

# OMV Petrom Q4 2024 Conference Call – Q&A Transcript

OMV Petrom published its results for January – December 2024 on February 4, 2025. The investor and analyst conference call was broadcast as a live audio-webcast at 3:00 pm local time. **Below is the transcript of the question-and-answer session, with edits for readability and clarifications/additions included in brackets.**

**Question from Ioana Andrei (Alpha Bank, Romania):** I have a couple of questions. First, I would go with the impairment on E&P. Could you please give us more details regarding the impairment done in the last quarter, and what were the main assumptions that trigger it?

Second, regarding OPEX per boe. You mentioned a reduction to \$13 by 2027. What are the drivers here to decline from \$16 to \$13, excluding Neptun Deep?

Third, regarding the Gas and Power business, I do understand that what happens after end of March is still uncertain, from a regulatory point of view at least, but how do you see things and what to expect? Do you expect the threshold of around [RON 400/MWh] for taxation to be maintained? Please give us some kind of guidance here.

And if I may, just a clarification regarding taxation. The 1% tax on revenues is applicable from 2026. Does it have an end period, or is it an ongoing tax? And what about the construction tax, this is just due for a limited time frame?

**Christina Verchere (CEO):** Thank you for your questions. Alina, maybe you take the impairments. But at the same time, I think there were clarifications and questions on the taxation side as well. And then we come back to the OPEX per barrel with Cristi. And then Franck's ability to assess the regulatory environment in Romania, he will take that.

**Answer from Alina Popa (CFO):** So, with regards to the E&P impairment, end of 2024, we did an impairment test, which is a normal practice according to IFRS. The outcome was that we had three cash generating units, basically operating oil and gas assets in E&P, that ended up with impairments. Main reason for this impairment is not linked to any change in price assumptions, it is coming from increasing costs. Despite all our efforts and efficiency measures that we have taken, we see the increase in costs, of course, in some assets more, in others less. You don't always have to have a linear result overall.

From the overall perspective, I think what is important to have in mind, we talk about an impairment of RON 600 million. This represents less than 3% of the net book value of our traditional E&P business and is related to three cash generating units in oil and gas, in traditional E&P.

You have two questions around taxation, and I hope I understood them correctly. So, it was a question around 1% turnover tax, which is a tax applicable for companies where profit tax does not reach 1% of the turnover. That tax is applicable from 2026, and it does not have an end period, to my knowledge.

And with regards to the construction tax, there are many questions open, as you asked some of them. So, we have questions around applicability. We have questions around the taxation base. There are many things which we need to clarify with the authorities. Ministry of Finance indicated that they would start consultation process soon. We will actively participate, together with the [industry] associations, in this consultation process, and we hope to get more clarity because we, indeed, have lots of questions around the applicability of such a tax. And, of course, in such a process, we will advocate the need of a stable, predictable and competitive fiscal regime, especially [as] we have the highest investment in our in our history.

**Answer from Cristian Hubati (EB member E&P):** As you know, we are into a quite extensive programme of cost optimisation, which [is] looking very ambitious. So, we are working on changes in the way in which we are operating. But as well, there are measures which are related to the portfolio optimisation that will drive basically the costs per barrel in that range.

**Answer from Alina Popa:** I will add to Cristi's comment that the main driver for seeing this average [cost down] is Neptun Deep, for seeing [it] going [down] to \$13 is Neptun Deep. That comes in 2027.

**Answer from Franck Neel (EB member G&P):** So, in terms of your question on the tax regulation, which is to support the Energy Transition Fund, two things. One, there was a decision from the Constitutional Court in November saying that this tax is not in line with the legal system of Romania. So, we are now waiting for the notification from the Constitutional Court to clarify this. The legislation [remains] valid until the end of March, as you mentioned, this year, we do not expect an extension. And potentially, [if] the Constitutional Court will clarify, it will stop even before. But the end of March is our expectation at the moment.

**Question from Tamas Pletser (Erste Group Research):** I am basically curious about your view on how the new regulation would look like, when do you expect this to be in play or to be effective. Because I think the end of March date, it is rather unlikely that anything new would come. And how do you see this difference between the current prices for households and the market price? What kind of an increase would be necessary for the households to reach the same level as the market? And what is the obligation [what do] you have to sell towards this group of clients? I mean natural gas.

**Answer from Franck Neel:** On the regulation, at the moment, because of the [presidential] elections in May, there is a lot of discussion and political debate, but there is no [indication] to the industry about any prolongation at the moment. So, we will see with the end of the current regulation at the end of March. We are not aware of a new scheme for the moment. We expect the Ministry of Energy to come up very soon with a new scheme, but we are waiting for that.

In terms of the prices for households versus the market price, yes, there is a gap. I think the gap is more important in electricity than in gas. And if you take out the distribution costs, the taxes, etc., there is quite a big gap between the power market price and the [price paid by] households, especially if [your consumption is] below 100 KWh. But I think what is important for the new regulation is not to look at the volume of the customers, but at the income of the customers, and to [re]define the scheme, linked to vulnerable customers, which is what the Ministry of Energy and Minister of Finance have talked in the press in the last days. So that is why we are waiting to see what the final results of a scheme to protect vulnerable customers will be. We have also seen a lot of prosumers, a lot of people who have installed [solar panels] using credit from the government, they [are] a different class of customers that had some advantages as well. So let us see what will come from that.

**Question from Daniela Mandru (Swiss Capital):** I have several questions related to the taxation, of course. Regarding the asset tax, how do you see this taxation impacting the Neptun Deep project? Do you believe that Neptun Deep project assets will be impacted by this asset tax? And also, regarding this asset tax, yes, you offered us a guidance for this year, but going forward a lot of renewables will come into place. So, can you provide us some guidance on the asset tax around 2027, the level of this asset tax?

And the other questions are related to your forecast for this year regarding the production. You indicated 104 boe per day for 2025. Can you split or indicate the decrease by oil and gas production, to indicate what are the level of decreases, split by the type of hydrocarbon production?

And then related to the gas volumes to be sold at regulated prices for this quarter, assuming that starting April, this regulation will not apply anymore. So, regarding this volume, I have a figure here of 2.6 TWh to be sold at regulated prices in the first quarter of this year. So, can you please confirm it, 2.6 TWh?

**Christina Verchere:** Thank you for your questions. I think first one is taxation, asset taxation, construction tax impact on Neptun Deep and impact on renewable investments. And then the production question, Cristi will take that, and then Alina on taxes and Franck on gas volumes.

**Answer from Alina Popa:** I will start with the taxation questions. With regards to Neptun Deep and offshore assets, we believe this tax does not apply to Neptun Deep and to offshore assets because these are basically protected by the Offshore Law, which, in our view, is clear in this respect with regards to fiscal stability that applies to such projects.

With regards to our indication and guidance for the impact on us, it is really a preliminary draft indication, because it all depends very much on the consultation process that will start soon. So, there are many questions, which are around the taxation base, applicability, around renewables as well. We provided the guidance, but it is really roughly and indicative. And it is impossible for us at this stage to imagine a future impact as well. In all this process, we will reiterate the importance for Romanian state to find the right balance between [its] short-term fiscal needs and the need for investments that Romania has, because only investments can bring the economic benefits that the country needs. So, we hope that we will be heard, and, of course, once the consultation process will be finalised and we have a certainty, we will provide more precise information.

**Answer from Franck Neel:** I will continue on the gas volume. Yes, you are correct, so 2.6 TWh is a bit less than last year. For the same quarter last year, it was 2.9 TWh.

**Answer from Cristian Hubati:** And with regards to the production forecasts, indeed, we are seeing a forecast of 104,000 boe per day. That translates into a 4.5% decline. I would say that the decline is a bit higher on oil than on gas.

**Question from Daniela Mandru:** But overall, now I am trying to compute by myself an asset tax on the future investments excluding Neptun Deep. So yes, you mentioned, and everybody knows that you will invest RON 8 billion per year over the next two years. Out of this, over the period, the investment in Neptun Deep will be up to 2 billion euro. I would like to know by 2027, what would be the investment in renewables and other projects in Refining and Marketing, just to have an idea, because after that, it is simple to compute the asset tax.

**Answer from Alina Popa:** I think what is important to understand, not all investments are subject to this tax. Only those which go into this category of constructions. And it is not so easy to calculate starting from the investment numbers. But my proposal is to wait a few more months and then we will have a better basis for calculation, because now it is pure speculation; what goes in, what goes out. Is it book value? What kind of book value? So, we will ask all these questions, and we hope we get clarity, and then we can have a reliable calculation.

**Question from Jonathan Lamb (Wood & Co):** I was looking at gas storage statistics in Europe, and I noticed that Romania is particularly low compared to many other European countries. Do you see any issue with refilling the storage this year?

**Answer from Franck Neel:** Yes, we are a bit below the average in Europe. It is true in terms of the level of the gas storage at the moment. Now, in terms of refilling the storage, I think one of the advantages of Romania compared to other countries is [that] we are producing during the summer more than what we are consuming, and we have an excess of gas. But we will see how far the storage, if we go really close to zero, how much we can re-inject. I think historically we did not have problems to inject due to the level of gas production.

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