilization rate in Q1/21 was supported by placing more equity products on all our markets while reducing third-party supply.

Total refined product sales volumes were down 4% vs. Q1/20, mainly impacted by weaker demand in the aviation business. Group retail sales volumes, which accounted for 54% of total refined product sales, were flat compared to Q1/20 mainly on recovering demand, particularly in Romania. Q1/21 non-retail sales volumes decreased by 8% yoy, mainly due to the decline in the aviation business, partially compensated by higher exports.

[iii] OMV Petrom computation based on available public information;

Downstream Gas Clean Operating Result was RON 181 mn in Q1/21 (Q1/20: RON 147 mn), reflecting better power business result, mainly from higher balancing market and ancillary services revenues, as well as improved contribution from the gas business, supported by better margins on gas extracted from storage, despite lower gas prices and lower volumes.

As per OMV Petrom's estimates, national gas consumption increased by approximately 6% compared to Q1/20.

On the Romanian centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products closed in Q1/21 (11.4 TWh) was RON 81/MWh[iv,v] (Q1/20: RON 71/MWh for standard products traded). Regarding short-term deliveries, on BRM day-ahead market, the average price[vi] in Q1/21 was RON 95/MWh (Q1/20: RON 66/MWh).

In Q1/21, OMV Petrom's total gas sales volumes decreased by 23% to 14.36 TWh, in part due to the regulatory-driven large sales volumes in Q1/20 creating a high base effect; starting July 2020, the obligation to supply gas to the regulated market ceased, while Q1/20 sales included 5.5 TWh delivered to the regulated market. The total gas sales volumes sold to third parties were 11.65 TWh, 28% lower vs. Q1/20.

On the centralized markets, OMV Petrom sold 3.8 TWh in standard products in Q1/21 at an average price in line with the market price[v]. At the end of Q1/21, OMV Petrom had 0.4 TWh natural gas in storage, compared to 0.3 TWh at the end of Q1/20.

As per currently available information from the grid operator, national **electricity** consumption was 4% higher compared to the same quarter of 2020, while national production increased by 5%, Romania still being a net importer in Q1/21.

The Brazi power plant generated in Q1/21 a net electrical output of 1.18 TWh, 6% higher than the 1.11 TWh in Q1/20, on supportive spark spreads. The results of our spot and forward power sales were complemented by Brazi power plant revenues from the ancillary services and balancing markets, proving its sustainable support to the electricity security of supply and systems balancing at the national level.

Total **Downstream investments** amounted to RON 57 mn (Q1/20: RON 295 mn), thereof RON 56 mn in Downstream Oil (Q1/20: RON 295 mn). In Q1/21, most amounts in Downstream Oil were routed to ongoing investments in the tank farm area and to preliminary works related to coke drums replacement at Petrobrazi refinery. In Q1/20, investments were significantly higher, 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.

Disclaimer

[iv] OMV Petrom estimates based on available public information;

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

[vi] Average computed based on daily trades published on BRM platform.