

OMV Petrom Group Factsheet Q3 2022

October 28, 2022

Highlights Q3/22ⁱ

Group

- ▶ Clean CCS Operating Result at RON 4.2 bn, 3.2 times higher in the context of unprecedentedly high and volatile commodity prices driven by the geopolitical context
- ▶ Clean CCS net income attributable to stockholders of the parent at RON 3.6 bn, up 3.7 times
- ▶ Direct taxes increased to RON 2.7 bn, 5 times higher, mainly driven by gas and power taxation
- ▶ Cash flow from operating activities at RON 3.2 bn, 38% higher
- ▶ CAPEX at RON 0.9 bn, up 45%
- ▶ Free cash flow after dividends outflow at RON 0.1 bn reflecting RON 2.5 bn special dividend payment vs. inflow of RON 1.8 bn in Q3/21
- ▶ Clean CCS ROACE at 36.7%, 27 pp higher
- ▶ TRIR: 0.50 (Q3/21: 0.54)ⁱⁱ

Exploration and Production

- ▶ Clean Operating Result at RON 1,362 mn vs. RON 442 mn in Q3/21 mainly due to higher oil and gas prices as well as stronger USD
- ▶ Production decreased by 4.6% mainly due to natural decline and divestments, partly compensated by the higher contribution from new wells
- ▶ Production cost increased by 7% to USD 14.1/boe mainly driven by higher energy and personnel costs and lower production available for sale, partly offset by favorable FX

Refining and Marketing

- ▶ Clean CCS Operating Result at RON 1,334 mn, up 71%, mainly reflecting favorable refining margins
- ▶ OMV Petrom indicator refining marginⁱⁱⁱ at USD 17.1/bbl, up 138% on higher product spreads, mainly for diesel, jet and gasoline
- ▶ Refinery utilization rate at 99% compared to 100% in Q3/21
- ▶ Retail sales volumes 1% lower

Gas and Power

- ▶ Clean Operating Result at RON 1,267 mn vs. RON 95 mn in Q3/21; very strong gas business result mainly from gas transactions outside Romania, as well as very good power business result
- ▶ Gas sales volumes down 11% in the context of 17% lower overall market demand
- ▶ Net electrical output at 1.4 TWh, record high for a Q3, supported by market context and high Brazi power plant availability

Key events

- ▶ OMV Petrom took over operatorship of Neptun Deep on August 1
- ▶ OMV Petrom and Complexul Energetic Oltenia to invest in photovoltaic electricity production
- ▶ OMV Petrom has installed photovoltaic panels in 110 OMV and Petrom filling stations in Romania and aims to reach 150 units by the end of 2022
- ▶ OMV Petrom announced the approval by the Romanian Financial Supervisory Authority and publication of the simplified prospectus for the issuance of new shares in the context of the share capital increase. The offering finalized on October 13, with a subscription rate of 96%.

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.

ⁱⁱⁱ Starting Q2/22, the refining indicator margin reflects the change in crude oil reference price from Urals to Brent in OMV Petrom.

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Financial highlights

Q3/22	Q2/22	Q3/21	Δ% ¹	in RON mn	9m/22	9m/21	Δ%
18,667	13,683	6,920	170	Sales revenues ²	44,248	17,046	160
4,230	3,660	1,341	215	Clean CCS Operating Result³	10,131	2,846	256
1,362	1,889	442	208	Clean Operating Result Exploration and Production ^{3,4}	4,357	1,226	255
1,334	1,197	781	71	Clean CCS Operating Result Refining and Marketing ³	3,157	1,491	112
1,267	816	95	n.m.	Clean CCS Operating Result Gas and Power	2,810	337	n.m.
(26)	(15)	(19)	(40)	Clean Operating Result Co&O ³	(64)	(52)	(21)
294	(228)	42	n.m.	Consolidation	(129)	(157)	18
16	17	16	(2)	Clean CCS Group effective tax rate (%)	16	16	(0)
3,649	2,980	998	266	Clean CCS net income ³	8,417	2,193	284
3,649	2,980	998	266	Clean CCS net income attributable to stockholders of the parent^{3,6}	8,418	2,193	284
0.0644	0.0526	0.0176	266	Clean CCS EPS (RON) ^{3,6}	0.1486	0.0387	284
4,230	3,660	1,341	215	Clean CCS Operating Result³	10,131	2,846	256
1,115	(450)	(465)	n.m.	Special items ⁵	503	(929)	n.m.
(143)	322	102	n.m.	CCS effects: Inventory holding gains/(losses)	286	299	(4)
5,203	3,532	978	432	Operating Result Group	10,920	2,216	393
1,356	1,887	413	228	Operating Result Exploration and Production ⁴	4,348	1,072	305
1,045	1,590	906	15	Operating Result Refining and Marketing	3,342	1,903	76
2,570	323	(358)	n.m.	Operating Result Gas and Power	3,492	(465)	n.m.
(63)	(40)	(25)	(155)	Operating Result Co&O	(133)	(78)	(69)
294	(228)	42	n.m.	Consolidation	(129)	(216)	40
100	(91)	(152)	n.m.	Net financial result	(73)	(224)	67
5,302	3,441	827	n.m.	Profit before tax	10,847	1,992	445
15	16	16	(5)	Group effective tax rate (%)	16	16	(2)
4,510	2,898	696	n.m.	Net income	9,156	1,676	446
4,510	2,898	696	n.m.	Net income attributable to stockholders of the parent⁶	9,156	1,676	446
0.0796	0.0512	0.0123	n.m.	EPS (RON) ⁶	0.1616	0.0296	446
3,189	3,746	2,317	38	Cash flow from operating activities	9,574	4,979	92
(73)	1,111	1,764	n.m.	Free cash flow after dividends	2,948	1,764	67
(12,261)	(12,337)	(8,173)	50	Net debt/(cash) including leases	(12,261)	(8,173)	50
(12,874)	(12,987)	(8,859)	45	Net debt/(cash) excluding leases	(12,874)	(8,859)	45
901	760	620	45	Capital expenditure	2,290	1,828	25
36.7	26.9	9.5	285	Clean CCS ROACE (%) ³	36.7	9.5	285
39.7	25.3	7.9	404	ROACE (%)	39.7	7.9	404
7,768	7,839	8,205	(5)	OMV Petrom Group employees end of period	7,768	8,205	(5)
0.50	0.48	0.54	(7)	TRIR	0.44	0.50	(12)

¹ Q3/22 vs. Q3/21

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 Refining and Marketing; 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.

OMV Petrom Group Factsheet Q3 2022

October 28, 2022

Outlook for the full year 2022

All the below is based on the assumption of no significant lockdowns and no significant supply disruptions.

Market environment

- ▶ For the full year 2022, OMV Petrom expects the **average Brent oil price** to be above USD 100/bbl (2021: USD 71/bbl)
- ▶ **Refining margin** is expected to be above USD 15/bbl (2021: USD 5.5/bbl^{iv})
- ▶ **Retail demand for oil products** is expected to be broadly flat; market **demand for gas and power** is expected to be lower than in 2021
- ▶ Temporary measures were introduced in 2022 for the gas and power markets, which led to a significant increase in taxation. Most of them are applicable between April 2022 – August 2023 with regards to prices, margins, storage and taxes; also measures to reduce fuel prices in filling stations are applicable in Q3/22 and Q4/22 on a voluntary basis.

Financial highlights

- ▶ **CAPEX** is anticipated to increase to around RON 4 bn, depending on the investment climate (2021: RON 2.8 bn)
- ▶ **Attractive returns to shareholders**: a base dividend of RON 0.0341/share and a special dividend of RON 0.0450/share were paid in 2022
- ▶ We expect a **positive free cash flow after dividends** (2021: RON 3 bn)

Strategic direction: Optimize traditional business

Exploration and Production

- ▶ **Production**: contain decline below 6% yoy in Romania, excluding portfolio optimization (previously below 7%; 2021: -7.6%)
- ▶ **Portfolio optimization**: continue to focus on the most profitable barrels, through assessing selective fields divestments
- ▶ **Investments**: around RON 2.6 bn (2021: RON 2.0 bn): drill around 60 new wells and sidetracks and perform around 600 workovers (2021: 36 new wells and sidetracks; 695 workovers)

Refining and Marketing

- ▶ **Partnership with Auchan**: accelerate to more than 280 MyAuchan stores in upgraded Petrom-branded filling stations at year-end, ahead of plan (at year-end 2021: 128 stores)
- ▶ The **refinery utilization rate** is estimated to be above 95% (2021: 97%)
- ▶ Total **refined product sales** are forecasted to be slightly higher vs. previous year (2021: 5.3 mn t)

Gas and Power

- ▶ Total **gas sales volumes** are estimated to be lower yoy (2021: 49 TWh), mainly on lower supply
- ▶ **Net electrical output** is forecasted to be higher yoy (2021: 4.8 TWh)

Strategic direction: Grow regional gas

- ▶ **Neptun Deep**: assuming all key prerequisites are in place, including clarifications to the Offshore Law, final investment decision is estimated in mid-2023
- ▶ **Han Asparuh offshore Bulgaria**: spud one exploration well in 2023 and continue prospectivity and evaluation
- ▶ **Georgia Offshore Exploration Block II**: seismic acquisition on hold

Strategic direction: Transition to low and zero carbon

- ▶ We target to **reduce carbon intensity** by 30% until 2030 vs. 2019 (2021: ~10% lower vs. 2019)
- ▶ **Alternative mobility**: more than 100 recharging points will be installed at year-end
- ▶ Progress in developing a **renewable power portfolio via partnerships**
- ▶ Project development towards producing **sustainable aviation fuel and second generation bioethanol**

^{iv} Based on Urals

OMV Petrom Group Factsheet Q3 2022

October 28, 2022

Business segments

Third quarter 2022 (Q3/22) vs. third quarter 2021 (Q3/21)

Exploration and Production

- ▶ **Clean Operating Result** at RON 1,362 mn vs. RON 442 mn in Q3/21 mainly due to higher oil and gas prices and stronger USD
- ▶ **Production** decreased by 4.6% mainly due to natural decline and divestments, partly compensated by the higher contribution from new wells
- ▶ **Production cost** increased by 7% to USD 14.1/boe mainly driven by higher energy and personnel costs and lower production available for sale, partly offset by favorable FX

Clean Operating Result was RON 1,362 mn vs. RON 442 mn in Q3/21 driven by higher oil and gas prices, favorable FX (stronger USD vs. RON) and lower depreciation, partly offset by higher E&P taxation, lower volumes and higher production costs. The average realized crude oil price advanced by 42% partly driven by a change of the transfer price calculation from Urals to Brent starting Q2/22.

Special items amounted to RON (6) mn reflecting sponsoring and personnel restructuring costs in Q3/22, while in Q3/21 they amounted to RON (29) mn reflecting mainly impairments of exploration wells. **Reported Operating Result** was RON 1,356 mn vs. RON 413 mn in Q3/21.

Hydrocarbon production declined by 4.6% to 10.8 mn boe or 117.2 kboe/d (Q3/21: 11.3 mn boe or 122.8 kboe/d) due to natural decline in the main fields and the transfer of 40 marginal onshore oil and gas fields to Dacian Petroleum in Q4/21 (resulting in a 0.96 kboe/d decrease). The decline was partly compensated by the higher contribution from new wells. Excluding portfolio optimization effect, the decrease was 3.8%. Crude oil and NGL production dropped by 7.6% to 5.2 mn bbl mainly due to the natural decline and divestments. Gas production decreased by 1.6% to 5.6 mn boe due to natural decline in the main fields (Totea Deep and Lebada East) and in well 4461 Totea South, as well as due to divestments.

Hydrocarbon sales volumes decreased by 4% due to the same factors which affected the production. The decline was slightly lower than production decline driven by lower crude oil inventories and lower own gas consumption.

Production cost increased by 7% to USD 14.1/boe mainly due to higher costs related to energy, personnel, services and also due to lower production available for sale. Personnel costs increased due to one-off payments. These were partly offset by the favorable FX. Production cost in RON terms increased by 23% to RON 68.2/boe.

Exploration expenditures decreased to RON 33 mn, as Q3/21 was impacted by deep wells abandonment costs.

Exploration expenses decreased to RON 33 mn, as Q3/21 was impacted by deep wells abandonment costs, while Q3/22 reflected write-offs.

Capital expenditure increased by 41% to RON 676 mn due to higher drilling and workovers activities.

In 9m/22, we finalized the drilling of 36 new wells and sidetracks, including one exploration well (9m/21: 29 new wells and sidetracks).

Refining and Marketing

- ▶ **Clean CCS Operating Result** at RON 1,334 mn, up 71%, mainly reflecting favorable refining margins
- ▶ **OMV Petrom indicator refining margin** at USD 17.1/bbl, up 138%, on higher product spreads, mainly for diesel, jet and gasoline
- ▶ **Refinery utilization rate** at 99% compared to 100% in Q3/21
- ▶ **Retail sales volumes** down by 1%

OMV Petrom Group Factsheet Q3 2022

October 28, 2022

Clean CCS Operating Result increased to RON 1,334 mn in Q3/22 (Q3/21: RON 781 mn), mainly due to higher refining margin. In Q3/22, in line with GEO 106/2022 provisions, we voluntarily offered a discount per liter for the filling stations customers, which had a RON 260 mn negative impact in the Clean CCS Operating Result. **Reported Operating Result** of RON 1,045 mn (Q3/21: RON 906 mn) reflected RON (146) mn net special losses (mainly in relation to hedging instruments), as well as negative CCS effects of RON (143) mn.

OMV Petrom indicator refining margin increased by USD 9.9/bbl to USD 17.1/bbl in Q3/22, as a result of higher product spreads, mainly for diesel, jet and gasoline. This was marginally offset by rising fuel and losses due to the Brent price increase. **The refinery utilization rate** was 99% in Q3/22 (Q3/21: 100%).

Total refined product sales volumes were down 2% vs. Q3/21, mainly as a result of weaker non-retail sales. Group retail sales volumes, which accounted for 57% of total refined product sales, slightly decreased by 1% compared to Q3/21, as the lower volumes in July and August were only partly compensated by the positive development in September. In addition, we recorded an improved performance in the non-oil business margin. Non-retail sales volumes decreased by 3% mainly reflecting lower exports. This has offset improved commercial volumes and recovery of the aviation business, yet still below pre-pandemic levels. Both retail and commercial margins improved vs. Q3/21.

Investments amounted to RON 215 mn (Q3/21: RON 134 mn). In Q3/22, the majority of investments were directed for the ongoing major projects in the Petrobrazi refinery for coke drums replacement and for a new crude oil tank, while in Retail for the modernization of MyAuchan stores.

Gas and Power

- ▶ **Clean Operating Result at RON 1,267 mn vs. RON 95 mn in Q3/21; very strong gas business result mainly from gas transactions outside Romania, as well as very good power business result**
- ▶ **Gas sales volumes down 11%, in the context of 17%^{vi} lower overall market demand**
- ▶ **Net electrical output at 1.4 TWh, record high for a Q3, supported by market context and high Brazi power plant availability**

Clean Operating Result was RON 1,267 mn in Q3/22 (Q3/21: RON 95 mn), reaching a record high built on strong business performance in both gas and power lines of activity. **Reported Operating Result** of RON 2,570 mn (Q3/21: RON (358) mn) reflected RON 1,303 mn net special gains, mainly in relation to net temporary gains from power forward contracts.

The excellent gas business result was generated mainly by transactions with third party gas, primarily with volumes bought and sold outside Romania, in line with our strategic direction to develop operations in neighboring countries. Moreover, during the quarter we benefitted from previous periods acquisitions at lower prices. In the power business, the very good result was supported by higher Brazi power plant production and favorable market conditions, partially offset by the impact from GEO 27 and GEO 119, both issued in 2022, with power overtaxation amounting to around RON 600 mn.

As per OMV Petrom's estimates, national **gas** consumption significantly decreased by approximately 17% compared to Q3/21, end-users' consumption being severely impacted by increasing prices.

On the Romanian centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products concluded in Q3/22, irrespective of delivery period (0.3 TWh) was RON 917/MWh^{v,vi} (Q3/21: RON 217/MWh). The average price for the quantities delivered during the quarter was RON 558/MWh (Q3/21: RON 112/MWh)^{vii}. Regarding short-term deliveries, on BRM day-ahead market, the average price^{viii} in Q3/22 was RON 848/MWh (Q3/21: RON 221/MWh).

^v OMV Petrom estimates based on available public information;

^{vi} 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;

^{vii} Based on monthly data, as published by BRM on <https://www.brm.ro/cotatii-gaze-naturale/>; retrieved on October 24th, 2022;

^{viii} Average computed based on daily trades published on BRM platform.

OMV Petrom Group Factsheet Q3 2022

October 28, 2022

In Q3/22, OMV Petrom's total gas sales volumes were 11% lower, at 9.8 TWh. The broadly stable equity gas production was complemented with slightly higher third party acquisitions in the context of continuing tight gas supply. In Q3/22, OMV Petrom's gas volumes sold to third parties were 15% lower vs. Q3/21, on reduced end users and wholesales offtake. Gas sales volumes in Romania were at 8.5 TWh, of which around 74% from equity gas and the rest from third parties. Volumes of natural gas in storage increased throughout the period and reached 3.6 TWh at the end of Q3/22 (end of Q3/21: 2.1 TWh).

On the centralized markets, OMV Petrom sold 3.0 GWh in standard products in Q3/22 independent of delivery period, in the context of very low market liquidity for the medium and long term transactions, at an average price in line with the market price⁹.

As per currently available information from the grid operator, national **electricity** consumption decreased by 8% in Q3/22 compared to the same quarter of 2021, while national production decreased by 4%. Romania was a net power importer in Q3/22, as in Q3/21.

In Q3/22 the Brazi power plant generated a net electrical output of 1.4 TWh, the highest level of production for a third quarter since the start of operations in 2012 and 4% above the one in Q3/21, representing 11% in Romania's generation mix.

Investments amounted to RON 1 mn (Q3/21: RON 1 mn), reflecting running business projects.

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