# OMV Petrom results

# Jan – Dec and Q4/15

February 18, 2016

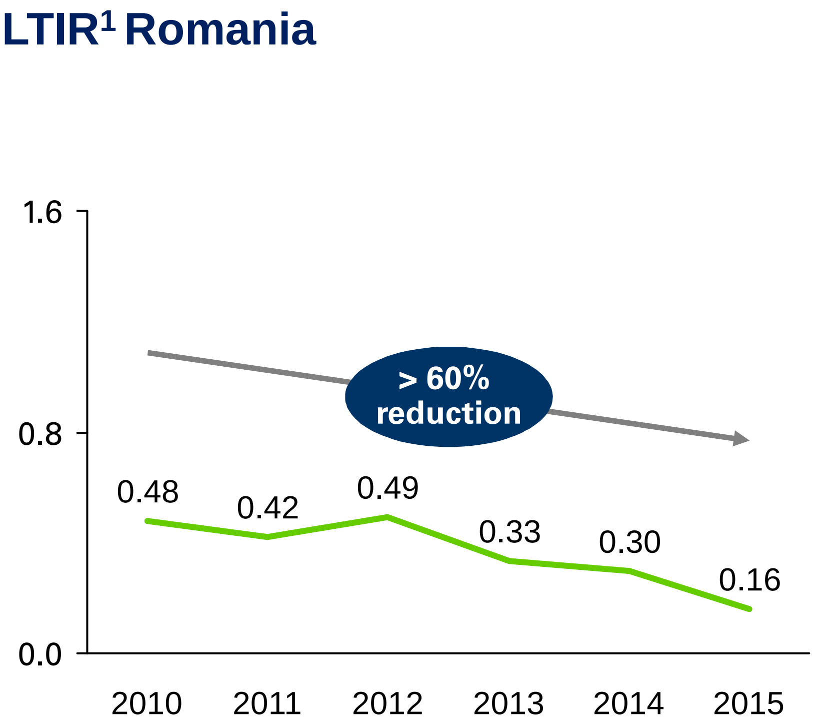
OMV Petrom

# Business environment and operational highlights

Mariana Gheorghe, CEO

OMV Petrom

OMV Petrom
# High safety and efficiency focus




- **Operational safety – our top priority**
- **LTIR substantially improved**
  - 2015: the lowest level since privatization
  - Lower than IOGP[2] international benchmark
- **Significant reduction of GHG[3] emission intensity, ~15% less in 2015 compared to 2014**
  - **25 G2P/CHP[4]** units burning well gas ensured **~ 50%** Upstream onshore electricity demand in 2015

[1] Lost time injury rate (employees and contractors) for OMV Petrom Group, excluding Kazakhstan; [2] International Association of Oil & Gas Producers
[3] GHG – Green House Gas; [4] G2P – Gas to Power, CHP – Combined Heat and Power



OMV Petrom

# Business environment in 2015

## International environment

- **Oil price:** - 47% yoy
- **Oil demand and supply in Europe:** demand +2% yoy, supply +5% yoy[1]
- **European gas** demand: approx. +5% yoy
- High **refining margins**
- Strong **USD** against EUR and RON

## Romania: good macroeconomics

- **2015 GDP growth**: +3.7%[2]
- **CPI annual inflation**:12-month avg. -1% (end-Dec 2015)
- **Budget balance**: an estimated -1.5% of GDP (end-Dec 2015)
- **FDI**: +18% at EUR 2.8 bn (Jan-Nov)
- **Investment grade rating** stable

[1] Data from IHS Cera Global Crude Oil Markets Outlook for Oil Market Fundamentals report, January, 2016; [2] Romanian National Institute of Statistics, preliminary data;

# Dynamics of the Romanian energy sector in 2015

**Demand and prices 2015 vs 2014**

- **Demand**[1]
  - Fuels[2] +5%; Gas -5%; Power +2%[3]
- **Prices**
  - Urals: -47%
  - Gas: HH[4] +8%, deregulation continued; NHH[5] liberalized
  - Power[6]: +5%

**Regulatory and fiscal framework**

- **Downstream Gas**
  - Mandatory gas trading on centralized platforms
  - Abolished import quota for NHH[5]
- **Taxation**
  - Tax on constructions decreased to 1%
  - Supplementary taxation[7] extended until end-2016
  - Engagement with stakeholders on taxation and regulatory framework

[1] OMV Petrom's estimates based on preliminary market data available; [2] Fuels refer only to retail diesel and gasoline; [3] According to preliminary data available from the grid operator
[4]Households; [5]Non-households; [6]OPCOM average spot base load; [7]Introduced at the beginning of 2013 simultaneously with the start of gas price liberalization



OMV Petrom

# OMV Petrom
## 2015: Resilient in highly volatile market

**Safe operations:** Record low LTIR, below international benchmark

**Good operational performance**

- Hydrocarbon production broadly stable
- Neptun Deep exploration successfully completed[1]
- High refinery utilization rate, increased retail sales volumes
- Higher gas and power sales volumes

**Maximized integrated value:** Downstream share in group's EBIT at ~50%

**Scaled back investment plans:** Group CAPEX down 38% yoy

**Cost optimization across all business segments:** reduction of ~ RON 500 mn yoy

**Portfolio optimization:** selective wells shutdown, wind park divestment envisaged

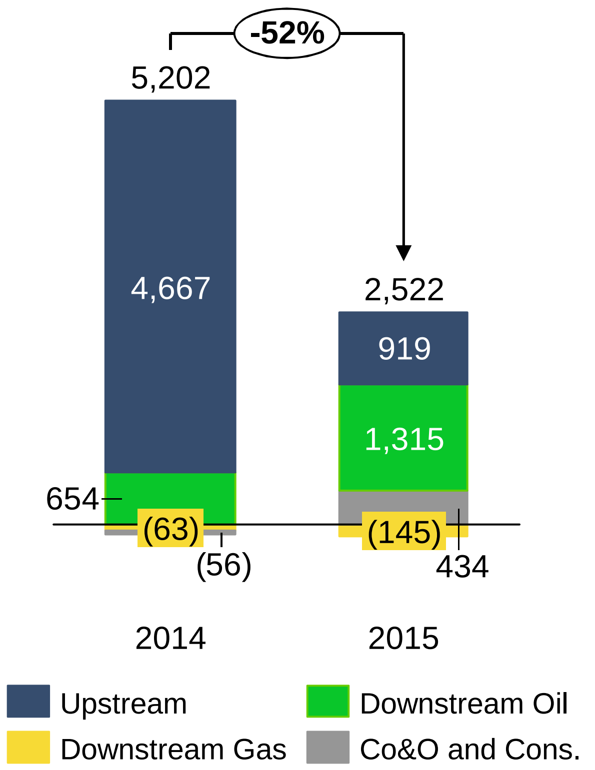
[1]in January 2016



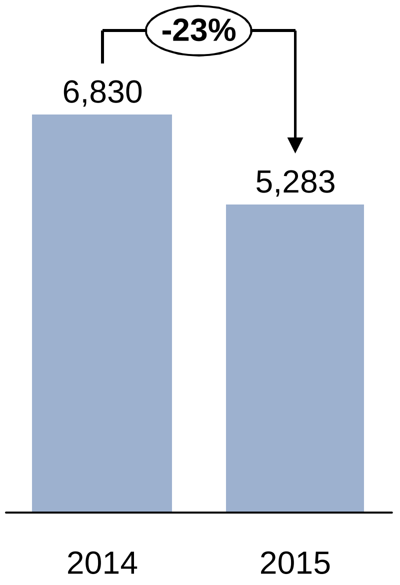
OMV Petrom

# Our integrated business model supports financial results

**Clean CCS EBIT,** RON mn




**Group cash flow from operations,** RON mn






OMV Petrom

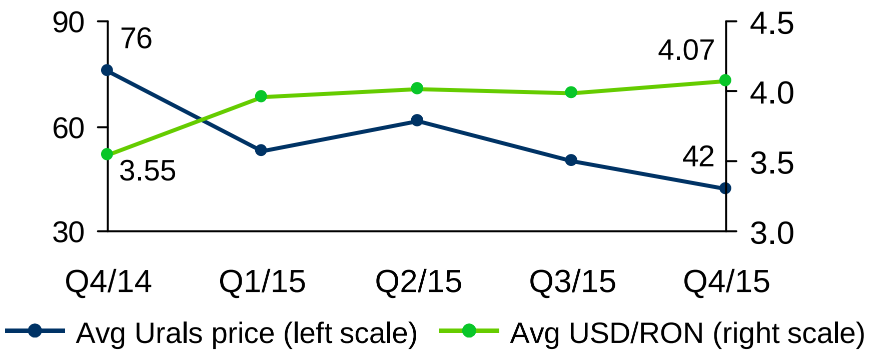
# OMV Petrom
# Financial highlights and priorities

Andreas Matje, CFO

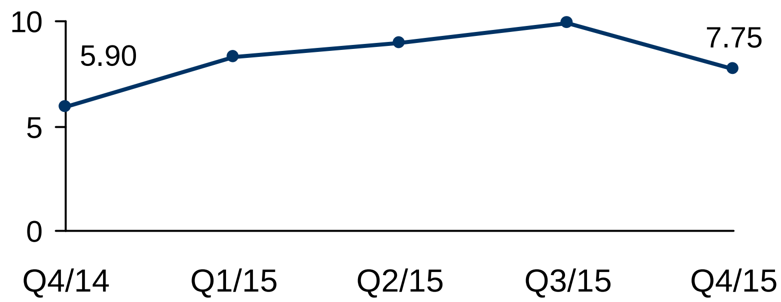
OMV Petrom

# Economic environment

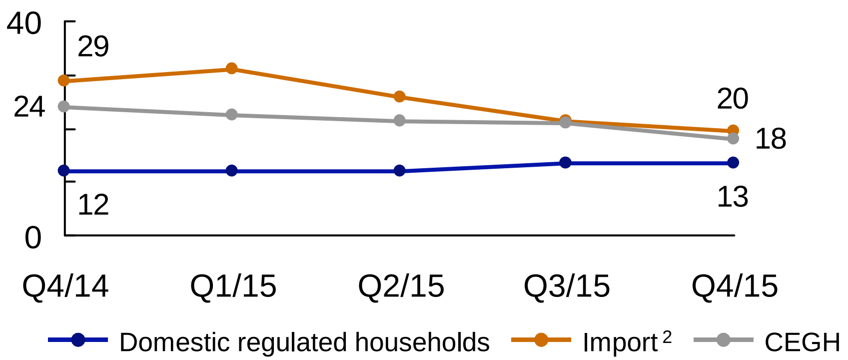
## Oil price (USD/bbl) and FX (USD/RON)



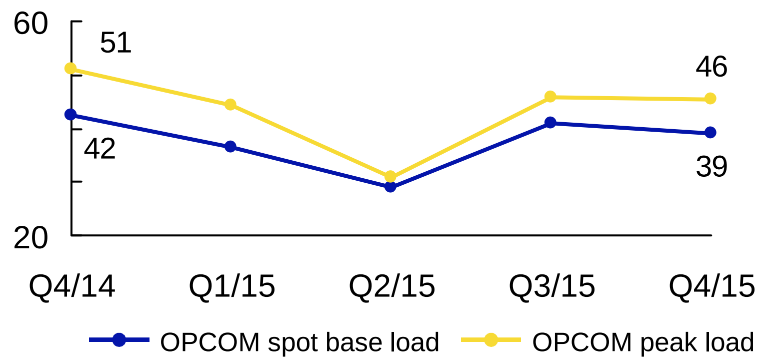

## Indicator refining margin (USD/bbl)




## Gas prices (EUR/MWh)[1]




## Power prices in Romania (EUR/MWh)[1]



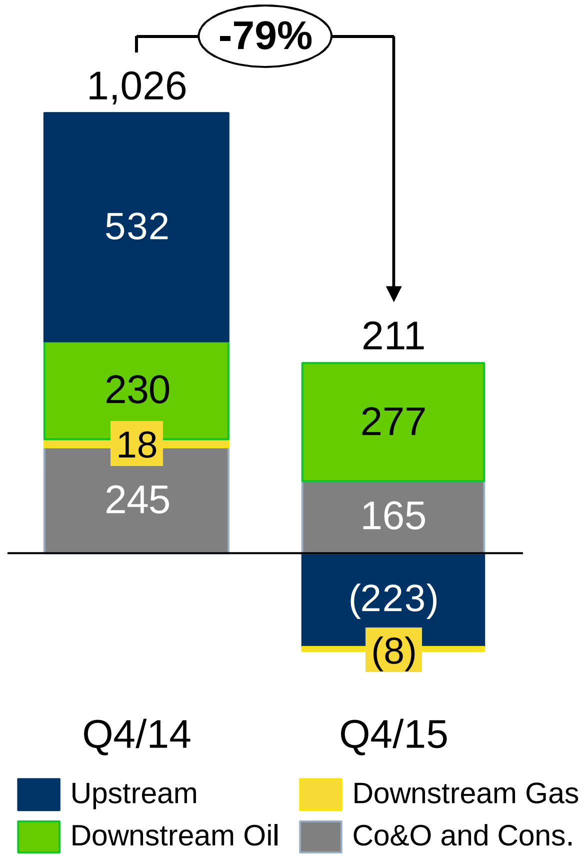

[1] Converted from RON into EUR, FX rate: 4.457; [2] Final prices published by ANRE; Q4/15 price is an extrapolation of the Oct 2015 price (latest available)



OMV Petrom

# Q4/15 overview

**Clean CCS EBIT,** RON mn




## Q4/15 vs Q4/14

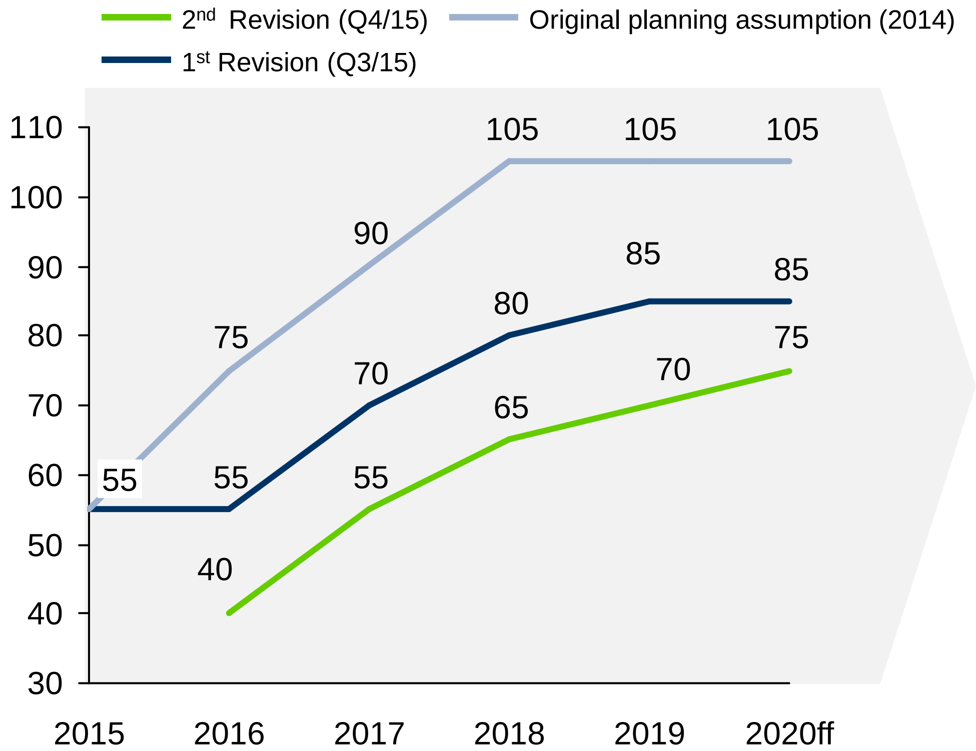
- Average Urals crude prices down 44% to USD 42.26/bbl
- RON weaker vs USD by 15%
- Group production at 176 kboe/d
- Higher exploration expenses
- Higher indicator refining margin
- Lower gas sales volumes
- Lower tax on constructions



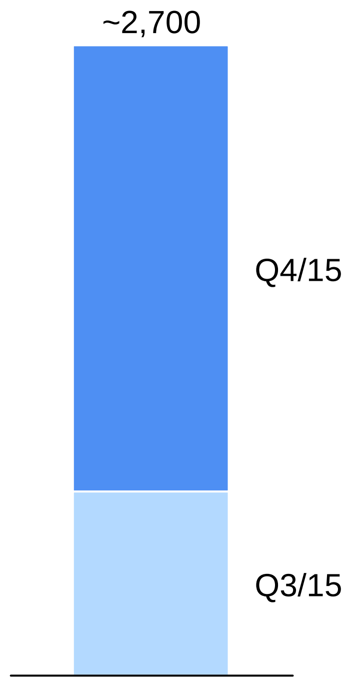
OMV Petrom

# Revised market outlook triggered significant impairments in Upstream in 2015

**OMV Petrom oil price assumptions,** USD/bbl




**Impairments in Upstream in 2015,** RON mn

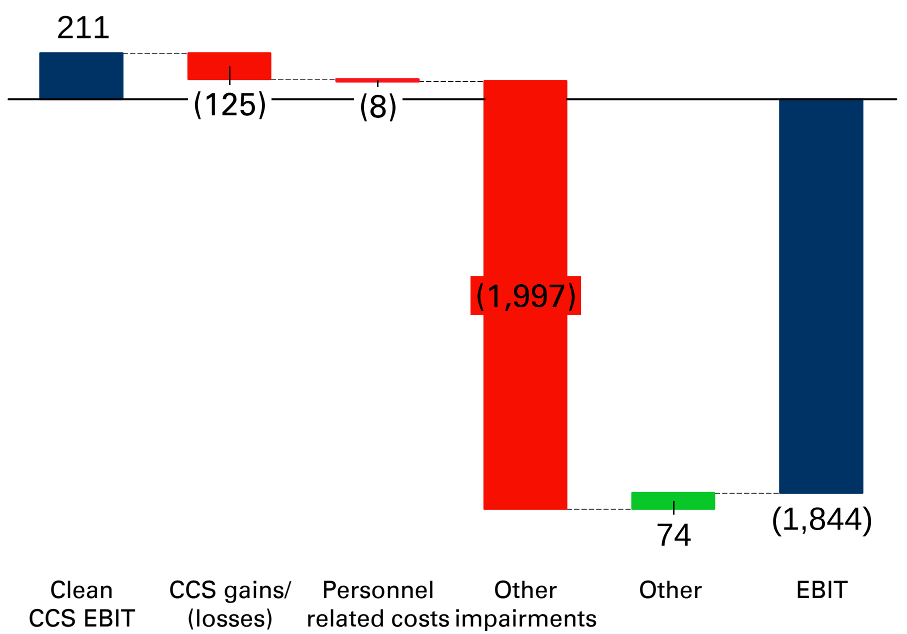





OMV Petrom

# Special items and CCS effect

**Q4/15** (RON mn)




- CCS effect: RON (125) mn due to lower crude oil prices
- Other impairments: Upstream impairments for producing assets mainly due to revised oil price assumptions

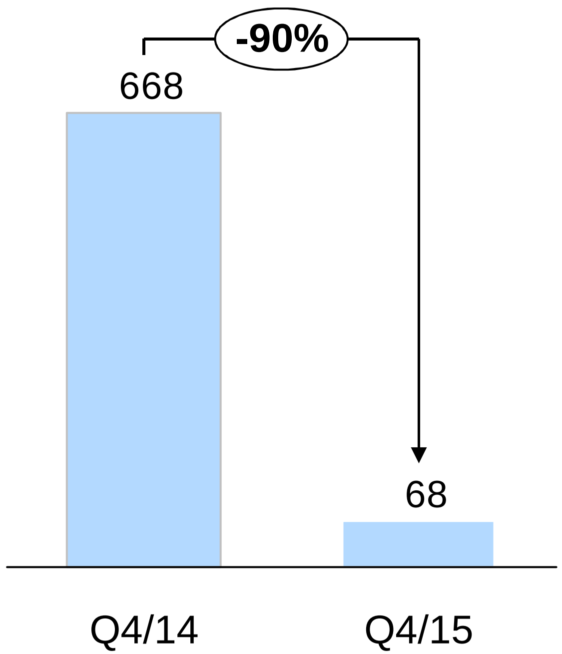
| RON mn | Q4/15 | Q4/14 |
|---|---|---|
| **Clean CCS EBIT** | **211** | **1,026** |
| CCS gains/ (losses) | (125) | (156) |
| **Clean EBIT** | **85** | **870** |
| Personnel related costs | (8) | (27) |
| Other impairments | (1,997) | (917) |
| Other | 74 | (38) |
| **Total special items** | **(1,930)** | **(981)** |
| **Reported EBIT** | **(1,844)** | **(111)** |



OMV Petrom

# Clean CCS net income

**Clean CCS net income attributable to stockholders** (RON mn)




| RON mn | Q4/15 | Q4/14 | Δ |
|---|---|---|---|
| EBIT | (1,844) | (111) | n.m. |
| Financial result | (135) | (167) | (19)% |
| Taxes | 299 | (30) | n.m. |
| Effective tax rate | 15% | (11)% | n.m. |
| Net income/(loss) | (1,680) | (307) | 447% |
| Minorities | (5.80) | (3.00) | 93% |
| **Net income/(loss) attributable to stockholders[1]** | **(1,675)** | **(304)** | **451%** |
| EPS (RON) | (0.0296) | (0.0054) | 451% |
| Clean EBIT[2] | 85 | 870 | (90)% |
| **Clean CCS EBIT[2]** | **211** | **1,026** | **(79)%** |
| **Clean CCS net income attributable to stockholders[1,2]** | **68** | **668** | **(90)%** |
| Clean CCS EPS (RON)[2] | 0.0012 | 0.0118 | (90)% |

Figures in this and the following tables may not add up due to rounding differences

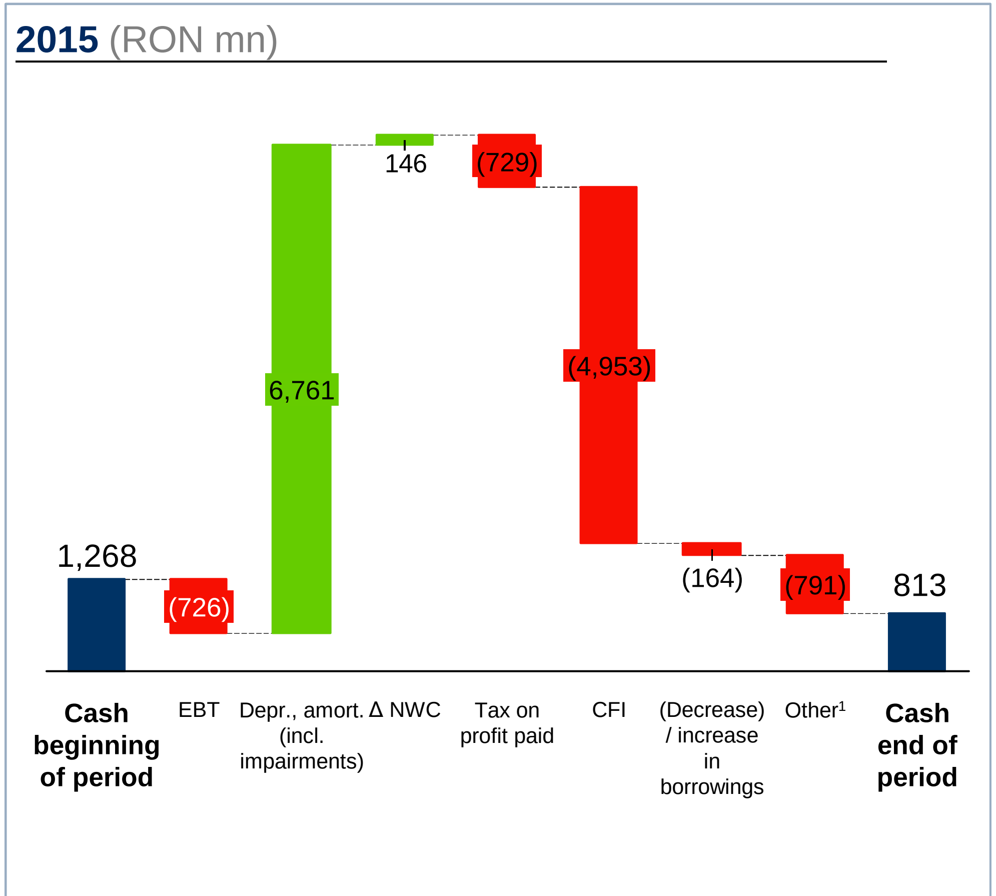
[1] After deducting net income attributable to non-controlling interests

[2] Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from Downstream Oil



OMV Petrom

# Cash flow

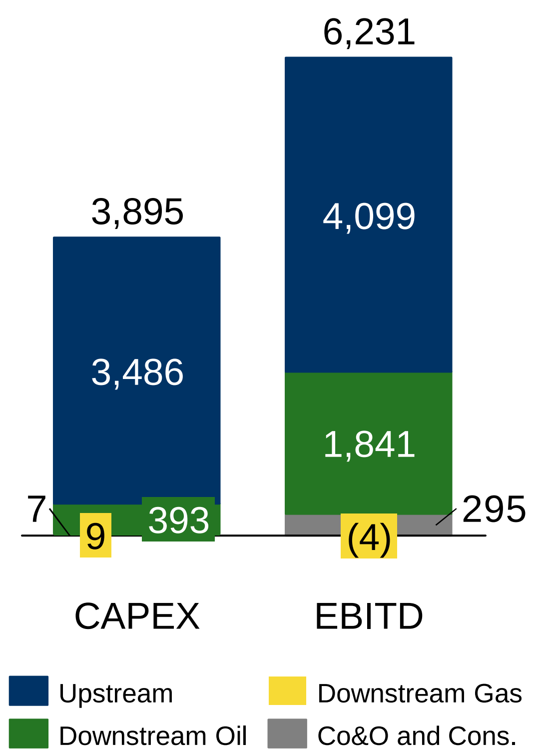



| in RON mn | 2015 | 2014 | Δ |
|---|---|---|---|
| **Profit/(loss) before taxation** | **(726)** | **2,909** | **n.m.** |
| Depreciation, amortization and impairments | 6,761 | 4,806 | 41% |
| Net interest paid | (104) | (61) | 70% |
| Tax on profit paid | (729) | (927) | (21)% |
| Other | (66) | 422 | n.m. |
| **Sources of funds** | **5,137** | **7,150** | **(28)%** |
| Change in net working capital (NWC) | 146 | (320) | n.m. |
| **Net cash from operating activities (CFO)** | **5,283** | **6,830** | **(23)%** |
| **Net cash from investing activities (CFI)** | **(4,953)** | **(5,658)** | **(12)%** |
| (Decrease) / increase in borrowings | (164) | 397 | n.m. |
| Dividends paid | (631) | (1,731) | (64)% |
| **Net cash from financing activities (CFF)** | **(794)** | **(1,334)** | **(40)%** |
| **Cash and cash equivalents at end of period** | **813** | **1,268** | **(36)%** |

[1]Includes: dividends paid, net change in provisions, losses/(gains) on the disposals of non-current assets, net interest received, effect of FX changes and other adjustments

# CAPEX and EBITD

**2015** (RON mn)




## Key investment projects

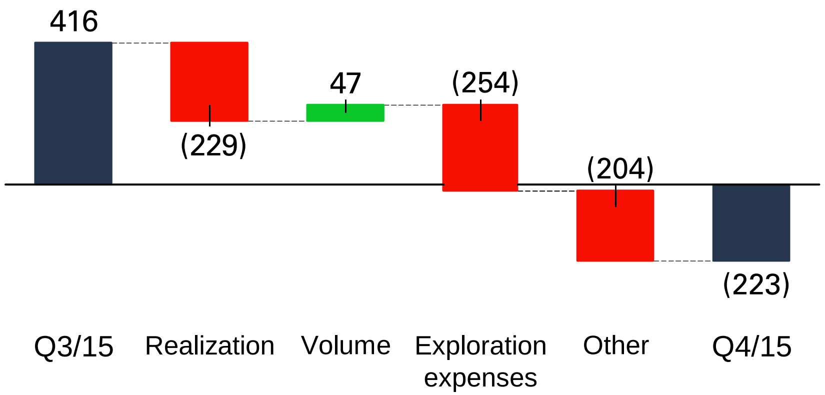
- **Upstream:** Field redevelopment executions, workover activities, drilling as well as investments related to Neptun Deep project
- **Downstream Oil:** 3+3 terminals strategy, efficiency, legal and environmental projects



OMV Petrom

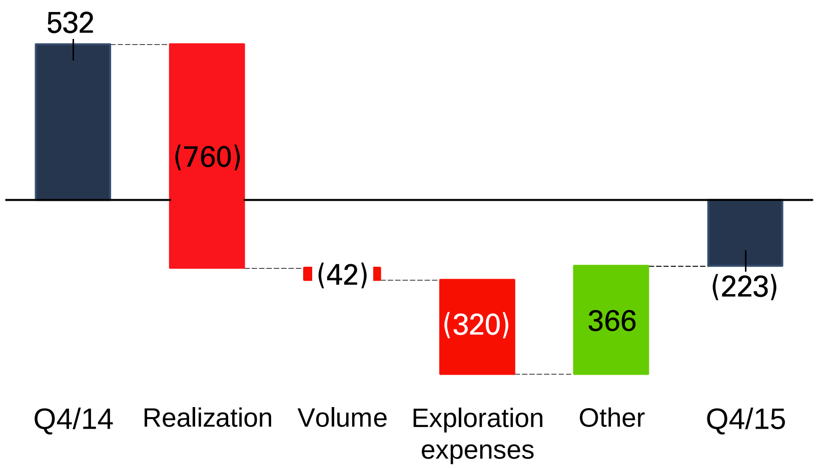
# Upstream – Clean EBIT

## Q4/15 vs Q3/15 (RON mn)




- Lower realized oil price
- Higher sales volumes
- Increased exploration expenses (write off of two unsuccessful wells in Q4/15)
- Other: lower OPEX; higher depreciation

## Q4/15 vs Q4/14 (RON mn)



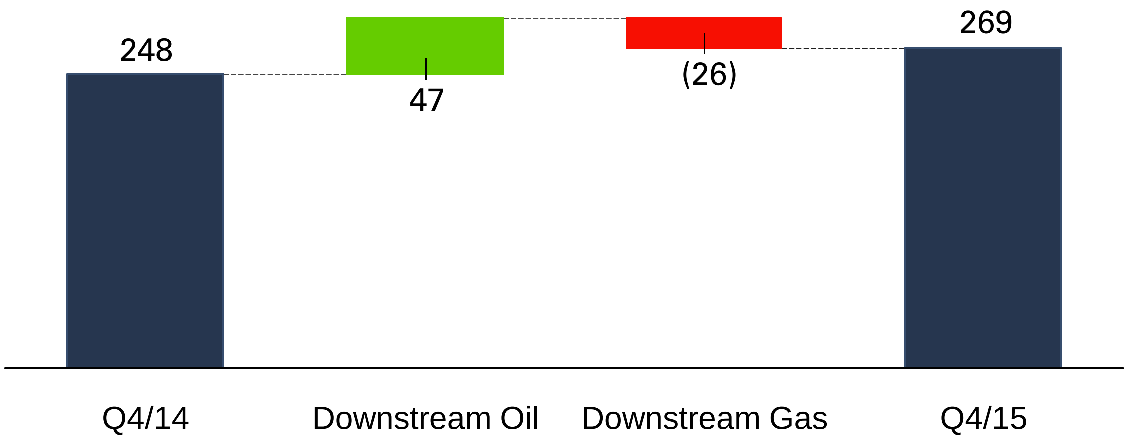

- Realized oil price down by 44%
- Sales volumes 2% lower yoy
- Lower OPEX mainly due to lower services, materials and personnel costs as well as FX benefit



OMV Petrom

# Downstream – Clean CCS EBIT

**Q4/15 vs Q4/14** (RON mn)




- **Downstream Oil:** higher refining margins and increased volumes across all sales channels
- **Downstream Gas:** lower result vs Q4/14, which was positively influenced by RON 30 mn reversal of provisions for outstanding receivables



OMV Petrom

# 2015: Efficiency and optimization programs in place, with significant results achieved

| | | 2015 vs 2014 |
|---|---|---|
| **Upstream Production Costs (USD/boe)** | Reduced by USD 4.1/boe, from USD 17.3/boe to USD 13.2/boe[1] | - 24 % |
| **Downstream Direct Cash Costs** | Reduced consultancy, training and travel costs, energy efficiency improvements | - 6 % |
| **Corporate Costs** | Material cutback of advertising, consulting, travel and training cost | - 16 % |
| **Headcount** | Continuous rightsizing | - 5 % |

**~ RON 500 mn** cost reduction[2] in 2015

| | | |
|---|---|---|
| **CAPEX** | Reprioritization of projects in Upstream, reduced investment in refining | - 38 % |

**~ RON 2.3 bn** CAPEX reduction in 2015

**OPEX and CAPEX optimizations to continue in 2016+**

[1] FX-rate impact on OPEX of USD -2.4/boe ; in RON/boe, OPEX dropped 9% (e.g. costs for materials, personnel, consultancy, training, etc)
[2] Comparable basis. Costs defined as manageable costs considered to be most directly under management's influence



OMV Petrom

# 2016: Financial priorities

## Cash flow

- Strive for neutral free cash flow[1] in 2016
- Good management of working capital; tight cost control
- No dividends to be distributed for 2015 financial year[2]

## Investments

- Group CAPEX: EUR 0.7-0.8 bn, ~85% in Upstream
- Prioritize projects based on cash flow contribution

## Maintain low gearing ratio

## Enhance integrated business benefits

[1]Free cash flow before dividends (net cash from operating activities less net cash from investing activities); [2]Executive Board intended proposal, subject to Supervisory Board and General Meeting of Shareholders decisions

# OMV Petrom Upstream

Gabriel Selischi
EB member

OMV Petrom

# Upstream
# Key indicators for 2015

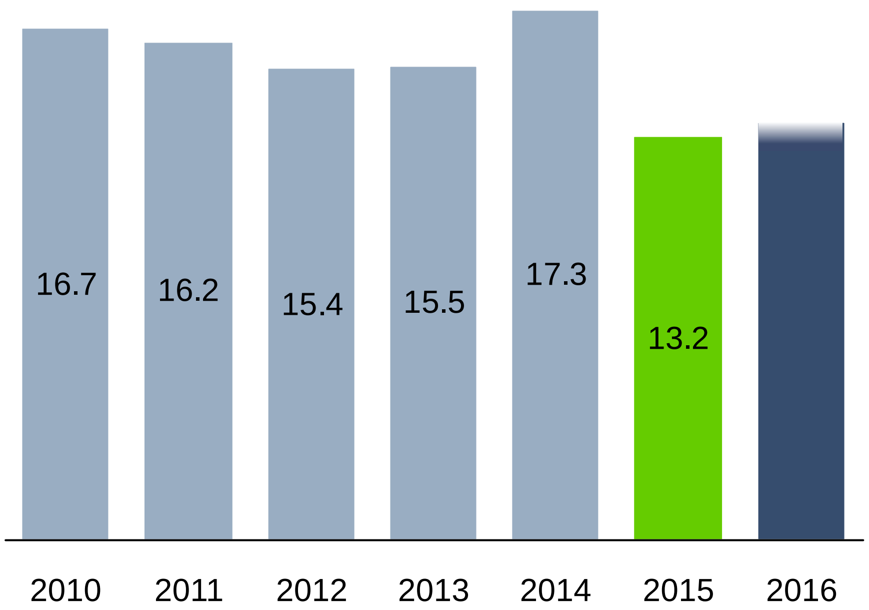
| | |
|---|---|
| ~24% | Production cost[1] reduction vs 2014 |
| ⟷ | Production very close to the level of 2014 |
| ~35% | CAPEX (incl. E&A[2]) reduction vs 2014 |
| 7* | Deep offshore wells in the Neptun Block |
| 35% | Three year average RRR[3] delivered by projects |

[1] in USD/boe; [2] exploration and appraisal capitalized; [3] 1P Reserves Replacement Rate for OMV Petrom Group; * July 2014-Jan 2016

## Upstream

# Reduced OMV Petrom Group OPEX to a new level

**Production costs,** USD/boe




**2015 OPEX reduced by 24% vs 2014:**

- Favorable FX effects
- Shutdown of uneconomic wells
- Improved running time of pumping units
- Resizing of the workover rig fleet
- Renegotiations of contracts

**OPEX 2016:** Cost reduction measures to continue

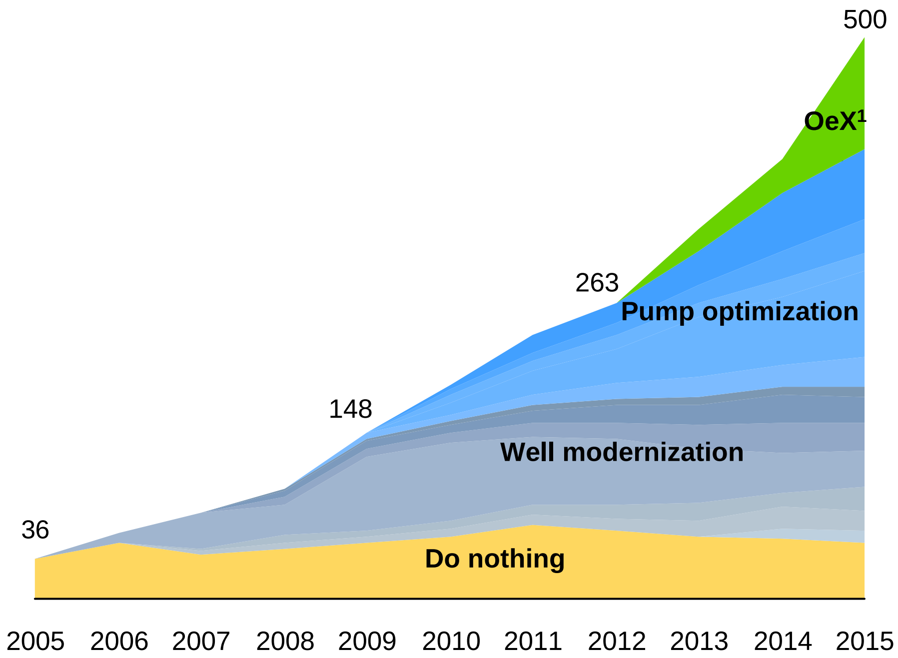


OMV Petrom

Upstream

# Clear focus on operational improvements

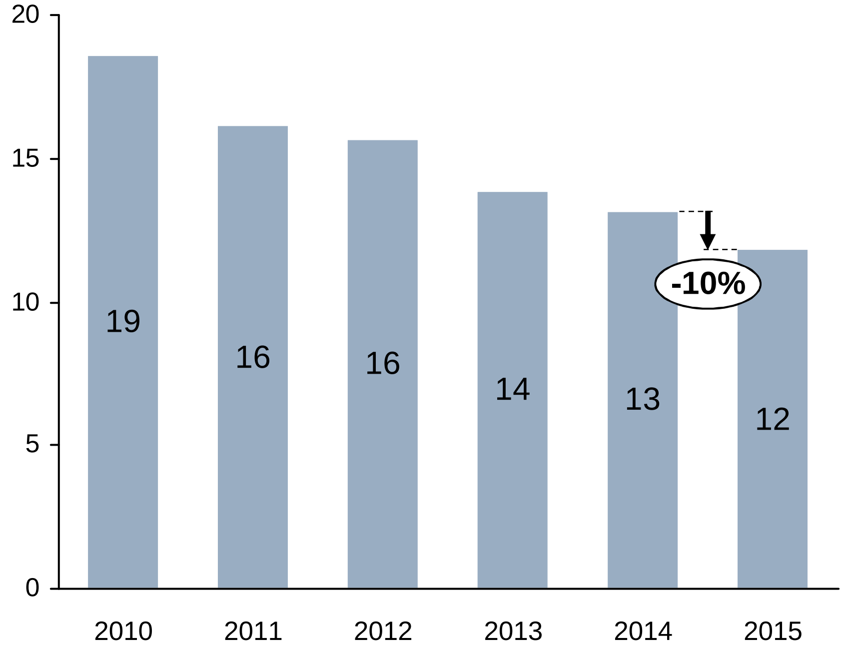
## Mean Time between Failure (MTBF), days




**Improved running time of pumping units**

[1] Operational Excellence integrated approach

## Production losses, kboe/d



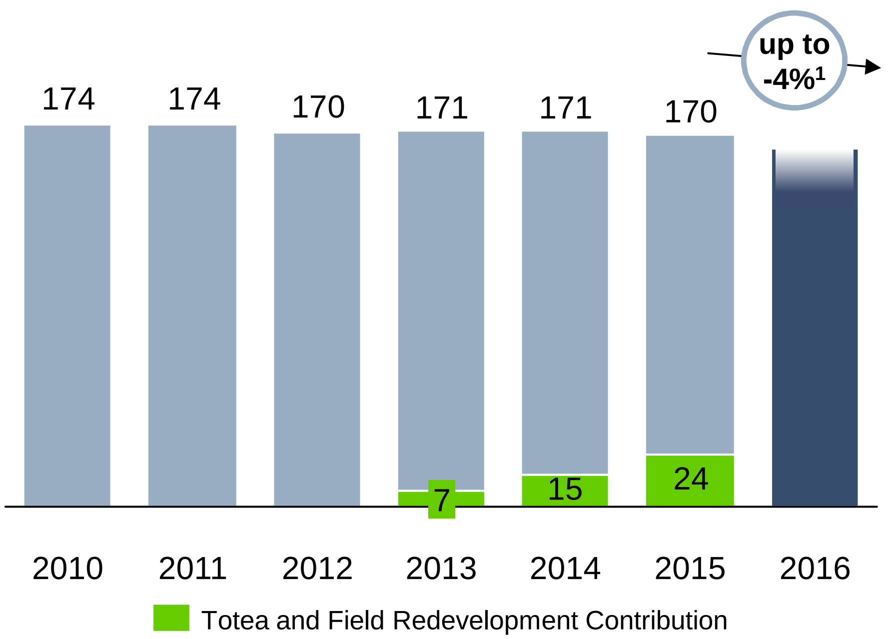

**Losses due to interruptions**

(major planned shutdowns not included)

Upstream

# Production largely maintained due to past investments and discoveries

## Production in Romania, kboe/d




- **2015 production relatively stable:**
  - FRDs (incl. Totea) contribution to production increased by 60% vs 2014
  - Workovers in 2015 ~7% higher contribution to daily production
  - Production losses lower by ~10% in 2015 compared to 2014 mainly due to increased MTBF
- **Production in 2016 expected to drop due to:**
  - Reduced CAPEX and E&A expenditures
  - Portfolio optimization, shutdown of uneconomic wells
  - Impacted by planned surface facilities upgrade in Totea Deep in H2/16

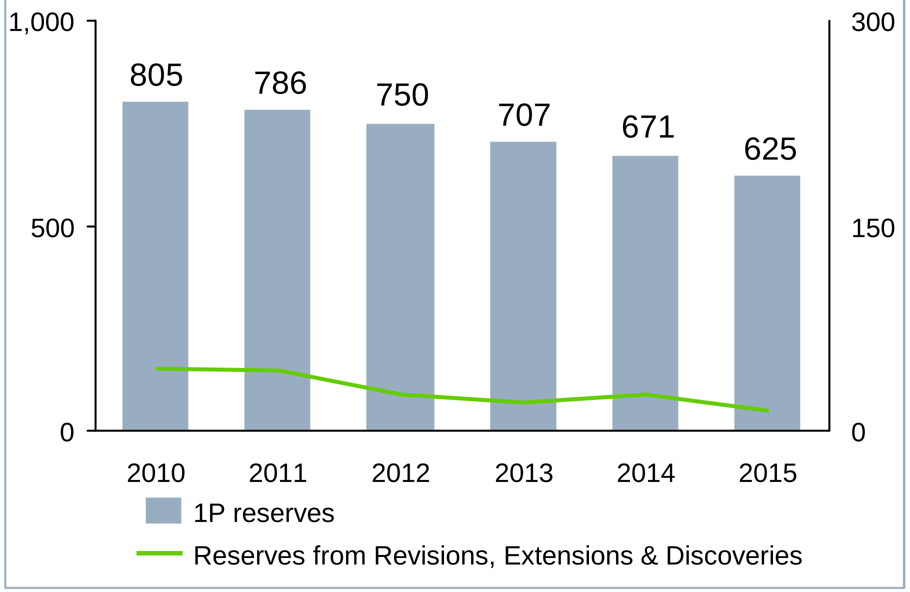
[1] per annum



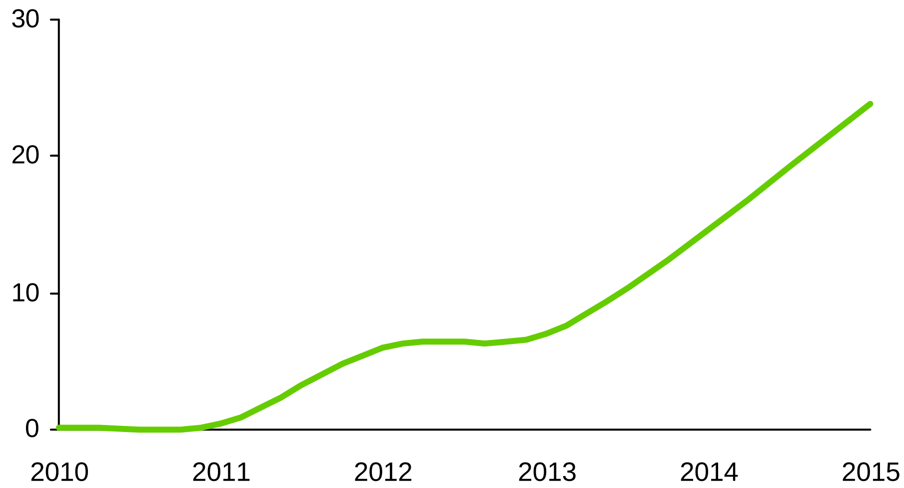
OMV Petrom

# Upstream
# Transforming additional reserves into production

**1P Reserves and additions/year,** boe mn




**Production from FRD investments[1],** kboe/d




- Reserves run life of ~10 years
- It takes 3 to 4 years for projects to deliver

[1] including Totea Deep



OMV Petrom

Upstream

# FRD Lebada East project to start production in 2016

FRD Lebada East

- **Final Investment Decision** of EUR ~60 mn made in 2014
- **Optimize exploitation** by upgrading existing non-associated (NAG) gas compression system
- **First execution stage** completed in Q4 2015 (1st total offshore shut down)
- **Second execution phase** in 2016 focusing on upgrade of high pressure compression system
- **Option for SIMOPS**[1] considered

[1] SIMOPS – Simultaneous Operations

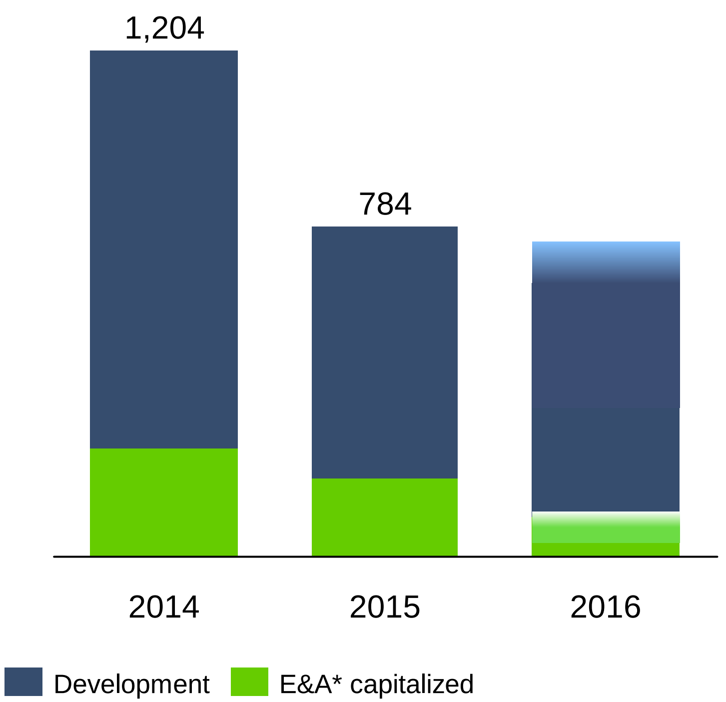


OMV Petrom

Upstream

# CAPEX adjusted to the low oil price environment

**Upstream CAPEX,** EUR mn




* Acquisitions included

- **2015 CAPEX reduced by ~35% yoy:**
  - Prioritize investments
  - E&A offshore maintained, lower onshore
- **2016: Flexibility to reduce further**
  - Planning in a range of scenarios
  - Leverage our investment portfolio mix
- **Retaining options for the medium/long term**
  - Optionality to ramp up activities
  - Preserve subsurface knowledge
  - Partnerships sustain future potential

Upstream

# Neptun Block: drilling program successfully completed

## Neptun Deep

- JV established in 2008: OMV Petrom (50%), ExxonMobil (50%,Operator)
- **Total investment** in excess of USD 1.5 bn since 2008 (thereof 50% OMV Petrom)
- **First exploration drilling** campaign in 2011 – 2012
  - Domino-1 well gas discovery: a play opener
- Two **seismic acquisition** campaigns: 2009; 2012 – 2013
- **Second exploration drilling** campaign 2014 - 2016
  - Seven wells drilled; most of them encountered gas
  - Successful well test of Domino structure
- Sufficiently encouraging results to continue assessment of commercial viability
- **Final Investment Decision**[1] expected in around two years

[1]If commercially viable



OMV Petrom

# Upstream: Outlook 2016
# Further adapt to the new oil price environment

**HSSE**

- No compromise on safety
- Focus on behavioral change

**Value driven management**

- Further pursue positive cash flow
- Continue portfolio optimization

**Operational excellence**

- Strive to limit production decline
- Implement leaner and simpler operational processes

**Sustain long term perspective**

- Prioritization of FRD projects to be continued
- Aim for new partnerships for onshore deep exploration

- Simplicity and standardization
- Adjustment to continue



OMV Petrom

# OMV Petrom
# Downstream Oil

## Neil Morgan
## EB member

OMV Petrom

Market Environment in 2015

# Main highlights

## Our operating region[1]

- **Strong refining margins** throughout 2015, however on downward trend in Q4/15
- Higher **oil product demand** vs 2014
- Persisting **overcapacity**
- **Competitive** fuel prices
- **Long on** both diesel and gasoline

## Romania

- Increased **oil product demand** vs 2014
- Strong **market competition**
- **Long on** both diesel and gasoline
- Higher **crude oil imports**
- **Compulsory stock obligation** maintained

[1]Romania, Bulgaria, Serbia and Republic of Moldova



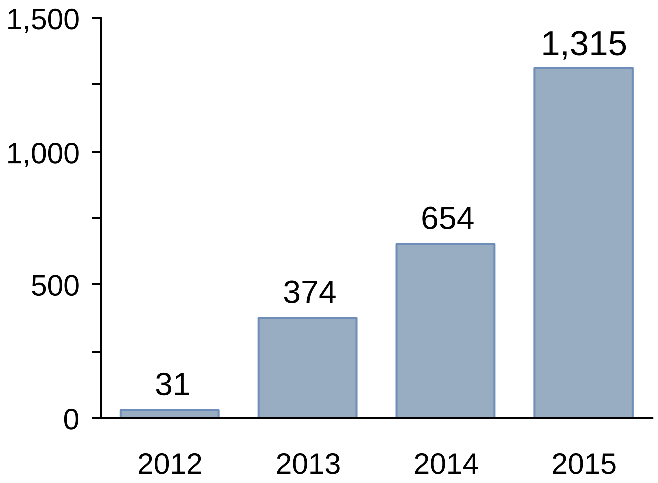
OMV Petrom

## Downstream Oil

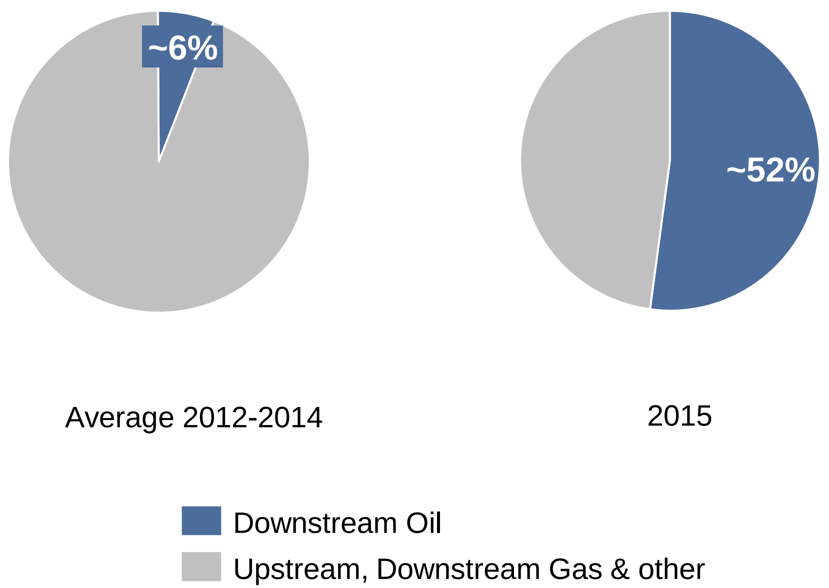
# Contribution to Group results proves the benefits of integration

### Significantly improved Downstream Oil result in the current low oil price environment

**Clean CCS EBIT,** RON mn




### Downstream Oil share of OMV Petrom Group's Clean CCS EBIT

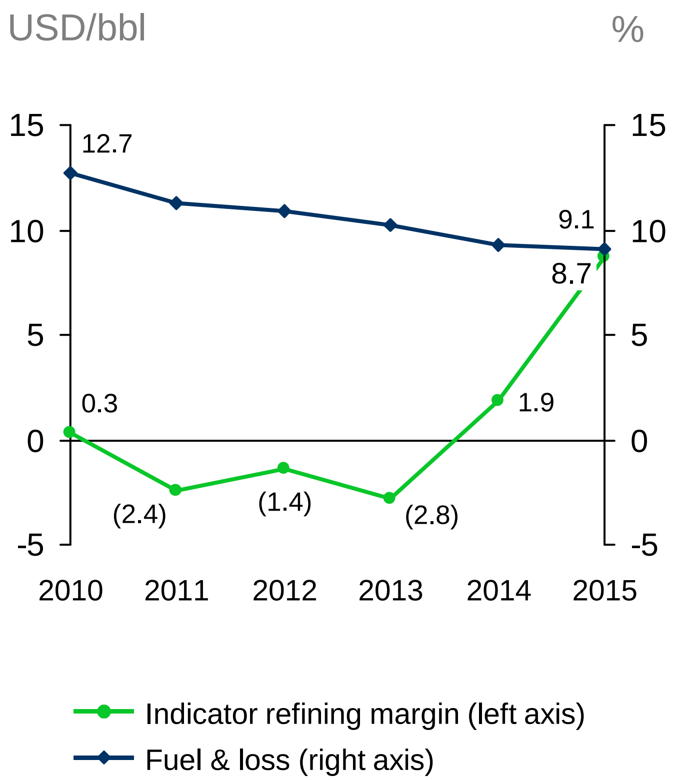





OMV Petrom

# Downstream Oil

## Capitalizing on the refinery modernization benefits




- **Indicator refining margin**[1] significantly improved
- **Utilization rate** stood at 88%
- Sustainable **energy efficiency** improvements
- Improvement in **safety performance**
- Focused **cost management**

[1] Indicator refining margin has been updated following the finalization of the Petrobrazi modernization program in Q3/14; previously reported figures were not adjusted accordingly;



OMV Petrom

Downstream Oil

# Sales performance

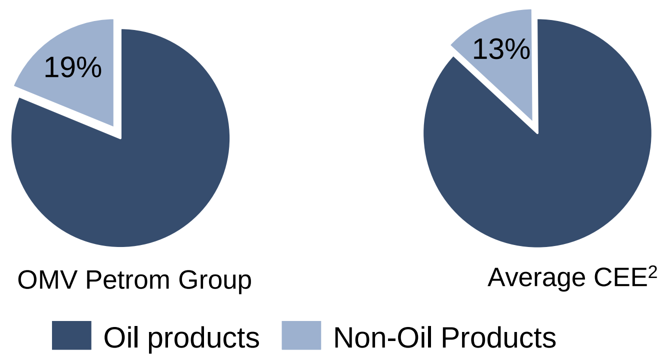
## Market position in Romania[1]

| | |
|---|---|
| Retail | # 1 |
| Wholesale | # 2 |
| Aviation | # 1 |

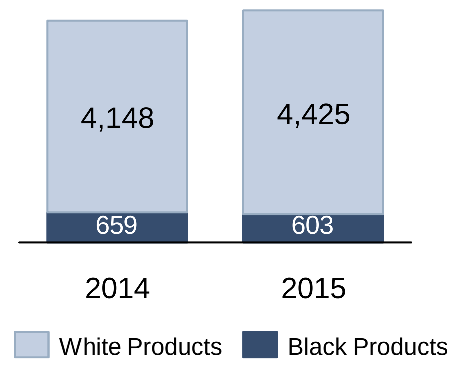
### 2015 vs 2014

- **Group total refined product sales** increased by 5%, despite competition in the operating region
- **Group retail sales** volumes up 7% driven by higher demand
- **Improved market share** in the operating region

## Non-oil products contribution to retail margin




## Group total refined product sales, kt




[1] Company estimates; [2] calculated based on data from Wood Mackenzie



OMV Petrom

Downstream Oil

# Outlook 2016

## Market environment

- **Refining margins** expected to come down from 2015 highs
- Pressure on **fuel margins** in the competitive market
- **Demand** for oil products to benefit of lower crude and oil product prices as well as decreased VAT in Romania

## OMV Petrom

- **Petrobrazi refinery**: one-month planned shutdown and turnaround in Q2/16
- Adjusted **refinery utilization rate**[1] targeted to remain high
- **Optimization and energy improvements**
- Strengthening **retail market position**
- **Focus on costs**

[1] Adjusted for the turnaround period



OMV Petrom

# OMV Petrom Downstream Gas

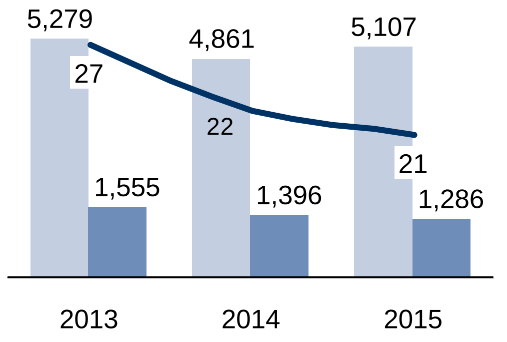
Lacramioara Diaconu-Pintea
EB member

OMV Petrom

Gas and power markets in 2015

# RO: Decreasing gas demand, higher pressure on prices

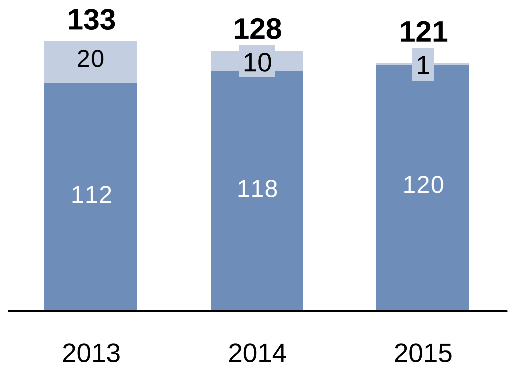
**EU gas demand and production[1],** TWh
**CEGH price,** EUR/MWh




**EU Gas market 2015 yoy:**

- **Higher demand**, mainly triggered by weather conditions, broader use of gas in power generation and GDP growth
- **Higher EU gas imports** as a result of falling indigenous production
- **Declining crude oil quotations** putting additional pressure on gas prices

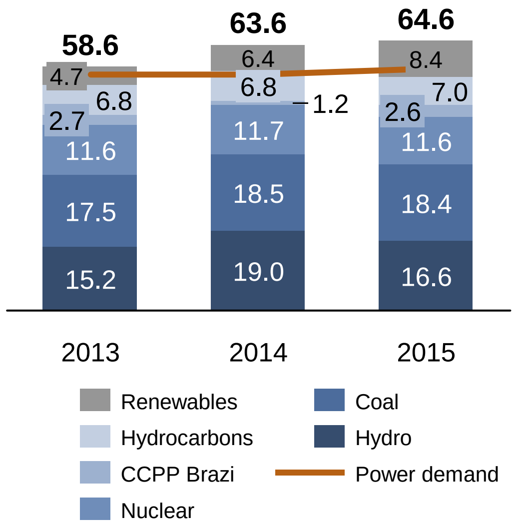
**RO Gas demand,** TWh




**RO Gas market:**

- **Demand:** -5% yoy
- **Prices** under pressure
- Progress on **market liberalization**
- Low liquidity on **centralized markets**
- Lack of progress on **interconnectors**

**RO Power production,** TWh




**RO Power market:**

- **Demand and production:** +2% yoy
- **Baseload prices:** +5% yoy
- Market dynamic largely influenced by **weather**
- Low **clean spark spread** levels
- 1st full year of **market coupling**

[1]Sources: WoodMackenzie, IHS Cera

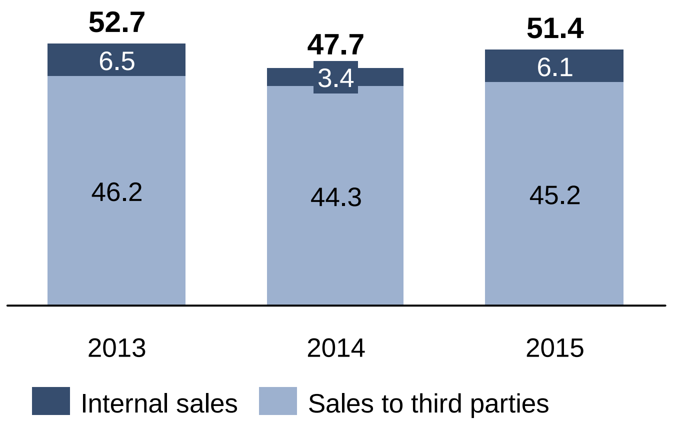


OMV Petrom

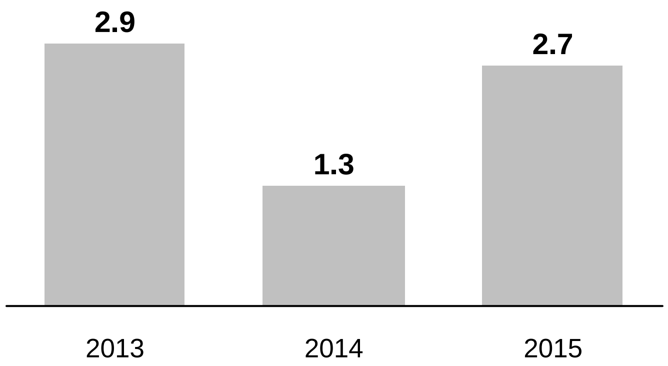
# Downstream Gas performance in 2015

## Good operational results in a weak market environment

### Gas sales, TWh




### Net electrical output, TWh




**Gas**

- **Sales volumes:** +8% yoy
- **Brazi power plant**: competitive gas sales channel
- **Stored volumes** halved to 1.9 TWh

**Power**

- Brazi power plant:
  - **Output:** +100% yoy, 4% market share
  - **Forward** market optimization
  - 11% share on **balancing market**
- Dorobantu wind park: **sale** process initiated



OMV Petrom

Outlook 2016

# OMV Petrom – focus on value creation

| Romania | OMV Petrom |
| --- | --- |
| ▶ **Gas demand** broadly flat<br>▶ **Gas price** expected to be impacted by competitive **imports**<br>▶ **Power demand** stable<br>▶ **Spark spreads** to remain at low levels | ▶ Maintain **leading position** in the free gas market, with strong **customer orientation**<br>▶ **Brazi power plant**: competitive sales channel for equity gas<br>▶ Strict **cost management**<br>▶ Dorobantu wind park: envisaged **divestment** |

# Management agenda for 2016

Mariana Gheorghe, CEO

OMV Petrom

# Management agenda for 2016

- **Capitalize on existing foundation** to deliver on strategic objectives, although impacted by adjustment to market downturn
- **Focus on sustainable performance,** profitability and optimization of assets portfolio
- **Neptun Deep:** encouraging results to further assess commercial viability
- **Aim for cash flow neutrality**[1]; intention to propose no dividend distribution for 2015 financial year
- **Public consultations on taxation and regulatory framework**

[1]before dividends



OMV Petrom

# Legal Disclaimer

This presentation does not, and is not intended to, constitute or form part of, and should not be construed as, constituting or forming part of, any actual offer to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares issued by the Company or any of its subsidiaries in any jurisdiction or any inducement to enter into investment activity; nor shall this document or any part of it, or the fact of it being made available, form the basis of, or be relied on in any way whatsoever. No part of this presentation, nor the fact of its distribution, shall form part of or be relied on in connection with any contract or investment decision relating thereto; nor does it constitute a recommendation regarding the securities issued by the Company. The information and opinions contained in this presentation and any other information discussed in this presentation are provided as at the date of this presentation and are therefore of a preliminary nature, have not been independently verified and may be subject to updating, revision, amendment or change without notice. Where this presentation quotes any information or statistics from any external source, it should not be interpreted that the Company has adopted or endorsed such information or statistics as being accurate.

No reliance may be placed for any purpose whatsoever on the information contained in this presentation, or any other material discussed verbally. No representation or warranty, express or implied, is given as to the accuracy, fairness or currentness of the information or the opinions contained in this document or on its completeness and no liability is accepted for any such information, for any loss howsoever arising, directly or indirectly, from any use of this presentation or any of its content or otherwise arising in connection therewith.

This presentation contains forward-looking statements. These statements reflect the Company's current knowledge and its expectations and projections about future events and may be identified by the context of such statements or words such as “anticipate,” “believe”, “estimate”, “expect”, “intend”, “plan”, “project”, “target”, “may”, “will”, “would”, “could” or “should” or similar terminology. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control that could cause the Company's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements.

None of the future projections, expectations, estimates or prospects in this presentation should in particular be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared or the information and statements contained herein are accurate or complete. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results or otherwise. This presentation does not purport to contain all information that may be necessary in respect of the Company or its shares and in any event each person receiving this presentation needs to make an independent assessment.

The Company undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this presentation that may occur due to any change in its expectations or to reflect events or circumstances after the date of this presentation.

This presentation and its contents are proprietary to the Company and neither this document nor any part of it may be reproduced or redistributed to any other person.

# Contact Investor Relations

### OMV Petrom Investor Relations

Tel.: +40 372 088406
E-mail: investor.relations.petrom@petrom.com
Homepage: www.omvpetrom.com

### 2016 Financial Calendar

| | |
|---|---|
| April 26: | AGM & Annual Report 2015 |
| May 11: | Q1 2016 results |
| August 10: | Q2 & HY 2016 results |
| November 9: | Q3 2016 results |