OMV Petrom Group Factsheet Q2/21

July 28, 2021

Highlights Q2/21[i]

Group

- In Romania demand for our products broadly recovered to pre-COVID levels
- Clean CCS Operating Result at RON 0.9 bn, 209% higher
- Clean CCS net income attributable to stockholders at RON 0.7 bn, up 113%
- Cash flow from operating activities at RON 1.5 bn, 23% higher
- CAPEX at RON 0.6 bn, up 4%
- Free cash flow after dividends improved by 66% to RON (0.4) bn; RON 1.7 bn dividend payment in June
- Clean CCS ROACE at 7.4%, 3 pp lower
- TRIR: 0.53 (Q2/20: 0.38)[ii]

Upstream

- Clean Operating Result at RON 473 mn vs. RON (130) mn in Q2/20, mainly due to higher oil and gas prices
- Production decreased by 9.2%, mainly due to the divestment of production assets in Kazakhstan and high natural decline in the main fields
- Production cost increased by 24% to USD 12.4/boe, mainly driven by lower production available for sale and unfavorable FX

Downstream Oil

- Clean CCS Operating Result at RON 403 mn, up 38% reflecting recovering demand and refining margins
- OMV Petrom indicator refining margin at USD 4.27/bbl, up 131% on higher product spreads, mainly for gasoline and middle distillates
- Refinery utilization rate at 91%, compared to 89% in Q2/20; significantly above the European average
- Retail volumes 37% higher, reflecting relaxation of mobility restrictions

Downstream Gas

- Clean Operating Result at RON 61 mn, 59% lower yoy, on lower contribution from power forward contracts and one-off revenue in Q2/20
- Gas sales volumes down by 14%, due to a high base effect from regulatory-required sales in Q2/20
- Net electrical output at 0.70 TWh, 23% higher, in the context of the planned shutdown of Brazi power plant completed in Q2/21 (no shutdown in Q2/20)

Key events

- OMV Petrom closed the divestment of the subsidiaries in Kazakhstan
- OMV Petrom and Renovatio announced a partnership for electric mobility in Romania
- OMV Petrom to invest approximately EUR 70 mn at Petrobrazi for replacing the Coke Drums by end-2023, of which EUR 11 mn this year
- OMV Petrom enters the liquefied natural gas distribution market

[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

Q2/21	Q1/21	Q2/20	Δ% [1]	in RON mn	6m/21	6m/20	Δ%
5,264	4,861	3,984	32	Sales revenues [2]	10,126	10,069	1
851	**653**	**276**	**209**	**Clean CCS Operating Result [3]**	**1,504**	**1,250**	**20**
473	311	(130)	n.m.	Clean Operating Result Upstream [3, 4]	784	27	n.m.
464	489	443	5	Clean CCS Operating Result Downstream [3]	953	1,104	(14)
(9)	(24)	(9)	3	Clean Operating Result Co&O [3]	(33)	(32)	(5)
(77)	(122)	(28)	(177)	Consolidation	(199)	152	n.m.
17	16	12	38	Clean CCS Group effective tax rate (%)	17	16	2
675	520	318	113	Clean CCS net income [3]	1,195	1,077	11
675	**520**	**317**	**113**	**Clean CCS net income attributable to stockholders [3,6]**	**1,195**	**1,077**	**11**
0.0119	0.0092	0.0056	113	Clean CCS EPS (RON) [3,6]	0.0211	0.0190	11
851	**653**	**276**	**209**	**Clean CCS Operating Result [3]**	**1,504**	**1,250**	**20**
(403)	(61)	12	n.m.	Special items [5]	(464)	106	n.m.
83	114	(145)	n.m.	CCS effects: Inventory holding gains/(losses)	197	(384)	n.m.
531	**707**	**143**	**272**	**Operating Result Group**	**1,237**	**972**	**27**
357	302	(118)	n.m.	Operating Result Upstream [4]	659	12	n.m.
271	619	435	(38)	Operating Result Downstream	891	753	18
(20)	(34)	(10)	(102)	Operating Result Co&O	(54)	(53)	(1)
(77)	(182)	(164)	53	Consolidation	(259)	260	n.m.
(38)	(34)	87	n.m.	Net financial result	(72)	37	n.m.
493	**672**	**229**	**115**	**Profit before tax**	**1,165**	**1,009**	**16**
18	15	7	162	Group effective tax rate (%)	16	14	13
406	573	214	90	Net income	980	867	13
406	**573**	**214**	**90**	**Net income attributable to stockholders [6]**	**980**	**867**	**13**
0.0072	0.0101	0.0038	90	EPS (RON) [6]	0.0173	0.0153	13
1,510	1,152	1,230	23	Cash flow from operating activities	2,662	2,587	3
(423)	424	(1,239)	66	Free cash flow after dividends	1	(1,103)	n.m.
(6,474)	(6,881)	(4,841)	34	Net debt/(cash) including leases	(6,474)	(4,841)	34
(7,127)	(7,550)	(5,517)	29	Net debt/(cash) excluding leases	(7,127)	(5,517)	29
637	571	611	4	Capital expenditure	1,208	1,569	(23)
7.4	5.7	10.3	(28)	Clean CCS ROACE (%) [3]	7.4	10.3	(28)
5.0	3.9	8.5	(41)	ROACE (%)	5.0	8.5	(41)
8,747	9,224	11,938	(27)	OMV Petrom Group employees end of period	8,747	11,938	(27)
0.53	0.44[8]	0.38	39	TRIR [7]	0.48	0.21	129

[1] Q2/21 vs. Q2/20

[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;

[8] The figure differs from the one reported at Q1/21 due to a first aid injury case which was reclassified as medical treatment injury case.

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 65/bbl and USD 70/bbl (previously: between USD 60/bbl and USD 65/bbl; 2020: USD 42/bbl)
- **Refining margins** are expected to be around USD 4/bbl (previously: above USD 4/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 after dividends** (2020: RON 0.7 bn)
- **Neptun Deep:** we expect the Offshore Law to be amended by the end of 2021
- **Partnership with Auchan:** 100 new MyAuchan stores to be open in upgraded Petrom-branded filling stations by year-end (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 6% yoy in Romania, excluding portfolio optimization (previously: around 5%; 2020: below 5%)
- **Portfolio optimization:** continue to focus on the most profitable barrels:
  - Transfer of 40 marginal fields to Dacian Petroleum, closing expected in H2/21 (previously: Q2/21)
- **Investments, excluding acquisitions:** around RON 2.0 bn (previously: RON 1.8 bn; 2020: RON 2.2 bn):
  - Drill around 35 new wells and sidetracks and perform around 700 workovers (previously: up to 40 new wells and sidetracks and 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: preparing for seismic campaign in 2022

Downstream

- The **refinery utilization rate** is estimated to be above 95% (2020: 92%)
- Total **refined product sales** are forecasted to be higher yoy (2020: 5.0 mn t)
- Total **gas sales volumes** are estimated to be lower yoy (2020: 57 TWh), in part due to regulatory requirements in 2020
- **Net electrical output** is forecasted to be higher yoy (2020: 4.2 TWh).

Business segments

Second quarter 2021 (Q2/21) vs. second quarter 2020 (Q2/20)

Upstream

- **Clean Operating Result at RON 473 mn vs. RON (130) mn in Q2/20, mainly due to higher oil and gas prices**
- **Production decreased by 9.2% mainly due to the divestment of production assets in Kazakhstan and high natural decline in the main fields**
- **Production cost increased by 24% to USD 12.44/boe, mainly driven by lower production available for sale and unfavorable FX**

Clean Operating Result was a RON 473 mn profit vs. a RON (130) mn loss in Q2/20, driven by higher oil and gas prices, partly offset by lower volumes, weaker USD against RON, higher Upstream taxation, increased production costs, as well as higher depreciation charges and exploration expenses.

Special items amounted to RON (116) mn, reflecting mainly the recycling of currency translation differences related to the sale of Kazakhstan subsidiaries and personnel restructuring charges. **Reported Operating Result** was a RON 357 mn profit vs. a RON (118) mn loss in Q2/20.

Group hydrocarbon production decreased by 9.2% due to lower production both in Romania and Kazakhstan. The daily average production in Romania, excluding portfolio optimization, declined by 6.6% yoy.

In Romania, hydrocarbon production was 11.93 mn boe or 131.1 kboe/d (Q2/20: 12.77 mn boe or 140.4 kboe/d). Crude oil and NGL production in Romania dropped by 3.9% to 5.69 mn bbl mainly due to high natural decline. Gas production in Romania decreased by 9.0% to 6.24 mn boe due to high natural decline in the main fields (Totea Deep and Lebada East) and well 4461 Totea South.

Hydrocarbon production from **Kazakshstan** decreased by 62% to 0.24 mn boe due to the divestment of production assets on 14th of May 2021.

Group hydrocarbon sales volumes decreased by 10% due to lower sales both in Romania and Kazakhstan.

Group production cost (OPEX) in USD increased by 24% to USD 12.44/boe, due to lower production available for sale, unfavorable FX (weaker USD against RON) and increased expenses. In Romania, production cost in USD increased by 24% to USD 12.43/boe, while in RON terms it increased by 15% to RON 50.77/boe.

Exploration expenditures increased to RON 23 mn, due to activities in Bulgaria aiming at identifying potential drilling candidates.

Exploration expenses increased to RON 28 mn, due to activities in Bulgaria and increased geological and geophysical expenses.

Capital expenditure was in line with Q2/20, as the increase in drilling operations was counterbalanced by reduced number of workovers and lower activities for field redevelopment projects.

Downstream

- **Downstream Oil: Clean CCS Operating Result at RON 403 mn, up 38% reflecting recovering demand and refining margins; refinery utilization rate at 91%; retail sales volumes up by 37%**
- **Downstream Gas: Clean CCS Operating Result at RON 61 mn, down 59%, on lower contribution from power forward contracts and an one-off revenue in Q2/20**

Total Downstream Clean CCS Operating Result increased to RON 464 mn in Q2/21 (Q2/20: RON 443 mn), reflecting the significant improvement of the Downstream Oil result, offsetting the weaker result in Downstream Gas. **Reported Operating Result** of RON 271 mn (Q2/20: RON 435 mn), reflected RON 275 mn net special charges (mainly in relation to temporary losses from electricity forward contracts), partly offset by positive CCS effects of RON 83 mn.

In Q2/21, **Downstream Oil Clean CCS Operating Result** increased to RON 403 mn (Q2/20: RON 292 mn), following the recovery of the economic environment after the easing of the pandemic restrictions, reflected by upward trend in quotations and improved sales volumes. The increase in quotations in Q2/21 had also an effect on refining hedges, triggering net losses as compared with net gains obtained in Q2/20.

OMV Petrom indicator refining margin increased by USD 2.42/bbl to USD 4.27/bbl in Q2/21, as a result of higher product spreads, mainly for gasoline and middle distillates. The **refinery utilization rate** was 91% in Q2/21 (Q2/20: 89%), above European average, supported by the integration with our sales channels which allowed us to place the equity products in our operating region.

Total refined product sales volumes were up 8% vs. Q2/20, driven by improved fuels demand. Group retail sales volumes, which accounted for 58% of total refined product sales, increased by 37% compared to Q2/20 as an effect of a return to normal activity level after the relaxation of mobility restrictions. Q2/21 non-retail sales volumes decreased by 16% yoy, following lower exports (base effect in Q2/20, when due to lockdown in Romania, we closed the supply-demand balance via higher exports).

Downstream Gas Clean Operating Result was RON 61 mn in Q2/21 (Q2/20: RON 150 mn, including also an one-off revenue representing the compensation for higher costs incurred in 2019 for the power regulated sales). The upward electricity price trend had a negative impact on the power forward sales contracts, thus on the power business result, being partially counterbalanced by higher revenues from balancing and ancillary services markets. The gas business had a good contribution in the Q2/21 results in the context of market challenges.

As per OMV Petrom's estimates, national **gas** consumption increased by approximately 12% compared to Q2/20 on colder weather.

On the Romanian centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products closed in Q2/21 (8.4 TWh) was RON 120/MWh[iii,iv] (Q2/20: RON 58/MWh for standard products traded). Regarding short-term deliveries, on BRM day-ahead market, the average price[v] in Q2/21 was RON 117/MWh (Q2/20: RON 46/MWh).

In Q2/21, OMV Petrom's total gas sales volumes decreased by 14% to 11.21 TWh, in the context of decreasing equity gas production and with the regulatory-required large sales volumes in Q2/20 creating a high base effect. Gas volumes sold to third parties were 19% lower vs. Q2/20.

On the centralized markets, OMV Petrom sold 2.8 TWh in standard products in Q2/21 at an average price in line with the market price[v]. At the end of Q2/21, OMV Petrom had 1.4 TWh natural gas in storage, flat yoy.

As per currently available information from the grid operator, national **electricity** consumption was 14% higher compared to the same quarter of 2020, while national production increased by 23%, Romania switching to a net power exporter position in Q2/21 (vs. net importer both in Q2/20 and Q1/21).

The Brazi power plant generated in Q2/21 a net electrical output of 0.69 TWh, above the 0.56 TWh in Q2/20, even in the context of the planned shut-down taking place in Q2/21, benefitting from supportive spark spreads.

Total Downstream investments amounted to RON 151 mn (Q2/20: RON 124 mn), thereof RON 143 mn in Downstream Oil (Q2/20: RON 122 mn). In Q2/21, majority of investments were directed to Refining for ongoing projects in the tank farm area, to preliminary works related to coke drums replacement and to lease contracts prolongations in Retail and Refining. In Q2/20, investments were mainly directed to catalysts replacements, to the upgrade of unloading and storage facilities for bio-blending components and to the tank farm automation projects in the refinery.

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

[iv] 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;

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