

# OMV Petrom Group Factsheet Q3/21

October 29, 2021

## Highlights Q3/21<sup>i</sup>

### Group

- ▶ In Romania, demand for our products broadly recovered to pre-COVID levels
- ▶ Clean CCS Operating Result at RON 1.3 bn, 135% higher, returning to pre-crisis level
- ▶ Clean CCS net income attributable to stockholders at RON 1.0 bn, up 112%
- ▶ Cash flow from operating activities at RON 2.3 bn, 35% higher
- ▶ CAPEX at RON 0.6 bn, down 24%
- ▶ Free cash flow after dividends improved by 67% to RON 1.8 bn
- ▶ Clean CCS ROACE at 9.5%, 1 pp higher
- ▶ TRIR: 0.54 (Q3/20: 0.37)<sup>ii</sup>

### Upstream

- ▶ Clean Operating Result at RON 442 mn vs. RON (46) mn in Q3/20, mainly due to higher oil prices
- ▶ Production decreased by 13.1%, mainly due to the divestment of the Kazakhstan production assets in Q2/21, the steep natural decline in the main fields as well as operational maintenance activities
- ▶ Production cost increased by 17% to USD 13.2/boe, mainly driven by lower production available for sale

### Downstream Oil

- ▶ Clean CCS Operating Result at RON 781 mn, up 109% reflecting strong refining margins and recovering market demand
- ▶ OMV Petrom indicator refining margin at USD 7.19/bbl, up from USD 0.94 /bbl in Q3/20 on higher product spreads, for both gasoline and middle distillates
- ▶ Refinery utilization rate at 100%, compared to 86% in Q3/20, significantly above the European average
- ▶ Retail volumes 10% higher, reflecting robust fuel market demand

### Downstream Gas

- ▶ Clean Operating Result at RON 95 mn, 50% lower yoy, strongly impacted by the result of power forward contracts in an increasing price environment
- ▶ Gas sales volumes down by 9%, driven by lower equity production and weaker demand
- ▶ Net electrical output at 1.37 TWh, 5% higher, covering 10% of Romanian power production

### Key events

- ▶ OMV Petrom made the first LNG delivery – a new step towards expanding the offer of low-emission transport products
- ▶ OMV Petrom was included in the FTSE Russell indices starting September 20

<sup>i</sup> All comparisons described relate to the same quarter in the previous year except where mentioned otherwise.

<sup>ii</sup> 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

Q3/21	Q2/21	Q3/20	Δ% <sup>1</sup> in RON mn	9m/21	9m/20	Δ%
6,920	5,264	5,053	37 Sales revenues <sup>2</sup>	17,046	15,122	13
<b>1,341</b>	<b>851</b>	<b>570</b>	<b>135 Clean CCS Operating Result <sup>3</sup></b>	<b>2,846</b>	<b>1,821</b>	<b>56</b>
442	473	(46)	n.m. Clean Operating Result Upstream <sup>3,4</sup>	1,226	(19)	n.m.
876	464	563	56 Clean CCS Operating Result Downstream <sup>3</sup>	1,828	1,667	10
(19)	(9)	(22)	15 Clean Operating Result Co&O <sup>3</sup>	(52)	(54)	3
42	(77)	76	(44) Consolidation	(157)	227	n.m.
16	17	16	(1) Clean CCS Group effective tax rate (%)	16	16	0
998	675	471	112 Clean CCS net income <sup>3</sup>	2,193	1,549	42
<b>998</b>	<b>675</b>	<b>471</b>	<b>112 Clean CCS net income attributable to stockholders <sup>3,6</sup></b>	<b>2,193</b>	<b>1,548</b>	<b>42</b>
0.0176	0.0119	0.0083	112 Clean CCS EPS (RON) <sup>3,6</sup>	0.0387	0.0273	42
<b>1,341</b>	<b>851</b>	<b>570</b>	<b>135 Clean CCS Operating Result <sup>3</sup></b>	<b>2,846</b>	<b>1,821</b>	<b>56</b>
(465)	(403)	(562)	17 Special items <sup>5</sup>	(929)	(456)	(104)
102	83	(53)	n.m. CCS effects: Inventory holding gains/(losses)	299	(437)	n.m.
<b>978</b>	<b>531</b>	<b>(44)</b>	<b>n.m. Operating Result Group</b>	<b>2,216</b>	<b>928</b>	<b>139</b>
413	357	(1,097)	n.m. Operating Result Upstream <sup>4</sup>	1,072	(1,085)	n.m.
547	271	1,058	(48) Operating Result Downstream	1,438	1,811	(21)
(25)	(20)	(20)	(26) Operating Result Co&O	(78)	(73)	(8)
42	(77)	14	194 Consolidation	(216)	275	n.m.
(152)	(38)	(8)	n.m. Net financial result	(224)	29	n.m.
<b>827</b>	<b>493</b>	<b>(52)</b>	<b>n.m. Profit/(loss) before tax</b>	<b>1,992</b>	<b>957</b>	<b>108</b>
16	18	21	(27) Group effective tax rate (%)	16	14	16
696	406	(41)	n.m. Net income/(loss)	1,676	826	103
<b>696</b>	<b>406</b>	<b>(41)</b>	<b>n.m. Net income/(loss) attributable to stockholders <sup>6</sup></b>	<b>1,676</b>	<b>826</b>	<b>103</b>
0.0123	0.0072	(0.0007)	n.m. EPS (RON) <sup>6</sup>	0.0296	0.0146	103
2,317	1,510	1,719	35 Cash flow from operating activities	4,979	4,306	16
1,764	(423)	1,059	67 Free cash flow after dividends	1,764	(44)	n.m.
(8,173)	(6,474)	(5,841)	40 Net debt/(cash) including leases	(8,173)	(5,841)	40
(8,859)	(7,127)	(6,540)	35 Net debt/(cash) excluding leases	(8,859)	(6,540)	35
620	637	816	(24) Capital expenditure	1,828	2,385	(23)
9.5	7.4	8.4	14 Clean CCS ROACE (%) <sup>3</sup>	9.5	8.4	14
7.9	5.0	5.6	42 ROACE (%)	7.9	5.6	42
8,205	8,747	11,798	(30) OMV Petrom Group employees end of period	8,205	11,798	(30)
0.54	0.53	0.37	46 TRIR <sup>7</sup>	0.50	0.27	85

<sup>1</sup> Q3/21 vs. Q3/20

<sup>2</sup> Sales revenues excluding petroleum excise tax;

<sup>3</sup> 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);

<sup>4</sup> Excluding intersegmental profit elimination shown in the line "Consolidation";

<sup>5</sup> 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;

<sup>6</sup> After deducting net result attributable to non-controlling interests;

<sup>7</sup> 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 be around USD 70/bbl (previously: between USD 65/bbl and USD 70/bbl; 2020: USD 42/bbl)
- ▶ **Refining margins** are expected to be around USD 5/bbl (previously: around 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**: Offshore Law amendment by year end is critical for the Neptun Deep gas to be extracted. In the context of a steep natural decline in the domestic gas production, we see Black Sea gas as the solution for securing Romania's energy independence
- ▶ **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 7% yoy in Romania, excluding portfolio optimization (previously: around 6%; 2020: below 5%)
- ▶ **Portfolio optimization**: continue to focus on the most profitable barrels:
  - ▶ Transfer of 40 marginal fields to Dacian Petroleum, closing expected in Q4/21
- ▶ **Investments, excluding acquisitions**: around RON 2.0 bn (2020: RON 2.2 bn):
  - ▶ Drill around 35 new wells and sidetracks and perform around 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).

Note: Starting with January 1, 2022, OMV Petrom's business segments will be renamed as follows: Upstream to Exploration & Production; Downstream Oil to Refining & Marketing, and Downstream Gas to Gas & Power.

## Business segments

### Third quarter 2021 (Q3/21) vs. third quarter 2020 (Q3/20)

#### Upstream

- ▶ **Clean Operating Result at RON 442 mn vs. RON (46) mn in Q3/20, mainly due to higher oil prices**
- ▶ **Production decreased by 13.1% mainly due to the divestment of Kazakhstan production assets in Q2/21, the steep natural decline in the main fields as well as operational maintenance activities**
- ▶ **Production cost increased by 17% to USD 13.19/boe, mainly driven by lower production available for sale**

**Clean Operating Result** was a RON 442 mn profit vs. a RON (46) mn loss in Q3/20, mainly driven by higher oil prices, partly offset by lower volumes, higher Upstream taxation, increased production costs, and higher depreciation charges.

**Special items** amounted to RON (29) mn, reflecting mainly impairments of exploration wells, while the Q3/20 figure of RON (1,051) mn reflected impairments and restructuring charges. **Reported Operating Result** was a RON 413 mn profit vs. a RON (1,097) mn loss in Q3/20.

**Hydrocarbon production** decreased by 13.1% due to lower production in Romania and the divestment of Kazakhstan production assets in Q2/21.

**In Romania**, hydrocarbon production declined by 8.5%, to 11.30 mn boe or 122.8 kboe/d (Q3/20: 12.35 mn boe or 134.3 kboe/d). Crude oil and NGL production in Romania dropped by 2.9% to 5.60 mn bbl mainly due to natural decline, partly counterbalanced by the higher contribution of new wells and workovers. Gas production in Romania decreased by 13.4% to 5.70 mn boe due to steep natural decline in the main fields (Totea Deep and Lebada East) and from well 4461 Totea South, as well as planned and unplanned maintenance activities.

**Hydrocarbon sales volumes** decreased by 12% due to lower sales in Romania and the divestment of Kazakhstan production assets.

**Production cost** (OPEX) in USD increased by 17% to USD 13.19/boe, due to lower production available for sale and increased expenses, mainly from operational maintenance and other production support activities. In Romania, production cost in USD increased by 16% to USD 13.19/boe, while in RON terms it increased by 17% to RON 55.19/boe.

**Exploration expenditures** increased to RON 60 mn, due to costs for plugging and abandonment of deep wells, domestic 2D seismic as well as increased geological and geophysical activities.

**Exploration expenses** decreased to RON 59 mn, as Q3/20 was impacted by the write-off of exploration wells as a result of the change in mid- and long-term oil price assumptions.

**Capital expenditure** was lower in Q3/21, mainly due to reduced drilling and workover operations partially counterbalanced by higher investments in facilities projects. In addition, the acquisition of Han Asparuh offshore Bulgaria interest was completed in Q3/20.

In 9m/21, we finalized the drilling of 29 new wells and sidetracks (9m/20: 43 new wells and sidetracks, including one exploration well).

## Downstream

- ▶ **Downstream Oil: Clean CCS Operating Result at RON 781 mn, up 109% reflecting strong refining margins and recovering market demand; refinery utilization rate at 100%; retail sales volumes up by 10%**
- ▶ **Downstream Gas: Clean CCS Operating Result at RON 95 mn, down 50%, strongly impacted by the result of power forward contracts in an increasing price environment**

**Total Downstream Clean CCS Operating Result** increased to RON 876 mn in Q3/21 (Q3/20: RON 563 mn), reflecting the significant improvement of the Downstream Oil result, offsetting the weaker result in Downstream Gas. **Reported Operating Result** of RON 547 mn (Q3/20: RON 1,058 mn), reflected RON 430 mn net special charges (mainly in relation to temporary losses from electricity forward contracts), partly offset by positive CCS effects of RON 102 mn.

In Q3/21, **Downstream Oil Clean CCS Operating Result** increased to RON 781 mn (Q3/20: RON 373 mn), supported by the economic recovery, reflected by increased demand and improved refining margin, and good operational performance.

**OMV Petrom indicator refining margin** increased by USD 6.25/bbl to USD 7.19/bbl in Q3/21, as a result of higher spreads for both gasoline and middle distillates. The **refinery utilization rate** was 100% in Q3/21 (Q3/20: 86% impacted by the planned shutdown), above European average.

**Total refined product sales** volumes were up 11% vs. Q3/20, driven by robust fuels demand. Group retail sales volumes, which accounted for 56% of total refined product sales, increased by 10% compared to Q3/20 and returned to pre-crisis level. Q3/21 non-retail sales volumes increased by 14% yoy, mainly due to improved demand.

**Downstream Gas Clean Operating Result** was RON 95 mn in Q3/21 (Q3/20: RON 190 mn). The upward trend in electricity prices led to a negative impact on the forward sales contracts. This weighed on the power business result, together with increasing gas and CO<sub>2</sub> prices, partially counterbalanced by higher sales revenues including from balancing and ancillary services markets. The gas business had a good contribution in the Q3/21 results, managing to partly capture the increasing prices, but with lower gas sales volumes.

As per OMV Petrom's estimates, national **gas** consumption decreased by approximately 13% compared to the very high Q3/20 demand which was enabled by the low price environment.

On the Romanian centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products closed in Q3/21 (10.9 TWh) was RON 217/MWh<sup>iii,iv</sup> (Q3/20: RON 56/MWh for standard products traded). Regarding short-term deliveries, on BRM day-ahead market, the average price<sup>v</sup> in Q3/21 was RON 221/MWh (Q3/20: RON 48/MWh).

In Q3/21, OMV Petrom's total gas sales volumes decreased by 9% to 11.07 TWh, in the context of lower equity production as well as weaker demand. Gas sales volumes to third parties were 12% lower vs. Q3/20.

On the centralized markets, OMV Petrom sold 3.6 TWh in standard products in Q3/21 at an average price in line with the market price<sup>iv</sup>. At the end of Q3/21, OMV Petrom had 2.1 TWh natural gas in storage, lower yoy on a strategy of optimization of stored volumes.

As per currently available information from the grid operator, national **electricity** consumption was 3% higher compared to the same quarter of 2020, while national electricity production was flat, Romania remaining a net power importer in Q3/21, same as in Q3/20.

<sup>iii</sup> OMV Petrom estimates based on available public information;

<sup>iv</sup> 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;

<sup>v</sup> Simple average computed based on daily trades published on BRM platform.

With an availability of 100%, the Brazi power plant generated in Q3/21 a net electrical output of 1.37 TWh, above the 1.30 TWh in Q3/20, on low, yet still positive spark spreads reflecting record high price environment for power and also record high gas and CO2 prices. The power plant thus covered 10% of Romania's power generation in Q3/21.

**Total Downstream investments** amounted to RON 135 mn (Q3/20: RON 184 mn), thereof RON 134 mn in Downstream Oil (Q3/20: RON 184 mn). In Q3/21, the majority of investments were directed to coke drums replacement, ongoing projects in the tank farm area and for preliminary works for new opportunities in Petrobrazi refinery. In Q3/20, investments include various works performed in the context of the refinery planned shutdown and recognition of assets under IFRS 16 "Leases" for a long-term land rental contract.

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