

# Capital Markets Story

February 2017

Sustainable access to energy  
for everyday modern life



**OMV Petrom**

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# Agenda

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At a glance

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Strategy Update 2021+

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Q4 and FY16 results review

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Outlook 2017

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Appendix

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A photograph of a modern, curved glass building with a distinctive diamond-patterned facade. The building is illuminated from within, and the sky is a clear, pale blue. In the foreground, there is a paved plaza with several vertical poles. A large yellow rectangular box is overlaid on the right side of the image, containing the text "At a glance".

**At a glance**



**OMV Petrom**

# We are the leading industrial company in Romania

	<b>One of the largest private employers</b> c.15,000 direct employees and more than 45,000 indirect jobs <sup>1</sup>		<b>#1 energy supplier</b> Accounts for ~40% of oil, gas and fuel supply, and can cover up to 10% of power generation in Romania
	<b>Substantial investor</b> Over EUR 1bn Capex spent per year since privatization		<b>Largest contributor to state budget</b> EUR 2.2 bn <sup>2</sup>

All data refers to 2016

<sup>1</sup> Source: internal data and analysis; <sup>2</sup> Includes: profit tax, royalties, employer social contributions, excises incl. custom duties, VAT, employee related taxes, other direct and indirect taxes paid to Romanian State



# Operating in the integrated oil and gas sector



## Upstream

### Romania



- ▶ 3.60 mn toe/yr crude oil and NGL
- ▶ 5.25 bcm/yr gas
- ▶ 582 mn boe proven reserves (~10 yrs of current production)

### Kazakhstan



- ▶ 0.36 mn toe/yr crude oil and NGL
- ▶ 0.05 bcm/yr gas
- ▶ 24 mn boe proven reserves



## Downstream Oil

- ▶ Petrobrazi refinery, 4.5 mn t/yr capacity
- ▶ 783 filling stations, operated via 2 brands: Petrom (479, Romania, Moldova) and OMV (304, Romania, Bulgaria, Serbia)
- ▶ 2.6 mn t retail sales



## Downstream Gas

- ▶ Gas sales 4.6 bcm/yr, meeting up to ~40% of Romania's demand
- ▶ Brazi gas-fired power plant (860 MW)

All data refers to 2016

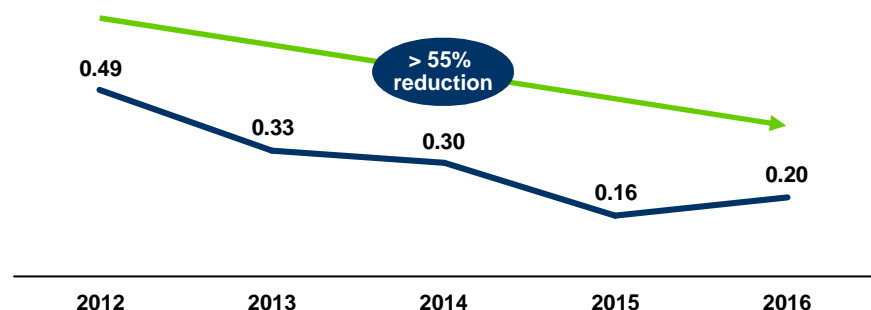


# Focused on safeguarding our employees and the environment

## Improved LTIR<sup>1</sup> in 2016 vs. 2012

- ▶ Offshore operations: more than 2 years without LTI<sup>2</sup>
- ▶ Downstream Oil LTIR: 0.09

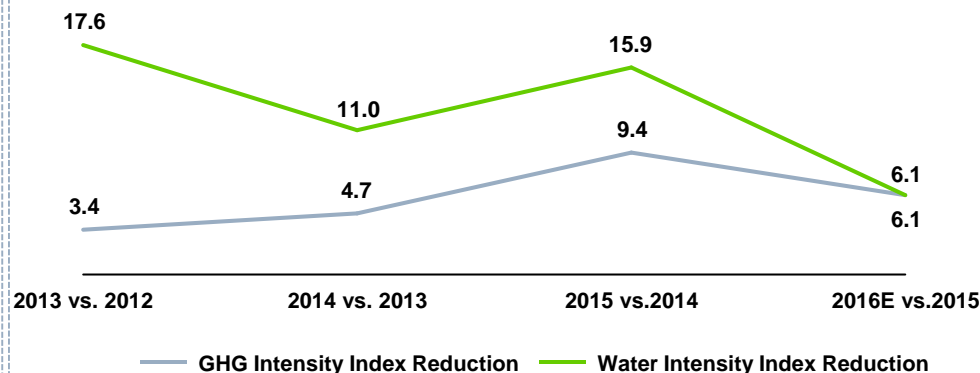
### LTIR



## Significant reduction of GHG<sup>3</sup> and Water Intensity

- ▶ GHG and Water Intensity Indices reduced by ~6% in 2016<sup>4</sup> vs. 2015
- ▶ Downstream Oil achieved the greatest GHG reduction: -24% in 2016<sup>4</sup> vs. 2012
- ▶ 31 G2P/CHP<sup>5</sup> units burning well gas met more than 50% of Upstream onshore electricity demand in 2016

## Reduction of GHG and Water Intensity Indices 2012 – 2016<sup>4</sup> (%)



<sup>1</sup> Lost time injury rate (employees and contractors) for OMV Petrom Group, excluding Kazakhstan; <sup>2</sup> Lost time injury; <sup>3</sup> Greenhouse gases; <sup>4</sup> Preliminary figures for 2016; <sup>5</sup> Gas to power/Combined heat and power

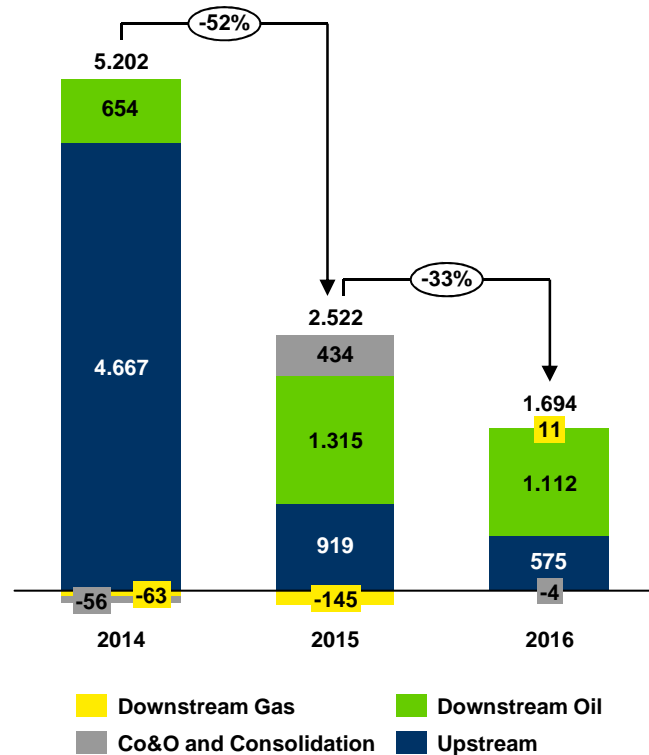




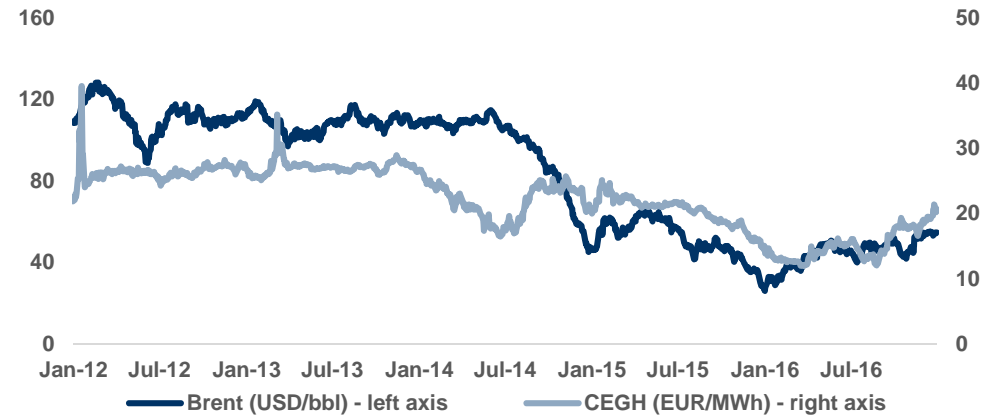
# Proving resilience in a challenging market

## Clean CCS EBIT 2014 - 2016

(RON mn)

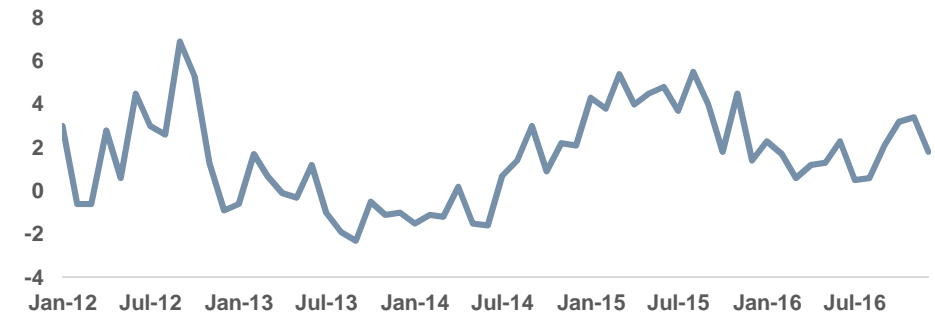


## Oil and Gas Price evolution (2012 - 2016)



## Indicative Refining Margins (2012 - 2016)<sup>1</sup>

(USD/bbl)

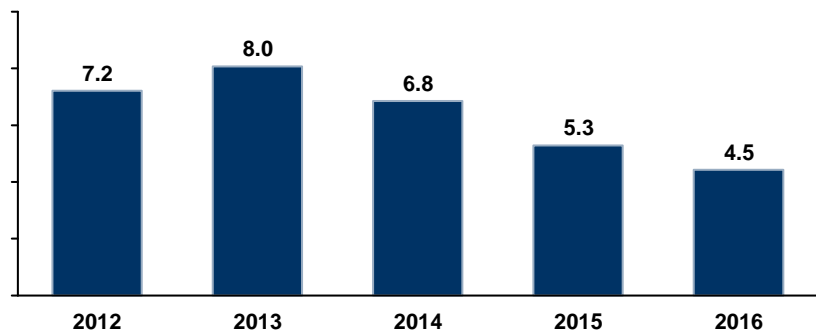


<sup>1</sup> Mediterranean region

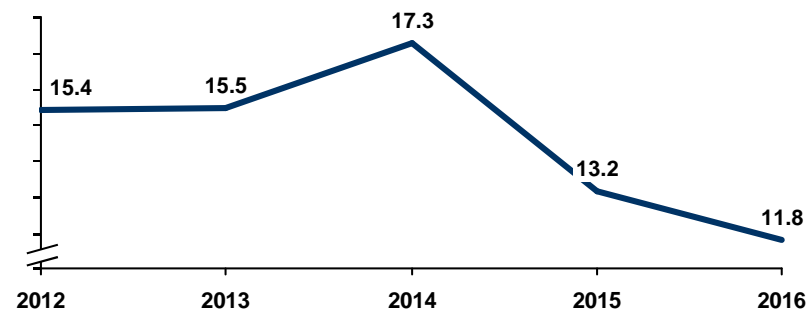


# Turning efficiency savings into cash flow...

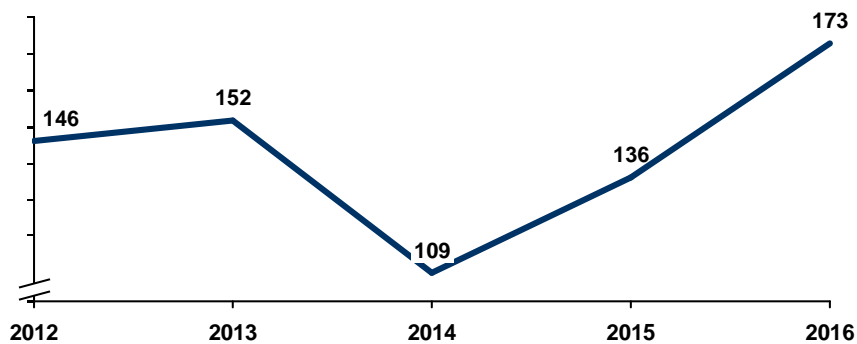
Operating cash flow (RON bn)



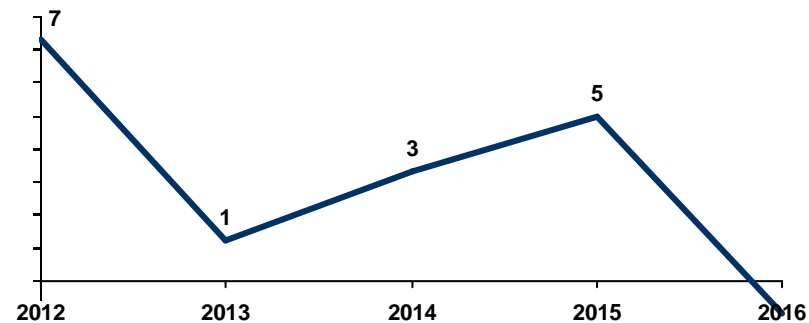
Lowered OPEX (USD/bbl)



Operating cash flows / Capex (%)



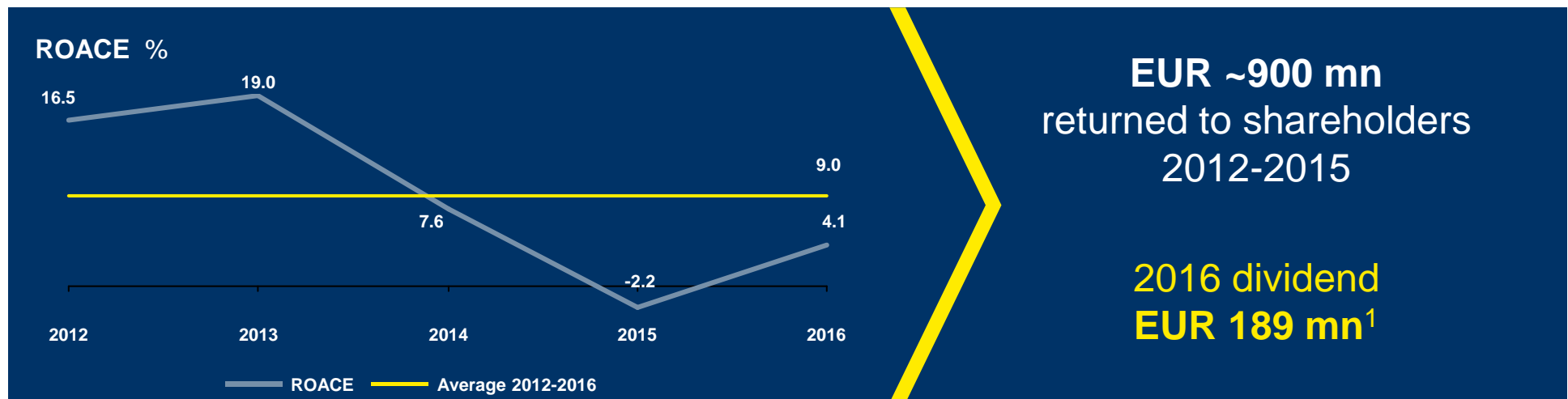
Gearing ratio (%)



# ...and cash flow into returns to shareholders

## Dividend Policy

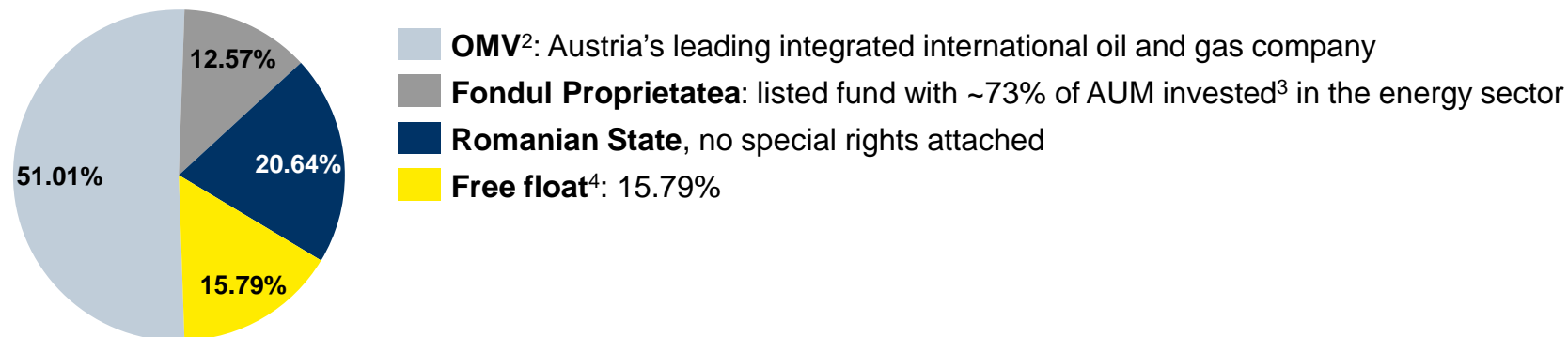
Petrom is committed to deliver a competitive shareholder return through the business cycle, including paying an attractive dividend, subject always to maintaining a strong balance sheet that will enable the Company to finance its investment needs and to the shareholders' approval.



<sup>1</sup> Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders, it assumes a dividend per share of RON 0.015

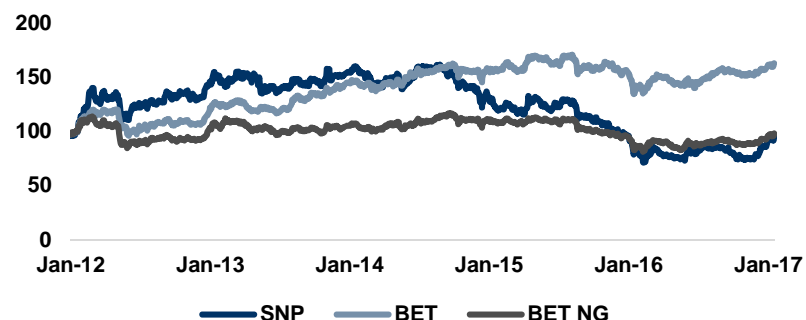
# Shareholder structure and capital market environment

## OMV Petrom S.A. shareholder structure<sup>1</sup> (%)



## Share price evolution<sup>5</sup>

Index Jan 2012 = 100



## Share information

Bucharest Stock Exchange Symbol	SNP
Ordinary shares outstanding	56,644,108,335
London Stock Exchange Symbol	PETB (GDR)
Initial GDRs <sup>6</sup> issued	2,492,328
GDRs outstanding as at end-Dec 2016	1,756,419

<sup>1</sup> As of December 31, 2016; <sup>2</sup> Shareholder since December 2004; <sup>3</sup> As of December 31, 2016; <sup>4</sup> Premium tier on the Bucharest Stock Exchange and main market on the London Stock Exchange;

<sup>5</sup> Rebased quotations on Bucharest Stock Exchange; <sup>6</sup> 1 GDR = 150 ordinary shares



A photograph of a modern, curved glass building with a distinctive diamond-patterned facade. The building is illuminated from within, and the sky is a clear, light blue. A yellow rectangular box is overlaid on the lower right portion of the image, containing the text "Strategy Update 2021+".

## Strategy Update 2021+



OMV Petrom



## Our vision

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**Leading integrated  
regional player**

**Committed to enhance  
customer experience**

**Regional growth leveraging  
Romanian expertise**

**Sustainable access to energy for everyday modern life**

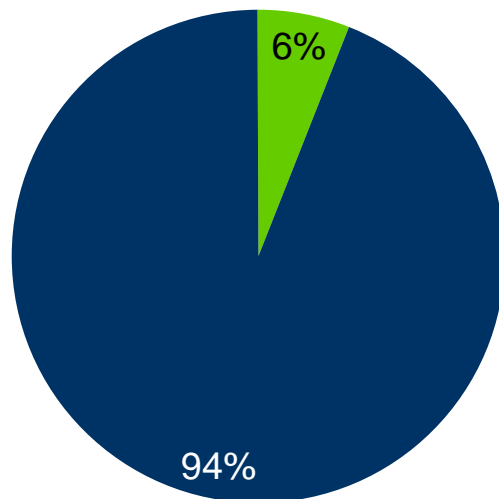


# Proven history of integration delivering value

Changes in performance contribution reflect market dynamics

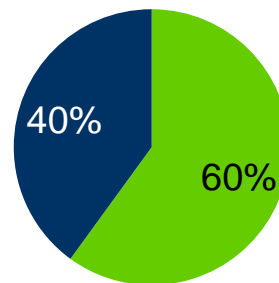
## Clean CCS EBIT evolution

2012-2014 Average



Brent average  
USD 106/bbl

2015-2016 Average







Brent average  
USD 48/bbl

■ Downstream Oil ■ Upstream, Downstream Gas and other

- ▶ Synergies and earnings resilience delivered in depressed oil price environment
- ▶ Downstream Oil clean CCS EBIT in 2016 up ~3x vs. EUR 85 mn in 2013

# Strong track record of capital management

## Performance 2012 - 2016

	UPSTREAM	DOWNSTREAM	
Improved operational efficiency	<p>OPEX reduced from USD 15/boe to USD 12/boe</p> <p>Limited production decline to ~4.7%<sup>1</sup> while CAPEX reduced by 45%<sup>1</sup></p>	<p>Refinery utilization rate increased from 73% to 89%</p> <p>Indicative refinery margins improved from USD -1.4/bbl to USD 7.0/bbl<sup>2</sup></p>	<p>FCF<sup>3</sup> average for the period of EUR 375 mn</p> <p>Gearing maintained below 10%</p>
	<p>Totea Deep</p> 	<p>Neptun block exploration</p> 	
Delivered on significant projects	<p>Modernization of Petrobrazil refinery</p> 	<p>860MW Brazil power plant on stream</p> 	

<sup>1</sup> 2016 vs. 2012; <sup>2</sup> Of which modernization of Petrobrazil refinery contributed USD ~5.0/bbl; <sup>3</sup> Free Cash Flow



# 2021+ Centered around three key pillars

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Enhancing  
competitiveness in  
the existing portfolio



Developing  
growth options



Regional  
expansion



Commitment to deliver attractive shareholder returns

# Exploiting potential in existing upstream field portfolio



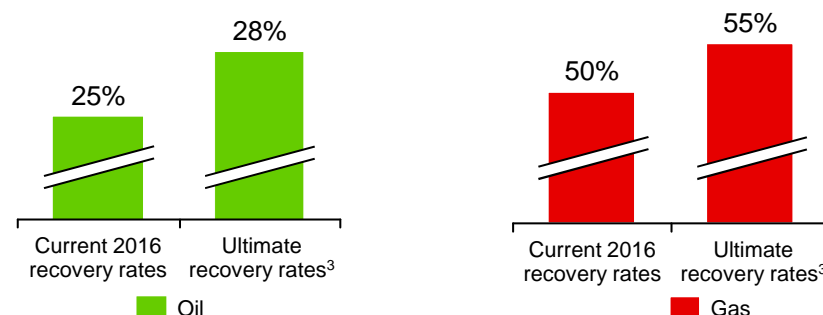
## Maximize economic recovery

- ▶ Mature contingent resources through:
  - ▶ infill drilling campaigns
  - ▶ selected field redevelopment programs
- ▶ Adding ~150 mn boe<sup>1</sup> reserves from existing fields
- ▶ Leading to improved ultimate recovery rates
- ▶ Key contributor to RRR<sup>2</sup> target

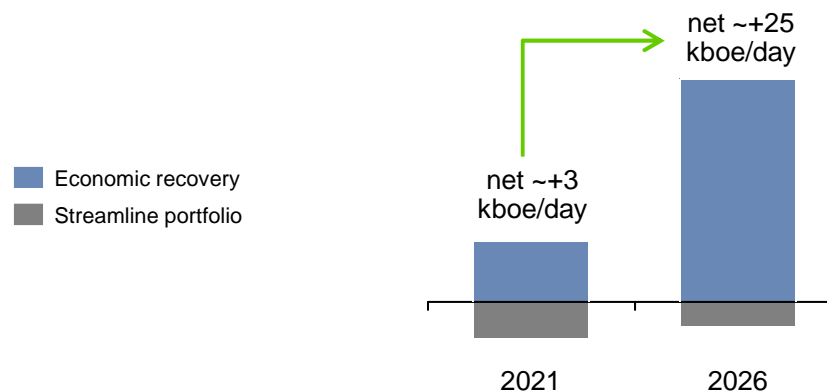
## Streamline portfolio

- ▶ Simplify footprint and reduce complexity
- ▶ Expect production loss of up to 6 kboe/day from 2018

## Oil and Gas recovery rates



## Additional production expected from economic recovery offsets loss from streamlining portfolio



<sup>1</sup> Life of field; <sup>2</sup> Reserves Replacement Rate; <sup>3</sup> Life of field including strategic ambitions



# Relentless pursuit of operating efficiencies



## Upstream

- ▶ Focus on the most profitable barrels
- ▶ Commitment to operational excellence
- ▶ Further reduction of unit costs
- ▶ Modernization and simplification of installations and facilities

## Downstream

- ▶ Capturing of highest integrated operational value
- ▶ Maximization of availability and utilization of downstream plants
- ▶ Further improvement of the refinery operations to international benchmarks
- ▶ Increase in throughput per filling station

## Group

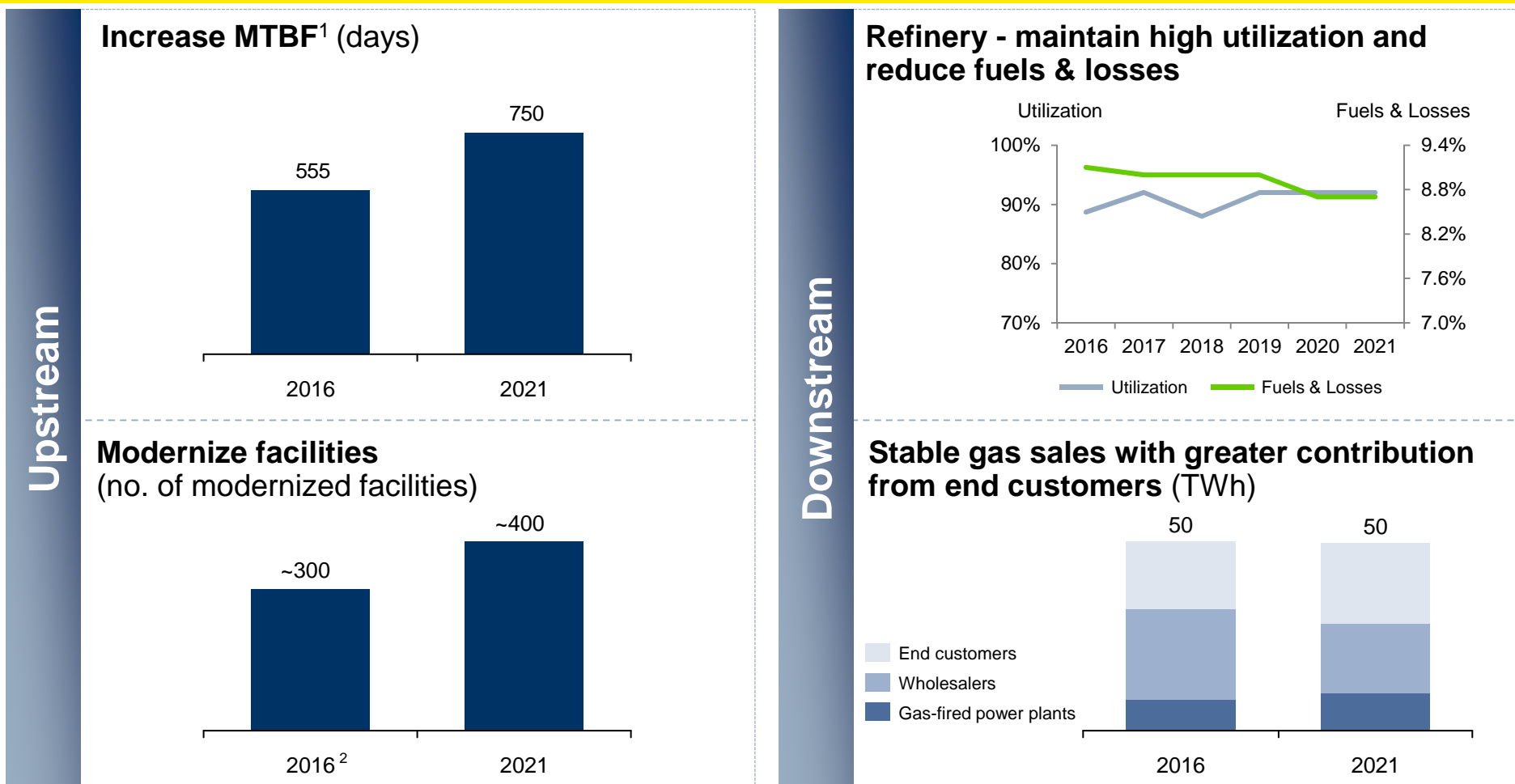
- ▶ Focus on value over volume
- ▶ Ongoing corporate SG&A<sup>1</sup> savings
- ▶ Agile and efficient organization
- ▶ Technology driven initiatives

<sup>1</sup> Selling, General and Administration Expenses





# Clear operational targets set

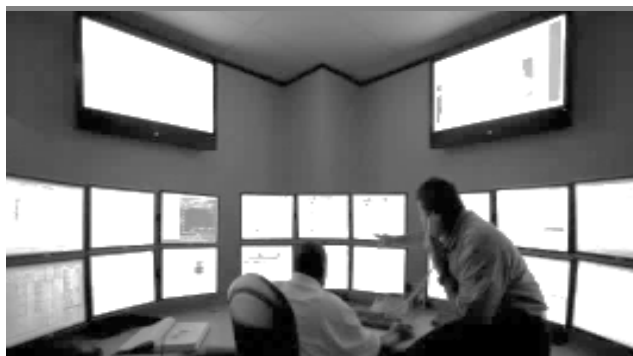


<sup>1</sup> Mean time between failures; <sup>2</sup> Total number of facilities modernized by 2016





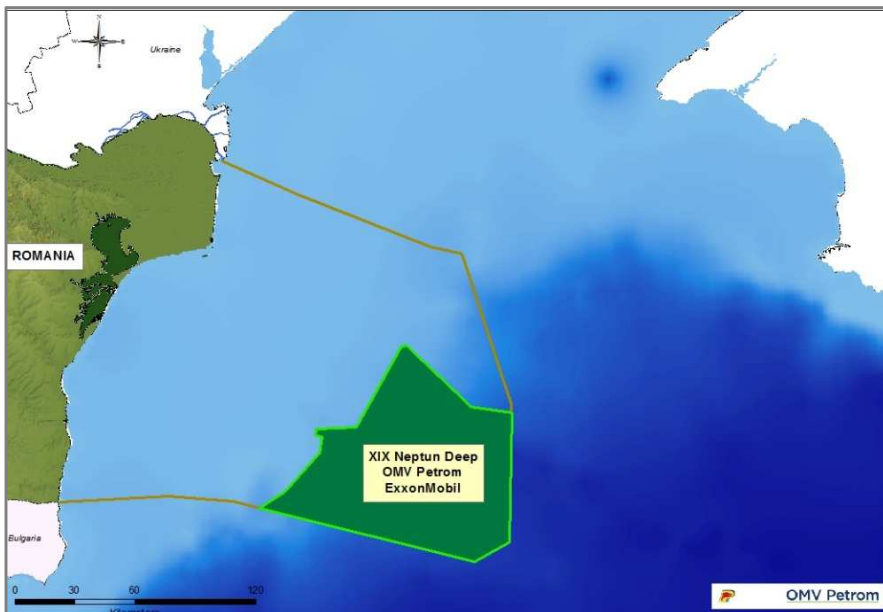
# Technology enabling efficiency progression



<b>Upstream</b>	<ul style="list-style-type: none"><li>▶ Digital Oil Field – well automation and online condition monitoring</li><li>▶ Drones used for aerial photogrammetry, imaging or videos</li></ul>	▶ Automated processes and optimized predictive maintenance
<b>Downstream</b>	<ul style="list-style-type: none"><li>▶ Predictive Analytics – electronic coordination and management of the maintenance and operations processes</li><li>▶ Smart Aps and Price &amp; Portfolio Optimisation – automated self-service interface for customers and partners</li></ul>	
<b>Group</b>	<ul style="list-style-type: none"><li>▶ Digitalized and automated processes</li></ul>	▶ Efficient and agile organization



# Mature Neptun Deep opportunity



- ▶ OMV Petrom (50%), ExxonMobil (50%, Operator)
- ▶ 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
- ▶ Committed to assess commercial viability based on encouraging results
- ▶ Key contributor to RRR<sup>1</sup> target<sup>2</sup>

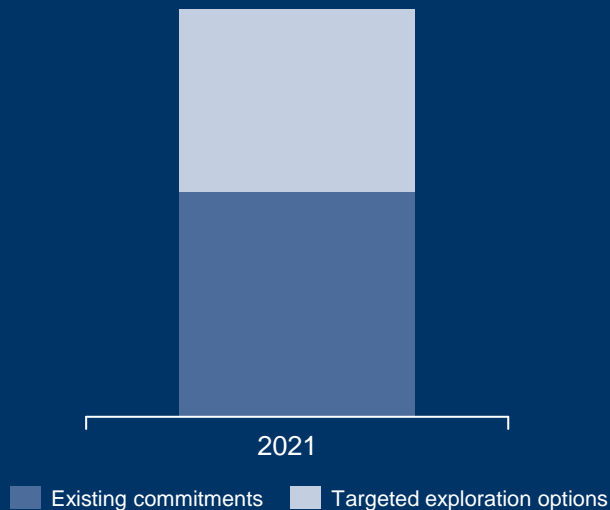
<sup>1</sup> Reserves Replacement Rate; <sup>2</sup> If commercially viable

# Rejuvenated exploration portfolio in Romania



## Estimated production contribution<sup>1</sup>

~10 kboe/day



► Continue to unlock deep onshore opportunities in existing licenses

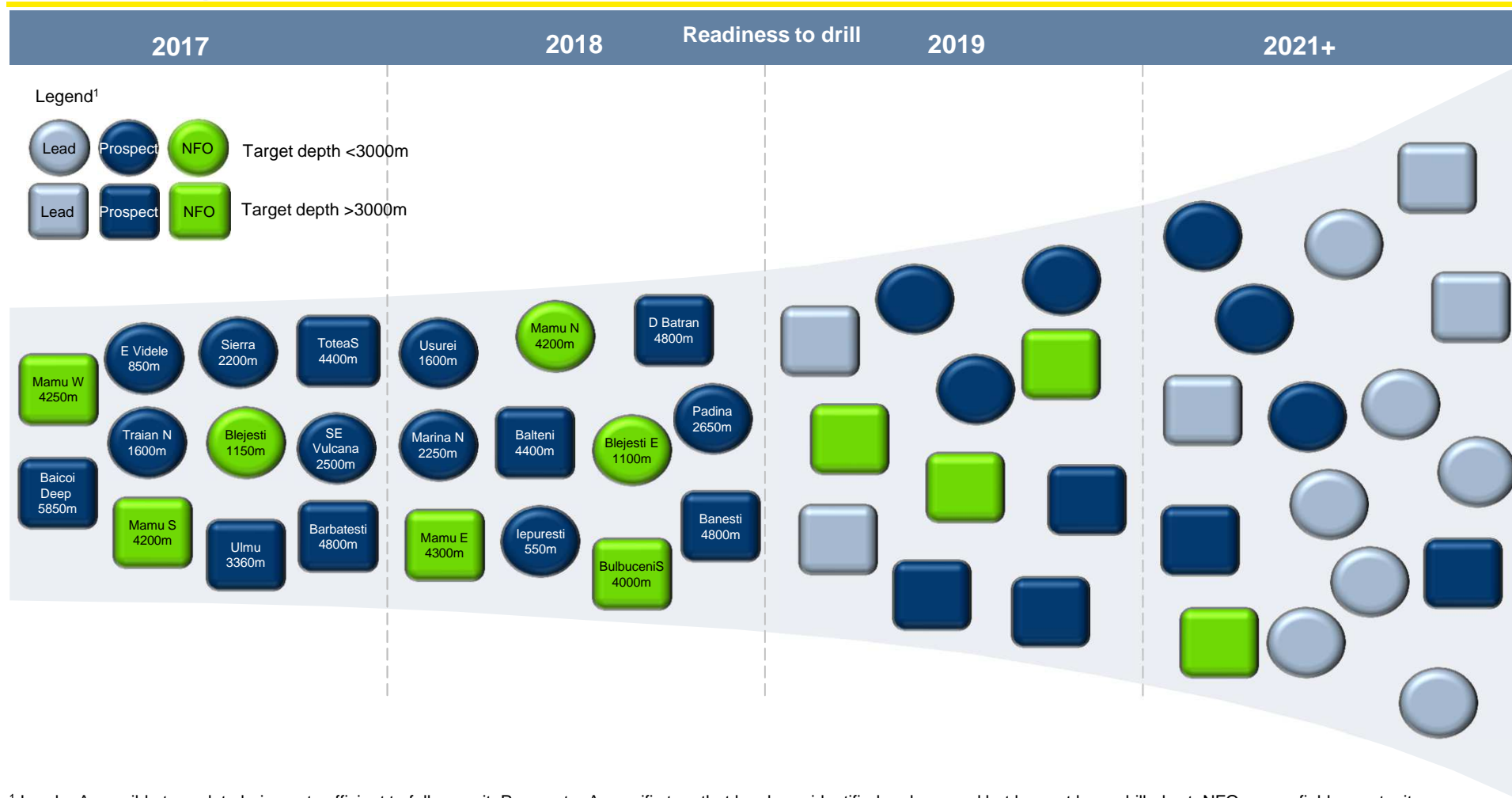
► Participate in new licensing rounds

► Contribution to RRR<sup>2</sup> target depending on timing and results of the new licensing rounds

<sup>1</sup> Risked production; <sup>2</sup> Reserves Replacement Rate



# Strong near-field and exploration opportunities in existing portfolio onshore and shallow offshore



<sup>1</sup> Lead = A possible trap, data being not sufficient to fully map it; Prospect = A specific trap that has been identified and mapped but has not been drilled yet; NFO = near-field opportunity



# Capture downstream opportunities



## Increase integrated value through refining and retail investments

- ▶ Polyfuel project to upgrade production mix (operative 2019)
- ▶ Invest in new retail stations in high traffic areas



## Conclude modernization of fuel storage network

- ▶ Finalise last depot modernization in 2018



## Explore value-adding opportunities for gas

## Explore technological opportunities capitalizing on skills and assets



# Enhance offer and customer experience

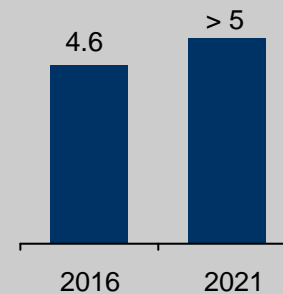
## Downstream Oil



Value for money



Increase throughput per  
filling station in Romania  
(mn l)



High quality leader



Innovation and partnerships to strengthen Petrom and OMV brand positioning

## Downstream Gas

Develop partnerships

Expanding domestic  
reach

Product innovation

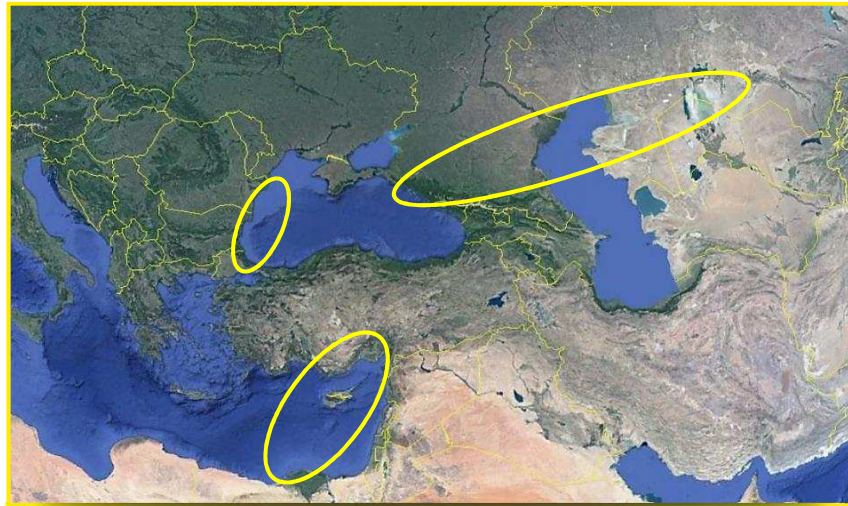


# Regional expansion to complement portfolio



## Leverage our local know-how

### Upstream



- ▶ Capture synergies with existing operations
- ▶ ~80 mn boe reserves targeted from near-term acquisitions
- ▶ Prioritise Caspian and Western Black Sea

### Downstream Gas



- ▶ Diversify sales channels for current production (subject to interconnectors development)
- ▶ Grow regionally with Neptun<sup>1</sup> volumes monetization

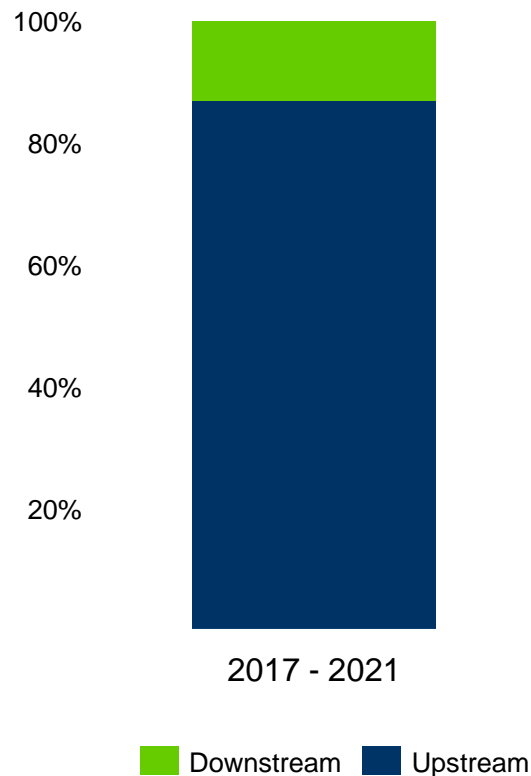
<sup>1</sup> If commercially viable

# Portfolio investments



EUR ~5 bn cumulative Capex anticipated over 2017 - 2021

## Cumulative Capex allocation



## Upstream portfolio

- ▶ Maximize value of current mature field portfolio
- ▶ Secure improved recovery from contingent resources
- ▶ Deliver further growth in Romania
- ▶ Drive regional expansion

## Downstream portfolio

- ▶ Continue operational efficiency programs
- ▶ Build new filling stations
- ▶ Perform planned turnarounds
- ▶ Secure long term growth



# Success built on three core strategic enablers



## People and Organizational Culture

We are the energy



## Sustainability

Respect the future



## Technology and Innovation

Innovate for the future

# Generate positive outcomes for shareholders

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**Enhanced  
profitability**

**Strong  
balance sheet**

**Attractive  
shareholder returns**

# 2021 Clear, robust targets

**RRR<sup>1</sup>**  
100% by 2021

**CAPEX**  
EUR ~1 bn p.a.

**FCF<sup>2</sup> after dividends**  
Positive for majority of period

**Clean CCS ROACE<sup>3</sup>**  
> 10% by 2021

**Gearing**  
Maintain a strong balance sheet

**Dividend**  
Attractive returns

<sup>1</sup> Reserves Replacement Rate; <sup>2</sup> Free Cash Flow; <sup>3</sup> Clean Current Cost of Supply Return on Average Capital Employed





# Dividend considerations

**Commitment to deliver a competitive shareholder return by paying an attractive dividend**

## Considerations

Earnings

Oil & Gas prices

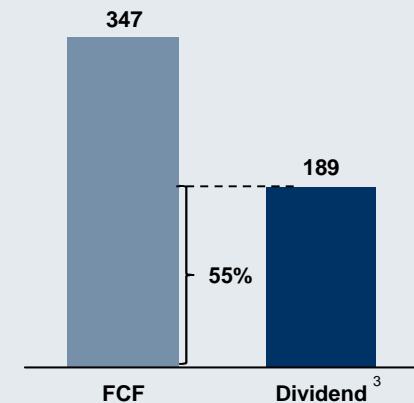
CAPEX

FCF and Balance sheet

- ▶ Stress tested forecasts under various pricing points and FX assumptions
- ▶ Upcoming CAPEX
- ▶ FCF<sup>1</sup> generation, cash buffer
- ▶ Debt structure, potential acquisitions

**2016 DPS<sup>2</sup> proposal: RON 0.015**

EUR mn



**EUR ~900 mn returned to shareholders over 2012-2015**

**Confidence on 2021+ plan allows improved visibility toward shareholder returns**

<sup>1</sup> Free Cash Flow; <sup>2</sup> Dividend per share; <sup>3</sup> Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders



# Our path to long-term success



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## **Q4 & FY16 Results review**



**OMV Petrom**



# Key messages 2016



- ▶ Free cash flow at RON 1.6 bn, due to investment prioritization and strict cost discipline
- ▶ Clean CCS EBIT at RON 1.7 bn; higher Downstream contribution
- ▶ OMV Petrom's Free Float increased to 15.8%; GDRs traded on the London Stock Exchange since October 2016
- ▶ Dividend proposal: RON 0.015/share<sup>1</sup>



- ▶ Upstream: daily hydrocarbon production decline offset by significant cost savings
- ▶ Downstream Oil: higher retail sales volumes offset by weaker refining margins
- ▶ Downstream Gas: good overall performance
- ▶ 2016 LTIR<sup>2</sup> at 0.20

<sup>1</sup> Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders; <sup>2</sup> Lost time injury rate (employees and contractors) for OMV Petrom Group excluding Kazakhstan

# Romanian macroeconomic and fiscal environment

## Macroeconomic environment

- ▶ **2016 GDP growth**<sup>1</sup>: 4.8% yoy
- ▶ **CPI annual inflation**: -0.5% end-Dec; 12-month average: -1.5%
- ▶ **Budget balance**: -2.4% of GDP end Dec 2016
- ▶ **FDI**: EUR 3.9 bn in Jan-Nov, 22% higher yoy
- ▶ **Investment grade rating**: BBB- (S&P and Fitch), Baa3 (Moody's)
- ▶ **Demand in 2016 yoy**: Fuels<sup>2</sup> 5%; Gas<sup>3</sup> 3%; Power<sup>4</sup> 1%



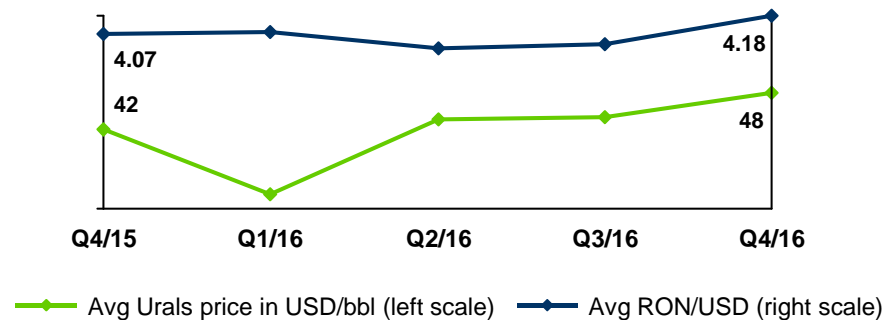
## Fiscal framework

- ▶ **Supplementary taxation**<sup>5</sup> extended until end-2017
- ▶ **Tax on constructions** eliminated starting January 1, 2017
- ▶ Engagement with stakeholders on **Upstream taxation and regulatory framework**

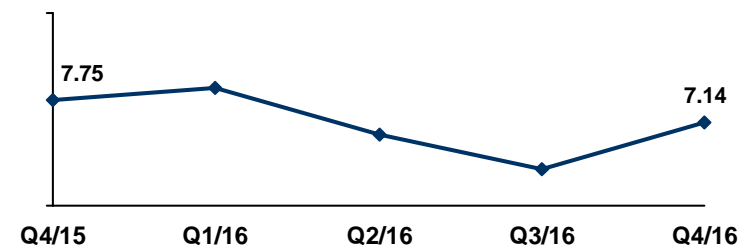
<sup>1</sup> Romanian National Institute of Statistics; <sup>2</sup> Fuels refer only to retail diesel and gasoline; <sup>3</sup> According to company estimates; <sup>4</sup> According to preliminary data available from the grid operator; <sup>5</sup> Introduced at the beginning of 2013 simultaneously with the start of gas price liberalization

# Economic environment

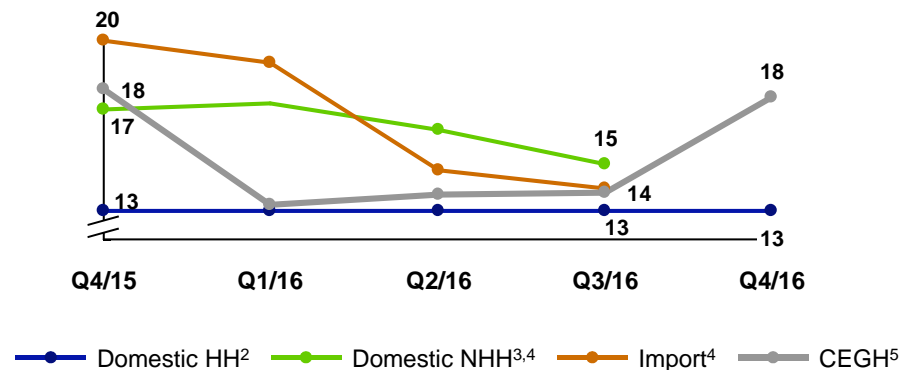
## Oil price (USD/bbl) and FX (USD/RON)



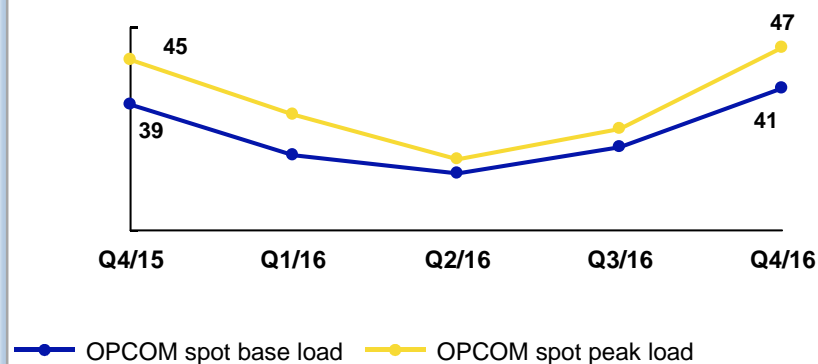
## OMV Petrom Indicator refining margin (USD/bbl)



## Gas prices (EUR/MWh)<sup>1</sup>



## Power prices in Romania (EUR/MWh)<sup>1</sup>



<sup>1</sup> Converted from RON into EUR, FX rate: 4.5; <sup>2</sup> Regulated price for households; <sup>3</sup> Price for gas sold by producers to the suppliers of end-users in the free market; <sup>4</sup> As published by ANRE (Q3/16 price is the extrapolation of July 2016 price, latest published by ANRE); <sup>5</sup> Central European Gas Hub

# 2016 CAPEX and E&A in line with guidance

## CAPEX cuts mainly driven by focus on the most profitable barrels

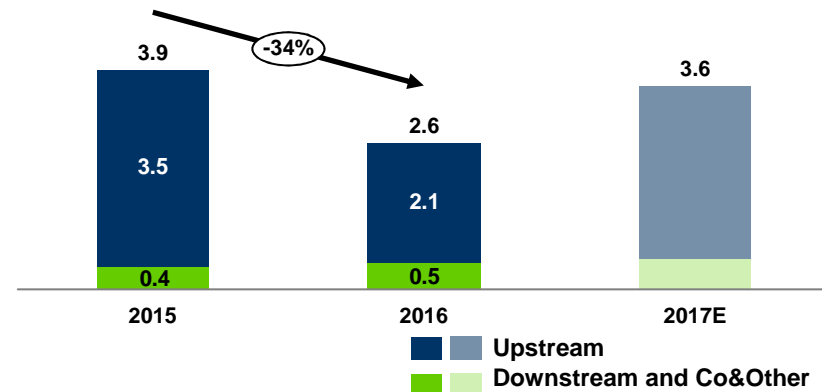
### CAPEX incl. capitalized E&A

- ▶ **2016 down by RON 1.3 bn, -34% yoy**
  - ▶ Upstream CAPEX down by RON 1.4 bn mainly on projects prioritization
  - ▶ Downstream CAPEX up by RON 51 mn largely due to Q2/16 refinery turnaround
- ▶ **2017E 40% higher than 2016**
  - ▶ Focused on drilling, workovers and FRDs
  - ▶ Around 70 wells planned to be drilled

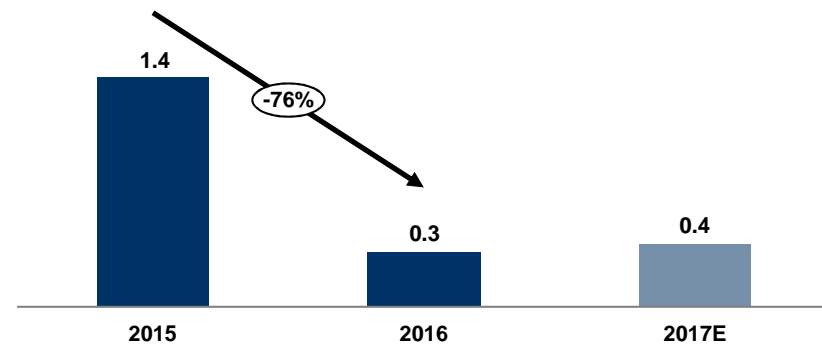
### E&A Expenditure

- ▶ 2015 included Neptun Deep drilling campaign and onshore deep exploration (JV with Repsol)
- ▶ 2017E includes drilling of six wells, onshore and shallow offshore

### Group CAPEX incl. capitalized E&A (RON bn)



### E&A expenditure (RON bn)



# Strong execution of efficiency plans

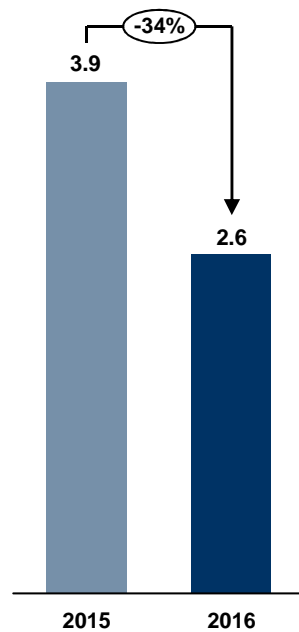
## Upstream

OPEX in USD/boe



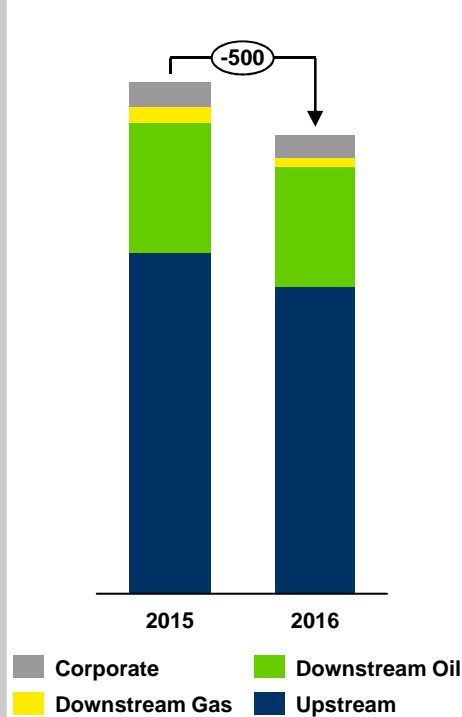
## CAPEX

RON bn



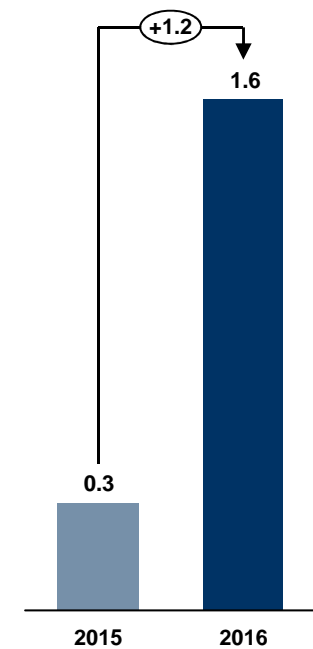
## Operating cost savings

RON mn



## FCF<sup>1</sup>

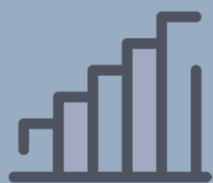
RON bn



<sup>1</sup> FCF before repayment of loans and dividend payments



# 2016 Strong financial resilience



## Profitability impacted by ongoing market backdrop

- ▶ RON 1.7 bn Clean CCS EBIT, -33% yoy
- ▶ RON 4.5 bn operating cash flow, -16% yoy
- ▶ Clean CCS EBIT margins decline partly mitigated by cost savings

## Strengthened balance sheet

- ▶ Switched from RON 1.3 bn net debt at end 2015 to RON 0.2 bn net cash at end 2016
- ▶ FCF after dividends improved to RON 1.6 bn in 2016 vs. RON (0.3) bn in 2015
- ▶ Equity ratio up 2pp to 64%

## Restoration of dividend distributions

- ▶ 2016 proposed: RON 0.015/share<sup>1</sup>
- ▶ Dividend yield<sup>2</sup>: 5.3%
- ▶ 2016 FCF coverage of dividends: 1.8x

<sup>1</sup> Executive Board's proposal subject to approvals of the Supervisory Board and Annual General Meeting of Shareholders; <sup>2</sup> Using a share price of RON 0.2835 as at 10 February 2016

# Cash flow development

## Strong FCF generation

RON mn	Q4/16	Q4/15	2016	2015
Cash flow from operating activities (CFO)	1,070	1,104	4,454	5,283
Thereof, Depreciation, amortization and impairments including write-ups (D&A)	866	3,253	3,464	6,761
Change in net working capital (NWC)	(191)	(31)	(27)	146
Cash flow from investing activities (CFI)	(638)	(1,070)	(2,896)	(4,953)
Cash flow from financing activities (CFF)	(239)	(48)	(376)	(794)
Cash and equivalents at end of period	1,996	813	1,996	813
Free cash flow after dividends	432	32	1,558	(301)

## 2016 vs. 2015

- ▶ 2016 operating cash flow resilience supported by:
  - ▶ cost savings partly offsetting impact of declining prices and refining margins
  - ▶ partly offset by unfavourable net working capital developments
- ▶ Cash flow from investments reduced by RON 2 bn on prioritised CAPEX, mostly in Upstream
- ▶ FCF after dividend at RON 1.6 bn achieved despite low oil price environment (Brent average at USD 44/bbl, -17% yoy)



# Income statement summary

RON mn	Q4/16	Q4/15	2016	2015
Sales	4,595	4,518	16,247	18,145
EBIT	335	(1,844)	1,469	(530)
Clean CCS EBIT	454	211	1,694	2,522
Financial result	(103)	(135)	(204)	(196)
Taxes	(73)	299	(227)	36
Net income <sup>1</sup>	162	(1,675)	1,043	(676)
Clean CCS net income <sup>1</sup>	263	68	1,162	1,801

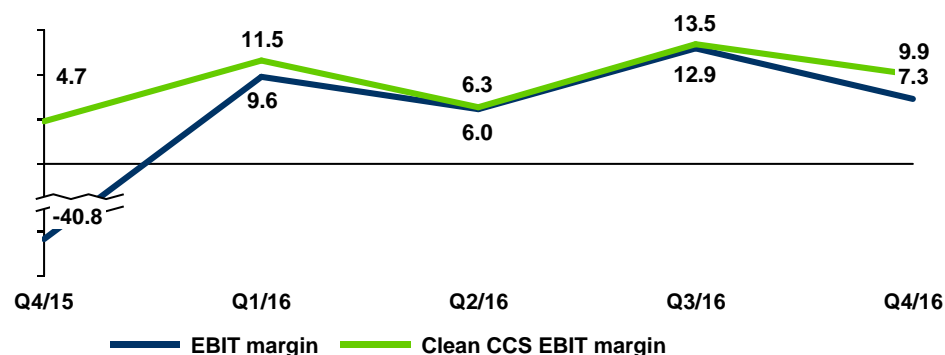
## Q4/16 vs. Q4/15

- ▶ Clean CCS EBIT margin development driven by cost reductions, as yoy sales performance was relatively flat
- ▶ Special items include charges of RON (193) mn in Q4/16 vs. RON (1,930) mn in Q4/15
- ▶ Effective tax rate at 31% due to non-deductible special charges

## 2016 vs. 2015

- ▶ Clean CCS EBIT margin declined due to the challenging market environment
- ▶ EBIT turned positive, as 2015 was impacted by impairments of Upstream assets
- ▶ Clean CCS net income down 36% on lower Clean CCS EBIT and higher income taxes

## EBIT margins<sup>2</sup> evolution (%)



<sup>1</sup> Attributable to stockholders of the parent; <sup>2</sup> EBIT/Sales and Clean CCS EBIT/Sales



# Clean CCS EBIT overview

## Q4/16 Clean CCS EBIT more than double yoy

RON mn	Q4/16	Q4/15	2016	2015
Clean CCS EBIT	454	211	1,694	2,522
Upstream	246	(223)	575	919
Downstream	292	269	1,122	1,169
Thereof				
Downstream Oil	288	277	1,112	1,315
Downstream Gas	5	(8)	11	(145)
Corporate and Other	(25)	(17)	(69)	(75)
Consolidation	(60)	181	65	509

## Q4/16 vs. Q4/15

- ▶ Improved Clean CCS EBIT due to lower exploration expenses and depreciation
- ▶ Upstream result supported by higher oil prices (Urals up 13%) and gas sales volumes
- ▶ Downstream result improved, despite challenging environment

## 2016 vs. 2015

- ▶ Upstream results impacted by lower oil prices (Urals down 18%)
- ▶ Downstream Oil result reflects lower refining margins (-20%) and one month turnaround
- ▶ Downstream Gas: favorable evolution of provisions; significantly higher power business contribution
- ▶ Consolidation: milder decrease of crude prices in 2016 vs. 2015 led to a lower positive impact



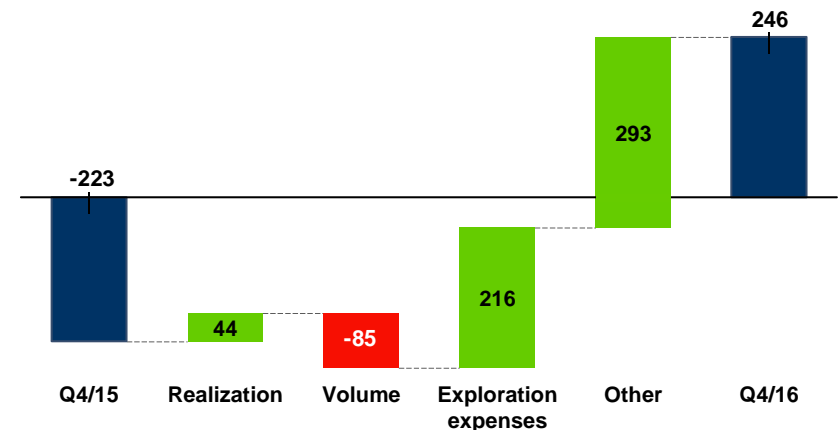
# Upstream Clean EBIT turnaround

Improved results based on lower Exploration and Other expenses

## Key drivers Q4/16 vs. Q4/15

- ▶ Realised oil price +15%
- ▶ Decreased production costs (-3%), royalties & depreciation
- ▶ Lower exploration expenses due to lower activity in Neptun
- ▶ Production -3%

## Clean EBIT (RON mn)



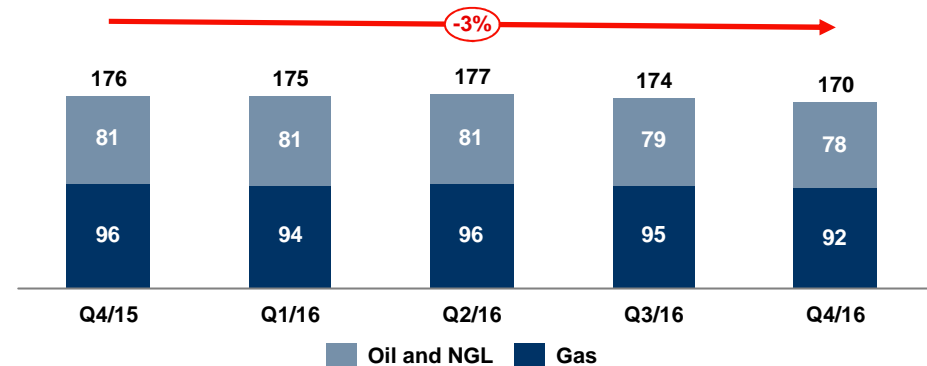
# Upstream – Improved efficiency

## Production decline below upper limit guidance

### Key drivers Q4/16 vs. Q4/15

- ▶ OPEX, in USD/boe terms, -3%, as efficiency plans delivered lower services, personnel and materials costs
- ▶ Total Upstream production -3%, due to:
  - ▶ surface facility works in Totea Deep
  - ▶ partially compensated by Lebada East NAG

### Hydrocarbon production (kboe/d)



### OPEX (USD/boe)



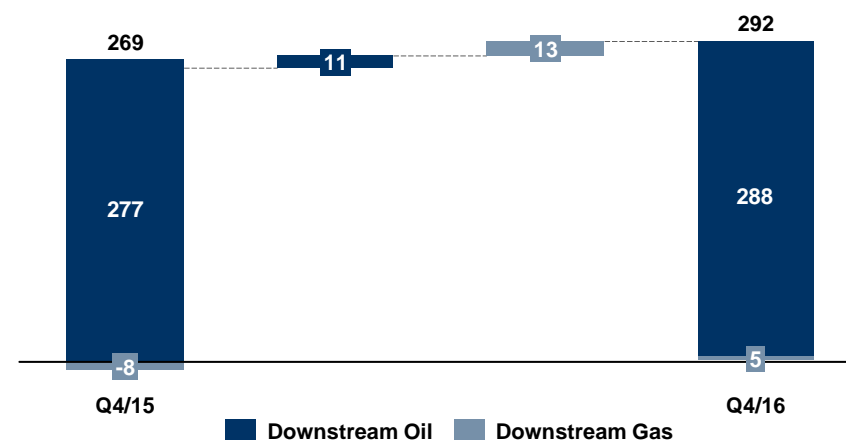
# Downstream results improved

## Both Downstream segments displayed improved contribution

### Key drivers Q4/16 vs. Q4/15

- ▶ Higher contribution from both refining (due to cost savings) and retail
- ▶ Good gas business performance
- ▶ Refining margins -8%, impacted by higher cost of crude offsetting better product spreads
- ▶ Lower contribution of the power business

### Clean CCS EBIT (RON mn)

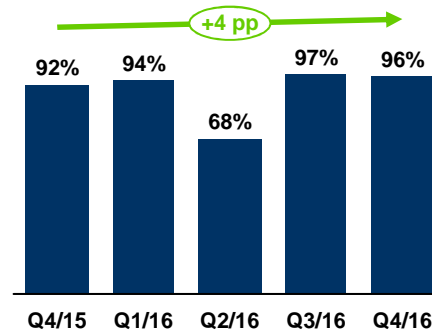


# Downstream – Mixed operational performance

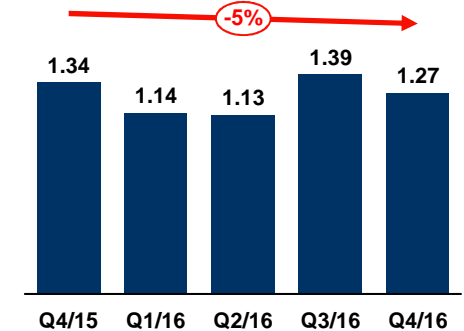
## Key drivers Q4/16 vs. Q4/15

- ▶ Growth in retail sales of +2%<sup>1</sup>
- ▶ Higher gas sales volumes despite competition from import gas
- ▶ Refined product sales down reflecting high base effect from Q4/15
- ▶ Lower net electrical output due to unplanned outage of Brazi power plant

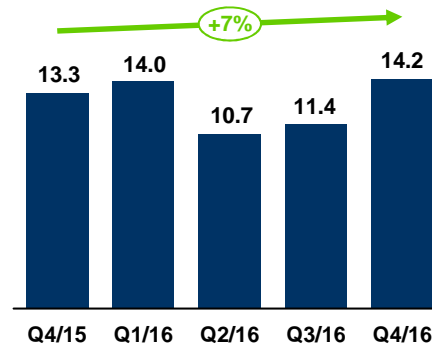
Refinery utilization rate (%)



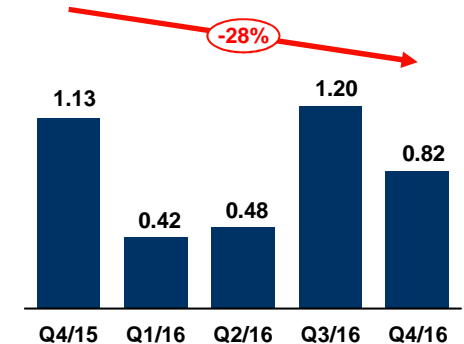
Refined product sales volumes (mn t)



Gas sales volumes (TWh)



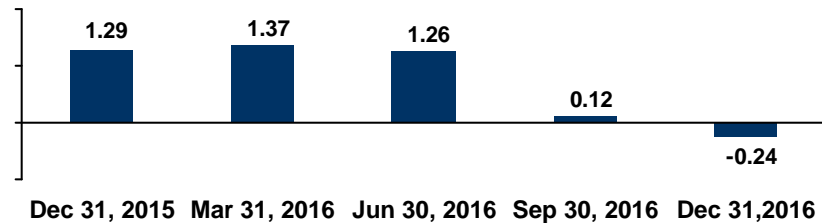
Net electrical output (TWh)



<sup>1</sup> Like-for-like: until end-2015 figures also reflected wholesales in the Republic of Moldova

# Stronger balance sheet

## Net debt/(cash) development (RON bn)



## Gearing ratio<sup>1</sup>

5%

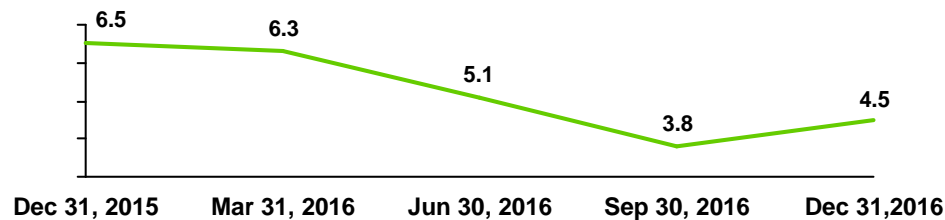
5%

5%

0%

n.m.

## Clean CCS ROACE (%)



## Main developments

- ▶ Switched from RON 1.29 bn net debt position at end 2015 to RON 0.24 bn net cash at end 2016
- ▶ Equity ratio<sup>2</sup>
  - ▶ end-2015: 62%
  - ▶ end-2016: 64%
- ▶ ROACE yoy evolution reflects the challenging environment; ROACE slightly improving in Q4/16

<sup>1</sup> Net debt/(cash) divided by equity; <sup>2</sup> Total equity divided by total assets



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# Outlook 2017



OMV Petrom

# Outlook 2017

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## Assumptions

- ▶ **Brent** at USD 55/bbl
- ▶ **Refining** margins to decline
- ▶ **Fuel** demand on an upward trend
- ▶ **Gas** demand broadly flat; high competition and margin pressure
- ▶ **Power** demand relatively stable; positive average spark spreads

## Targets

- ▶ **Production** decline up to 3% yoy
- ▶ **CAPEX** budget increased to EUR 0.8 bn (~85% in Upstream)
- ▶ Positive **FCF** after dividends
- ▶ Strong **balance sheet** maintained
- ▶ Attractive dividend



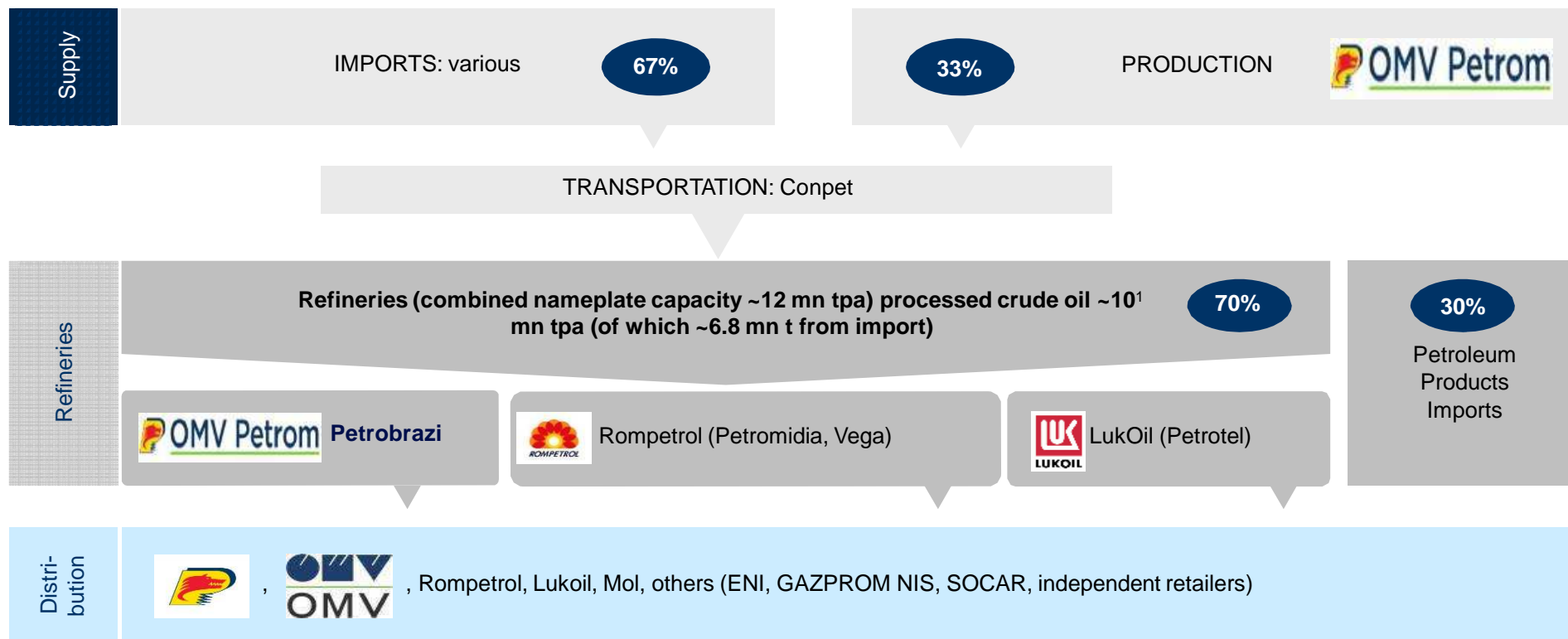


# Appendix



OMV Petrom

# Romanian oil market overview Jan-Nov 2016



<sup>1</sup> Only crude oil processed (other feedstock not included). Source: Jan-Nov 2016 figures, National Institute of Statistics (INS) and OMV Petrom calculations



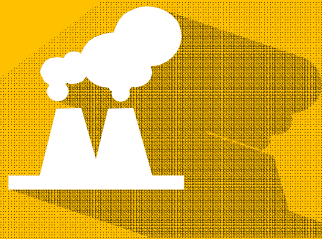
# Downstream Oil market environment in 2016

## Our operating region<sup>1</sup>

- ▶ Declining refining margins throughout 2016
- ▶ Higher oil product demand vs. 2015
- ▶ Persistent overcapacity
- ▶ Competitive fuel prices
- ▶ Long on both diesel and gasoline

## Romania

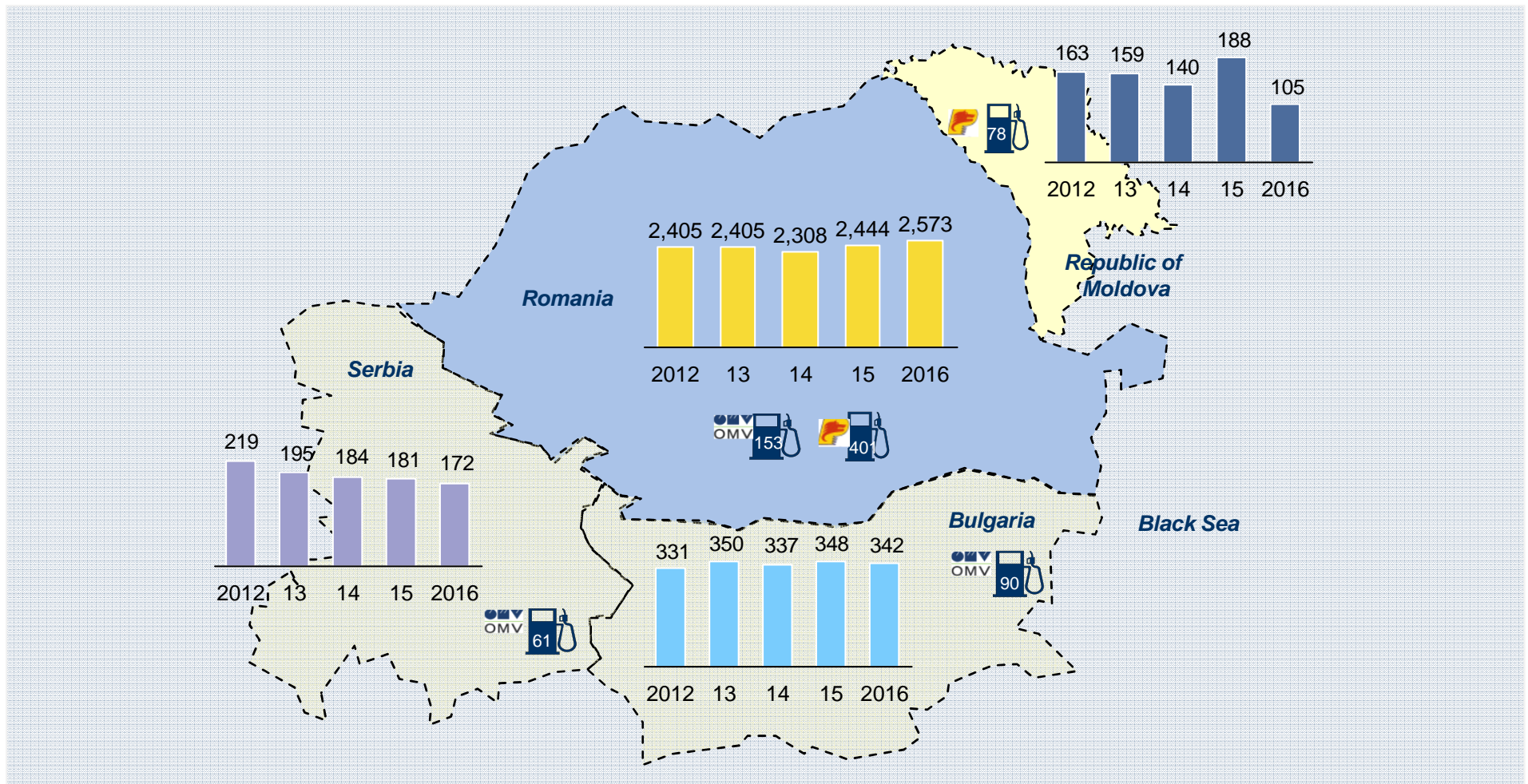
- ▶ Increased oil product demand vs. 2015
- ▶ Strong market competition
- ▶ Long on both diesel and gasoline
- ▶ Higher crude oil imports
- ▶ Compulsory stock obligation maintained



<sup>1</sup> Romania, Bulgaria, Serbia and Republic of Moldova

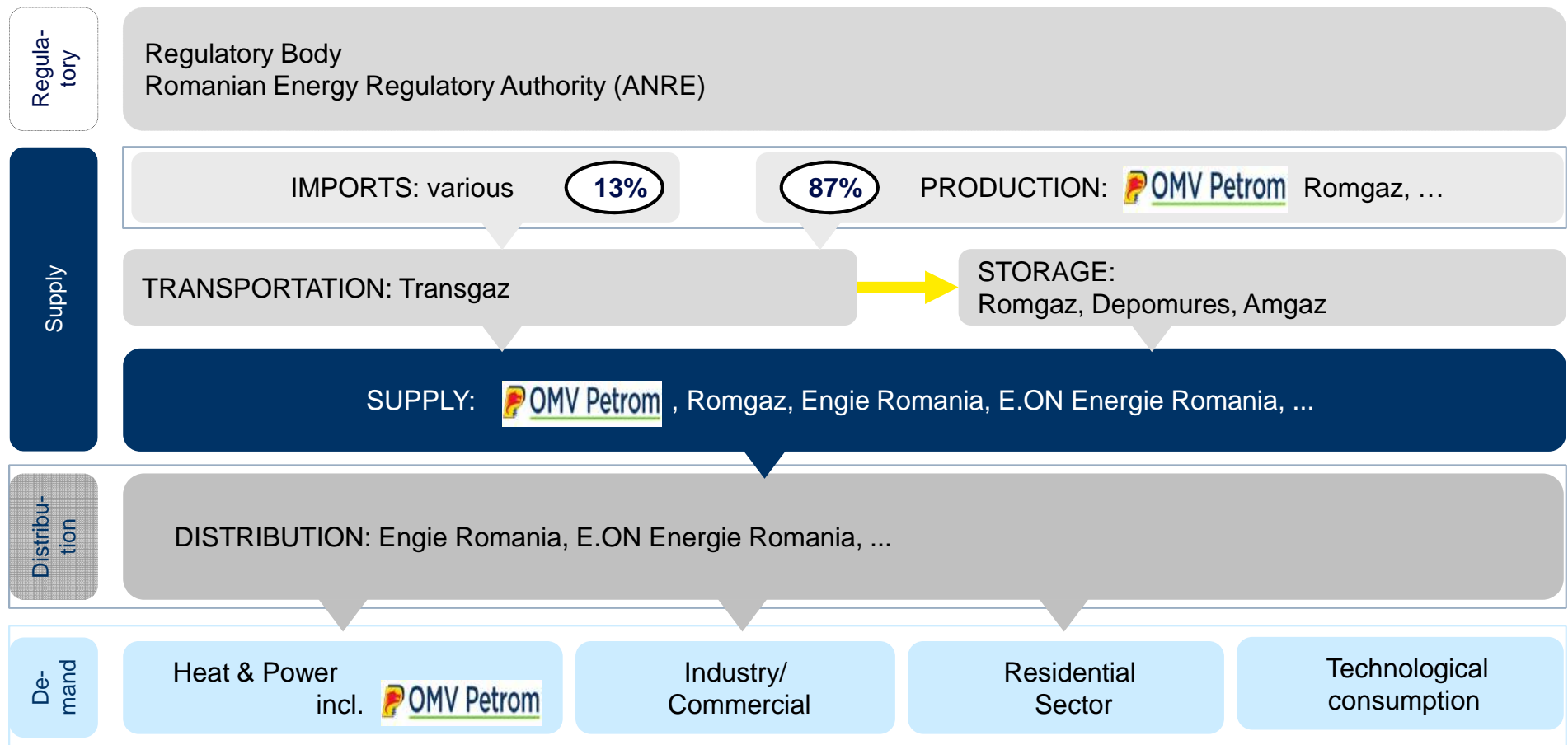


# OMV Petrom Group fuel retail sales (mn l) in 2016





# Romanian gas market overview in 2016

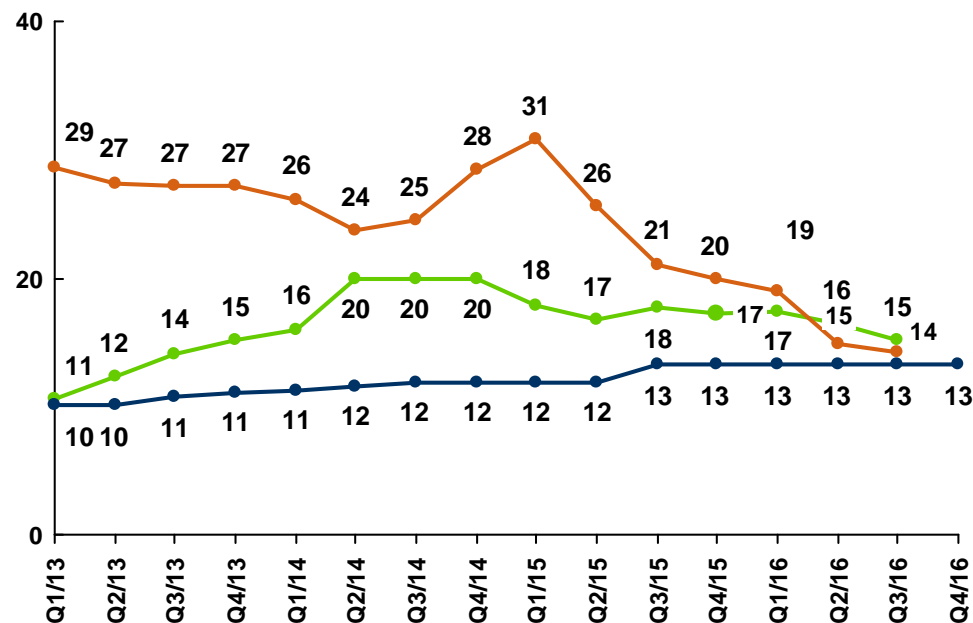


Company estimates based on 2016 data available as of February 15, 2017, subject to change



# Romanian gas market liberalization

Gas prices in Romania (EUR/MWh<sup>1</sup>)



- ▶ Prices for non-households liberalized since January 2015
- ▶ Price liberalization for households frozen until March 31, 2017; deadline envisaged for completion: June 2021
- ▶ Gas producers and suppliers must sell/buy certain gas quantities via centralized market, which lacks liquidity
- ▶ On the Romanian centralized market, the price of natural gas from domestic production varied between RON 68/MWh (EUR 15/MWh) and RON 93/MWh (EUR 21/MWh)<sup>1,4</sup> for gas delivered in Q4/16
- ▶ 60% tax on net<sup>5</sup> additional revenues resulting from domestic gas price liberalization in place until end-2017

- Domestic gas price for non-households <sup>2</sup>
- Domestic gas price for regulated households
- Import gas price <sup>3</sup>

<sup>1</sup> Converted from RON into EUR, FX rate: 4.5

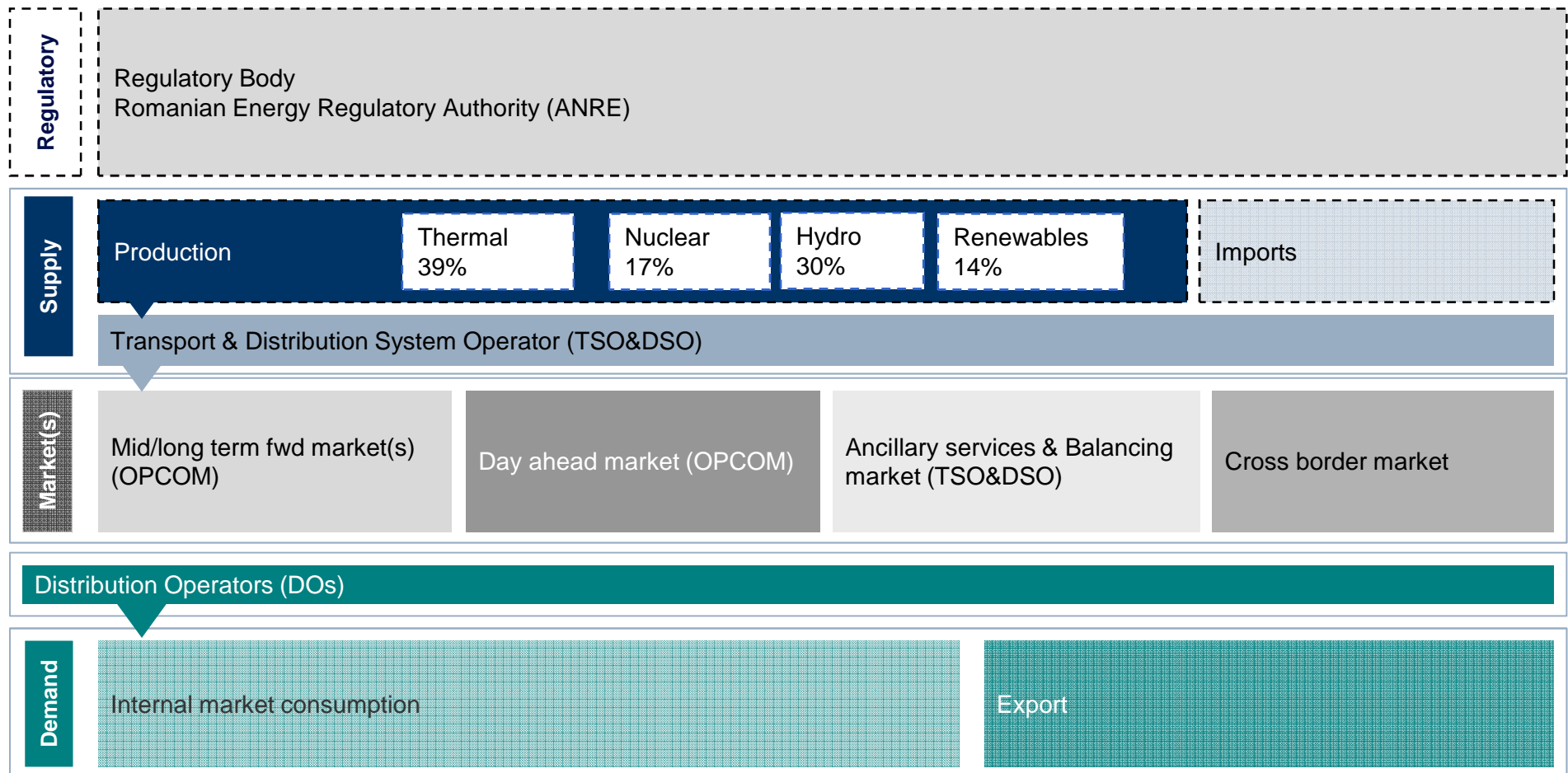
<sup>2</sup> Chart shows the regulated price for non-households until Q4/14 and, subsequently, the average price for gas sold by producers to the suppliers of end-users in the free market as published by ANRE; Q3/16 price is the extrapolation of Jul/16 price (latest published by ANRE)

<sup>3</sup> Final prices published by ANRE; Q3/16 price is the extrapolation of Jul/16 price (latest published by ANRE)

<sup>4</sup> Prices could include storage related tariffs in connection with the gas volumes sold/extracted from storage

<sup>5</sup> Net of incremental royalties and upstream investments (the latter capped at 30% of the additional revenues) and considering realized gas price (with a floor of RON 72/MWh for gas volumes sold to the free sector of the market other than via centralized markets)

# Romanian power market overview in 2016

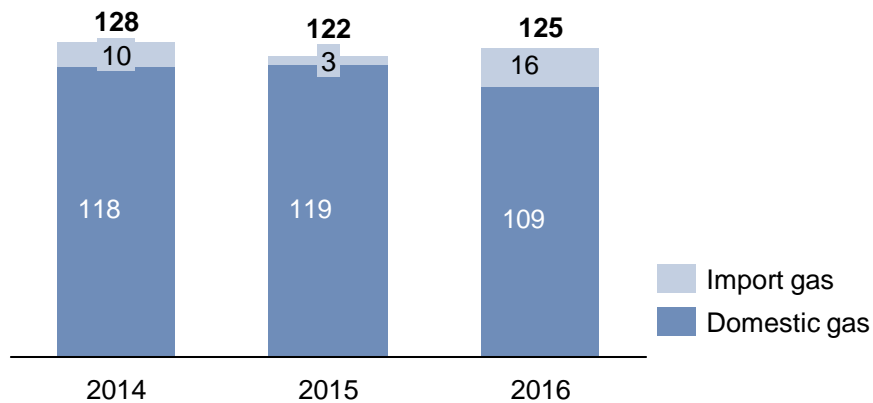


Transelectrica available data as of February 15, 2017, subject to change



# Romanian gas and power markets overview in 2016

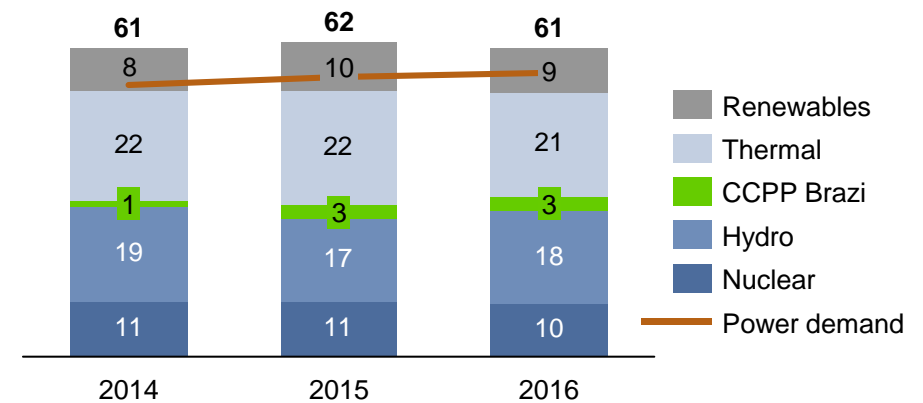
Gas demand<sup>1</sup> (TWh)



## Gas market in 2016:

- **Demand<sup>1</sup>**: +3% yoy
- **Prices** under pressure
- ~5x higher **import volumes** yoy
- Slightly improved liquidity on **centralized market**

Power production and demand<sup>2</sup> (TWh)



## Power market in 2016:

- **Demand<sup>2</sup>**: +1% yoy; **production<sup>2</sup>**: -2% yoy
- Lower net **exports** yoy
- OPCOM **baseload** prices: -8% yoy
- Improved **clean spark spreads**

Data sources: ANRE, OPCOM, Transelectrica

<sup>1</sup> Company estimates for 2016, ANRE reports available for Jan-Jul ; <sup>2</sup> Preliminary 2016 data from Transelectrica, subject to change



# Key financial indicators (consolidated)

in RON mn	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales	20,127	16,090	18,616	22,614	26,258	24,185	21,541	18,145	16,247
EBIT	1,205	1,620	2,986	4,936	5,662	5,958	3,338	-530	1,469
EBITD <sup>1</sup>	3,875	4,109	5,797	7,766	8,514	9,313	8,145	6,231	4,933
Net income (loss)	896	833	2,190	3,759	3,946	4,824	2,100	-690	1,038
Net income (loss) attributable to stockholders	978	860	2,201	3,757	3,953	4,821	2,103	-676	1,043
Cash flow from operating activities	4,297	2,726	4,630	6,442	7,185	8,048	6,830	5,283	4,454
Non-current assets	23,320	25,940	28,459	31,022	32,777	34,560	37,243	36,020	35,129
Current assets <sup>2</sup>	5,597	4,586	6,306	5,467	5,368	5,487	5,882	5,098	6,285
Total liabilities	12,928	14,336	16,306	15,412	14,739	13,405	16,119	15,430	14,708
Total equity	15,990	16,191	18,459	21,077	23,405	26,642	27,005	25,688	26,706
Net debt	1,253	2,614	2,299	1,955	1,711	332	890	1,286	-237
Gearing ratio	7.8	16.2	12.4	9.3	7.3	1.2	3.3	5.0	n.m.
EPS (RON)	0.0173	0.0152	0.0389	0.0663	0.0698	0.0851	0.0371	-0.0119	0.0184
Payout ratio	-	-	46%	47%	40%	36%	30%	-	81%
Dividend per share (gross, RON)	-	-	0.0177	0.0310	0.0280	0.0308	0.0112	-	0.0150
EBITD/CAPEX	0.57	0.97	1.19	1.62	1.73	1.75	1.31	1.60	1.92
<b>NBR rates</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
EUR/RON average	3.680	4.238	4.211	4.238	4.457	4.419	4.444	4.445	4.490
USD/RON average	2.515	3.047	3.180	3.048	3.470	3.328	3.349	4.006	4.057
EUR/RON closing	3.986	4.228	4.285	4.320	4.429	4.485	4.482	4.525	4.541
USD/RON closing	2.805	2.936	3.205	3.339	3.358	3.255	3.687	4.148	4.303

<sup>1</sup> Specific Upstream taxes in Romania for the year 2016 amounted to RON 1,092 mn, representing 15.9% of total Upstream hydrocarbon revenues, and include royalties (RON 551 mn), supplementary oil and gas taxation (RON 329 mn) and construction tax (RON 212 mn); <sup>2</sup> Include assets held for sale



# Contact Investor Relations

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Homepage: [www.omvpetrom.com](http://www.omvpetrom.com)



### 2017 Financial Calendar

**April 25:** Annual General Meeting of Shareholders

**May 11:** Q1 2017 results

**August 10:** Q2 and HY 2017 results

**November 9:** Q3 2017 results