

# OMV Petrom Group Factsheet Q4/22

February 2, 2023

## Highlights Q4/22<sup>i</sup>

### Group

- ▶ Clean CCS Operating Result at RON 2.1 bn, 38% higher, supported by the higher results in Exploration and Production as well as Refining and Marketing, partly counterbalanced by lower results in Gas and Power due to the increased regulation and overtaxation
- ▶ Clean CCS net income attributable to stockholders of the parent at RON 1.9 bn, up 60%
- ▶ Cash flow from operating activities at RON 1.8 bn, 13% lower
- ▶ CAPEX at RON 1.3 bn, up 27%
- ▶ Free cash flow after dividends at RON 0.8 bn, 32% lower
- ▶ Clean CCS ROACE at 38%, 25 pp higher
- ▶ TRIR: 0.21 (Q4/21: 0.60)<sup>ii</sup>
- ▶ Base dividend proposal for 2022: RON 0.0375/share<sup>iii</sup>, up 10% yoy; a special dividend is also planned to be paid in 2023, with the exact value to be announced in mid-2023
- ▶ In 2022 direct taxes and industry specific contributions increased almost 4 times to a record high of RON 9.7 bn

### Exploration and Production

- ▶ Clean Operating Result at RON 1,076 mn vs. RON 588 mn in Q4/21, mainly due to higher oil and gas prices and stronger USD
- ▶ Production decreased by 3.4%, mainly due to natural decline partly offset by the contribution of new wells and workovers
- ▶ Production cost increased by 5% to USD 13.4/boe, mainly driven by a one-off effect and lower production available for sale, partly offset by favorable FX

### Refining and Marketing

- ▶ Clean CCS Operating Result at RON 861 mn, up 57%, mainly reflecting favorable refining margins
- ▶ OMV Petrom indicator refining margin<sup>iv</sup> at USD 18.8/bbl, up 150% on higher product spreads, mainly for diesel, gasoline and jet
- ▶ Refinery utilization rate at 99%, compared to 101% in Q4/21
- ▶ Retail sales volumes 7% higher, still on lower margins, mainly due to the voluntary discount applied in Romania

### Gas and Power

- ▶ Clean Operating Result at RON 132 mn vs. RON 444 mn in Q4/21; the good operational performance in both gas and power business lines was severely impacted by regulatory and fiscal extended scope
- ▶ Gas sales volumes up 1.9% driven by sales to customers under supply of last resort
- ▶ Brazi power plant output of 1.5 TWh, with a stable share of 11% in Romania's generation mix

### Key events

- ▶ The declaration of commercial discovery regarding the Neptun Deep project was submitted to the National Agency for Mineral Resources; this represents an intermediate step towards the final investment decision, planned for mid-2023
- ▶ OMV Petrom took the final investment decision for a EUR 130 mn new unit of aromatic products at Petrobrazi refinery
- ▶ 275 MyAuchan stores in the upgraded Petrom branded filling stations at year end
- ▶ OMV Petrom successfully completed a 10% land share capital increase. Of the RON 567 mn total capital increase, RON 446 mn was cash subscription by shareholders, other than the Romanian state (96.1% subscription rate)

<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.

<sup>iii</sup> Subject to approval by the Supervisory Board and the General Meeting of Shareholders.

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

## Financial highlights

Q4/22	Q3/22	Q4/21	Δ% <sup>1</sup> in RON mn	2022	2021	Δ%
17,096	18,667	8,965	91 Sales revenues <sup>2</sup>	61,344	26,011	136
<b>2,067</b>	<b>4,230</b>	<b>1,500</b>	<b>38 Clean CCS Operating Result<sup>3</sup></b>	<b>12,198</b>	<b>4,346</b>	<b>181</b>
1,076	1,362	588	83 Clean Operating Result Exploration and Production <sup>3,4</sup>	5,433	1,814	199
861	1,334	550	57 Clean CCS Operating Result Refining and Marketing <sup>3</sup>	4,019	2,041	97
132	1,267	444	(70) Clean CCS Operating Result Gas and Power	2,942	781	277
(32)	(26)	(35)	7 Clean Operating Result Co&O <sup>3</sup>	(96)	(87)	(10)
30	294	(46)	n.m. Consolidation	(99)	(203)	51
14	16	17	(17) Clean CCS Group effective tax rate (%)	16	17	(4)
1,855	3,649	1,160	60 Clean CCS net income <sup>3,7</sup>	10,272	3,353	206
<b>1,855</b>	<b>3,649</b>	<b>1,160</b>	<b>60 Clean CCS net income attributable to stockholders of the parent<sup>3,6,7</sup></b>	<b>10,273</b>	<b>3,353</b>	<b>206</b>
0.0300	0.0599	0.0190	58 Clean CCS EPS (RON) <sup>3,6,7</sup>	0.1679	0.0550	205
<b>2,067</b>	<b>4,230</b>	<b>1,500</b>	<b>38 Clean CCS Operating Result<sup>3</sup></b>	<b>12,198</b>	<b>4,346</b>	<b>181</b>
(823)	1,115	(129)	n.m. Special items <sup>5</sup>	(320)	(1,058)	70
(126)	(143)	122	n.m. CCS effects: Inventory holding gains/(losses)	160	421	(62)
<b>1,119</b>	<b>5,203</b>	<b>1,493</b>	<b>(25) Operating Result Group</b>	<b>12,039</b>	<b>3,709</b>	<b>225</b>
(736)	1,356	588	n.m. Operating Result Exploration and Production <sup>4</sup>	3,612	1,660	118
734	1,045	760	(3) Operating Result Refining and Marketing	4,076	2,663	53
1,170	2,570	212	452 Operating Result Gas and Power	4,662	(253)	n.m.
(118)	(63)	(20)	(481) Operating Result Co&O	(250)	(99)	(154)
68	294	(46)	n.m. Consolidation	(61)	(263)	77
90	100	(87)	n.m. Net financial result	17	(311)	n.m.
<b>1,209</b>	<b>5,302</b>	<b>1,406</b>	<b>(14) Profit before tax</b>	<b>12,056</b>	<b>3,398</b>	<b>255</b>
5	15	15	(66) Group effective tax rate (%)	15	16	(7)
1,144	4,510	1,188	(4) Net income	10,300	2,864	260
<b>1,145</b>	<b>4,510</b>	<b>1,188</b>	<b>(4) Net income attributable to stockholders of the parent<sup>6</sup></b>	<b>10,301</b>	<b>2,864</b>	<b>260</b>
0.0185	0.0740	0.0195	(5) EPS (RON) <sup>6</sup>	0.1684	0.0470	258
—	—	—	— Total dividend/share (RON)	0.0375 <sup>8</sup>	0.0791 <sup>9</sup>	n.a.
—	—	—	— thereof base dividend/share (RON)	0.0375 <sup>8</sup>	0.0341	10
1,762	3,189	2,018	(13) Cash flow from operating activities	11,337	6,997	62
846	(73)	1,239	(32) Free cash flow after dividends	3,794	3,003	26
(13,463)	(12,261)	(9,391)	43 Net debt/(cash) including leases	(13,463)	(9,391)	43
(14,118)	(12,874)	(10,051)	40 Net debt/(cash) excluding leases	(14,118)	(10,051)	40
1,261	901	994	27 Capital expenditure	3,551	2,821	26
38.0	36.7	12.7	200 Clean CCS ROACE (%) <sup>3,7</sup>	38.0	12.7	200
38.1	39.7	10.8	254 ROACE (%)	38.1	10.8	254
7,742	7,768	7,973	(3) OMV Petrom Group employees end of period	7,742	7,973	(3)
0.21	0.50	0.60	(65) TRIR	0.38	0.53	(28)

<sup>1</sup> Q4/22 vs. Q4/21

<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 Refining and Marketing; 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; figures from previous periods have been adjusted retrospectively as per IFRS requirements following the share capital increase finalized in 2022;

<sup>7</sup> Excludes additional special income reflected in the financial result;

<sup>8</sup> Subject to approval by the Supervisory Board and the General Meeting of Shareholders; it refers to base dividend only; a special dividend is also planned to be paid in 2023;

## Outlook for the full year 2023

### Market environment

- ▶ For the full year 2023, OMV Petrom expects the **average Brent oil price** to be above USD 80/bbl (2022: USD 101/bbl)
- ▶ **Refining margin** is expected to be above USD 9/bbl (2022: USD 16.6/bbl<sup>v</sup>)
- ▶ In Romania **demand** for oil products in retail, gas and power is expected to be broadly stable compared to 2022
- ▶ Legislative measures introduced for the gas and power markets were prolonged until end March 2025 with regards to prices, margins, storage and contributions. Measures applicable in H2/22 to reduce fuel prices on a voluntary basis were removed from January 1<sup>st</sup>, 2023

### Financial highlights

- ▶ **CAPEX** is anticipated to increase to around RON 6 bn, by approximately 70%, with increased investments dedicated mainly to the Neptun Deep project, accelerated low and zero carbon projects and the Petrobrazi refinery turnaround. Investments require predictable and stable regulatory and fiscal environment. (2022: RON 3.6 bn)
- ▶ Due to the higher investments, we expect a marginally **positive free cash flow before dividends** (2022: RON 8.2 bn)
- ▶ **Attractive returns to shareholders:** for 2022, the Executive Board is proposing a base DPS of RON 0.0375/share<sup>vi</sup>, up 10% yoy, at the high end of the 5-10% p.a. range stated in the dividend guidance. In addition, a special dividend is planned to be paid in 2023, with the exact value to be announced in mid-2023

### Strategic direction: Optimize traditional business

#### Exploration and Production

- ▶ **Production:** expected to be around 110 kboe/d excluding possible divestments (2022: 119 kboe/d)
- ▶ **Portfolio optimization:** continue to focus on the most profitable barrels, through assessing selective fields
- ▶ **Investments:** around RON 2.9 bn, including Neptun Deep (2022: RON 2.6 bn): drilling around 55 new wells and sidetracks and perform around 450 workovers (2022: 55 new wells and sidetracks; 647 workovers)

#### Refining and Marketing

- ▶ **Partnership with Auchan:** MyAuchan stores in all 400 Petrom-branded filling stations planned by year-end, one year ahead of the initial plan (at year-end 2022: 275 stores)
- ▶ The **refinery utilization rate** is estimated to be above 85% considering the 42-day turnaround in April-May (2022: 95%)
- ▶ Total **refined product sales** are forecasted to slightly decline yoy (2022: 5.5 mn t), on lower production due to the refinery turnaround; retail fuel sales expected to be broadly flat yoy

#### Gas and Power

- ▶ Total **gas sales volumes** are estimated to be lower yoy (2022: 46 TWh), mainly on lower supply, both from equity and third parties, as well as still low demand
- ▶ **Net electrical output** is forecasted to be lower yoy (2022: 5.0 TWh), in the context of a longer planned outage of two and a half months for the entire capacity, in March-May (2022: one month for full capacity and one month for half capacity)

### Strategic direction: Grow regional gas

- ▶ Progressing **Neptun Deep project** towards final investment decision: planned for mid-2023
- ▶ **Han Asparuh offshore Bulgaria:** spud one exploration well in 2023-2024
- ▶ **Georgia Offshore Exploration Block II:** seismic acquisition remains on hold

### Strategic direction: Transition to low and zero carbon

- ▶ We target to **reduce carbon intensity** by 30% until 2030 vs. 2019 (2022 preliminary: ~11% lower vs. 2019)
- ▶ **Alternative mobility:** continue to expand the EV charging network with the plan to double the existing number of charging points (at year end-2022: 120 fast and ultra fast charging points installed)
- ▶ **Green energy sources in the filling stations:** plan to have photovoltaic panels installed in ~ 50% of our filling station network by 2025 (at year end-2022: panels in 150 filling stations)
- ▶ Progress in developing a **renewable power portfolio via partnerships**

<sup>v</sup> Based on Brent

<sup>vi</sup> Subject to approval by the Supervisory Board and the General Meeting of Shareholders

- Further developments towards producing **sustainable aviation fuel and second generation bioethanol**

## Business segments

### Fourth quarter 2022 (Q4/22) vs. fourth quarter 2021 (Q4/21)

## Exploration and Production

- **Clean Operating Result at RON 1,076 mn vs. RON 588 mn in Q4/21, mainly due to higher oil and gas prices and stronger USD**
- **Production decreased by 3.4% mainly due to natural decline, partly offset by the contribution of new wells and workovers**
- **Production cost increased by 5% to USD 13.4/boe, mainly driven by a one-off effect and lower production available for sale, partly offset by favorable FX**

**Clean Operating Result** was RON 1,076 mn vs. RON 588 mn in Q4/21, driven by the higher oil and gas prices, favorable FX (stronger USD vs. RON), lower E&P taxation and lower exploration expenses, partly offset by lower volumes and higher production costs. The average realized crude oil price advanced by 11%, partly driven by a change of the transfer price calculation from Urals to Brent starting Q2/22.

**Special items** amounted to RON (1,812) mn mainly reflecting impairments booked in Q4/22. Following the update of mid and long-term planning assumptions, an impairment test was performed for the Exploration and Production segment, which led to impairments (net of write-ups) for tangible assets of RON (1,813) mn, before tax. These impairments were driven mainly by revised future production profiles for our assets due to a steeper than previously expected natural decline and by higher operating costs. **Reported Operating Result** was RON (736) mn loss vs. RON 588 mn profit in Q4/21.

**Hydrocarbon production in Romania** decreased by 3.4% to 10.9 mn boe or 118.0 kboe/d (Q4/21: 11.2 mn boe or 122.2 kboe/d), reflecting the 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 0.5 kboe/d decrease). Production decline excluding portfolio optimization was of 3%. Crude oil and NGL production dropped by 4.8% to 5.2 mn bbl, mainly due to natural decline and divestments. Gas production decreased by 2.2% 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.

**Production cost** increased by 5% to USD 13.4/boe, mainly due to a one-off effect related to personnel expenses, higher service costs and lower production available for sale, partly offset by favorable FX (stronger USD vs RON). Production cost in RON terms increased by 17% to RON 64.6/boe.

**Exploration expenditures** decreased to RON 72 mn, mainly due to lower 3D seismic acquisition activities.

**Exploration expenses** decreased to RON 51 mn, mainly due to lower 3D seismic acquisition activities.

**Capital expenditure** increased to RON 861 mn, due to higher number of wells drilled and workovers performed, as wells as increased investments for running business projects.

## Refining and Marketing

- **Clean CCS Operating Result at RON 861 mn, up 57%, mainly reflecting favorable refining margins**
- **OMV Petrom indicator refining margin at USD 18.8/bbl, up 150%, on higher product spreads, mainly for diesel, gasoline and jet**
- **Retail sales volumes up by 7%, still on lower margins, mainly due to the voluntary discount applied in Romania**

**Clean CCS Operating Result** increased to RON 861 mn in Q4/22 (Q4/21: RON 550 mn), mainly due to higher refining margin, partially offset by slightly lower utilization and lower retail and commercial margins. In Q4/22, in line with GEO 131/2022 provisions, we continued to voluntarily offer a discount per liter to customers in Romania, which had a RON 210 mn negative impact in the Clean CCS Operating Result. **Reported Operating Result** of RON 734 mn (Q4/21: RON 760 mn), reflected negative CCS effects of RON 164 mn, due to lower crude oil quotations, and RON 36 mn net special gains, mainly in relation to hedging.

**OMV Petrom indicator refining margin** increased by USD 11.3/bbl to USD 18.8/bbl in Q4/22, as a result of higher product spreads, mainly for diesel, gasoline and jet. The **refinery utilization rate** was 99% in Q4/22 (Q4/21: 101%).

**Total refined product sales** volumes were up 5% vs. Q4/21, driven by improved demand. Group retail sales volumes, which accounted for 52% of total refined product sales, increased by 7% compared to Q4/21 due to higher demand, helped by the warm weather and the voluntary discount in Romania. Our Group retail sales outperformed the market demand growth in most of our operating countries. In addition we registered an improved performance in the non-fuel business margin. Q4/22 non-retail sales volumes increased by 4%, mainly helped by the partial recovery of the aviation business and the increased sales on the local market.

**Refining and Marketing investments** amounted to RON 359 mn (Q4/21: RON 434 mn). The majority of investments were directed to the Refining business, for projects connected with the 2023 major planned turnaround and to ongoing projects for coke drums replacement and for a new crude oil tank. In Retail, investments were mainly routed to the modernization of the Petrom branded filling stations with MyAuchan stores.

## Gas and Power

- ▶ **Clean Operating Result at RON 132 mn vs. RON 444 mn; the good operational performance in both gas and power business lines was severely impacted by regulatory and fiscal extended scope**
- ▶ **Gas sales volumes up 1.9% driven by sales to customers under supply of last resort**
- ▶ **Brazi power plant output of 1.5 TWh, with a stable share of 11% share in Romania's generation mix**

**Clean Operating Result** was RON 132 mn in Q4/22 (Q4/21: RON 444 mn), reflecting the good operational performance in both gas and power business lines, but also a severe impact from legislation in place with regulated prices and over-taxation. **Reported Operating Result** of RON 1,170 mn (Q4/21: RON 212 mn) reflected RON 1,038 mn net special gains, mainly in relation to net temporary gains from electricity forward contracts.

The gas business had an excellent contribution to the quarterly result, with strong sale margins on third party gas supplied and sold outside Romania, partially offset by lower margins realised on equity gas, mainly due to the legislation in place starting September. Also, the power business recorded a good operational performance, supported by increasing power prices and high output; however, the result was significantly affected by the applicable power overtaxation. The contribution for power overtaxation in Q4/22 was around RON 740 mn.

As per OMV Petrom's estimates, national **gas** consumption was 22% lower compared to Q4/21, the lowest level for a fourth quarter so far in the last two decades, from a reduced end user consumption impacted by high prices and warm weather.

On the Romanian centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products concluded in Q4/22 irrespective of delivery period (0.4 TWh) was RON 568/MWh<sup>vii,viii</sup> (Q4/21: RON 398/MWh). The average price for the quantities delivered during the quarter was RON 364/MWh (Q4/21: RON 259MWh)<sup>ix</sup>.

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

<sup>viii</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>ix</sup> Based on monthly data, as published by BRM on <https://www.brm.ro/cotatii-gaze-naturale/>; retrieved on January 31, 2023;

Regarding short-term deliveries, on BRM day-ahead market, the average price<sup>x</sup> in Q4/22 was RON 458/MWh (Q4/21: RON 446/MWh).

In Q4/22, OMV Petrom's total gas sales volumes were up 1.9% yoy, at 12.5 TWh. The lower equity gas production was compensated by higher third party acquisitions, a very good performance given the existing supply challenges. Gas volumes sold to third parties were 6% higher vs. Q4/21, as a large number of customers under Supplier of Last Resort mechanism entered our portfolio. Gas sales volumes in Romania were at 11.4 TWh, of which around 70% from equity gas and 30% from third parties.

On the centralized markets, OMV Petrom sold 0.1 TWh in standard products in Q4/22 independent of delivery period at an average price in line with the market price<sup>vii</sup>. At the end of Q4/22, OMV Petrom had 3.7 TWh natural gas in storage (end of Q4/21: 1.3 TWh).

As per currently available information from the grid operator, national **electricity** consumption decreased by 12% in Q4/22 compared to the same quarter of 2021, while national production decreased by 4%, Romania switching to a net power exporter position in Q4/22, from net power importer in Q4/21.

In Q4/22 the Brazi power plant generated a net electrical output of 1.5 TWh, maintaining its 11% share in Romania's generation mix.

**Gas and Power investments** amounted to RON 4 mn (Q4/21: RON 2 mn), mainly directed to Brazi power plant and gas metering stations.

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<sup>x</sup> Average computed based on daily trades published on BRM platform.