

OMV Petrom results

Jan – Jun and Q2/15

August 12, 2015



OMV Petrom

Content



Market environment



Operational and financial highlights



Upstream update



Outlook 2015

Note: All the figures refer to OMV Petrom Group (herein after also referred to as “the Group”). The financials represent OMV Petrom Group’s consolidated results prepared according to IFRS (Q2/15 financials are unaudited). The financials are expressed in RON mn and rounded to closest integer value, so minor differences may result upon reconciliation.

Starting with April 1, 2015 the business segments were renamed as follows: Exploration and Production to Upstream, Refining and Marketing to Downstream Oil, Gas and Power to Downstream Gas.



Market environment

Andreas Matje, CFO



International environment

- ▶ **Oil price** fell by 47% in H1/15 vs H1/14
- ▶ **Oil demand and supply in Europe:** demand was flat yoy and supply increased by +4%¹
- ▶ **European gas markets** remain challenging due to sluggish economic recovery²
- ▶ High **refining margins**
- ▶ Strong **USD** against EUR and RON

Romania: macroeconomic stability

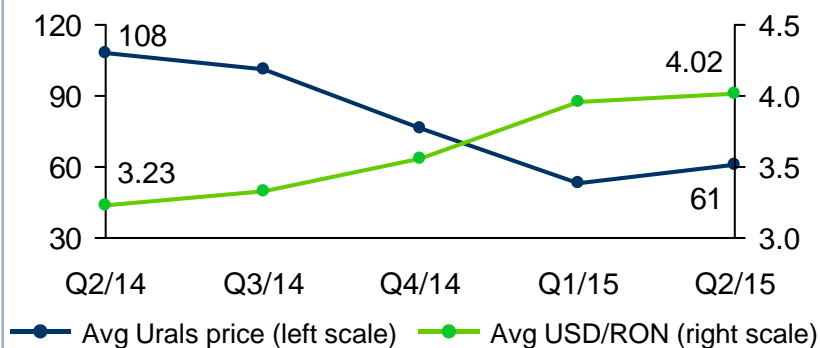
- ▶ IMF³ estimate for 2015 **GDP growth** at 3.8%. In Q1/15 GDP rose by 4.1% yoy
- ▶ **CPI** annual inflation: 12-month avg. +0.7% end-Jun 2015
- ▶ **Budget balance:** +0.6% of GDP end-Jun 2015
- ▶ **Investment grade** rating stable

¹ Data from IHS Cera Global Crude Oil Markets Outlook for Oil Market Fundamentals report, July, 2015; ² Data from IHS Cera European Gas Supply and Demand Tracker, July 2015 and European Commission, European Economic Forecast, Winter 2015; ³ International Monetary Fund

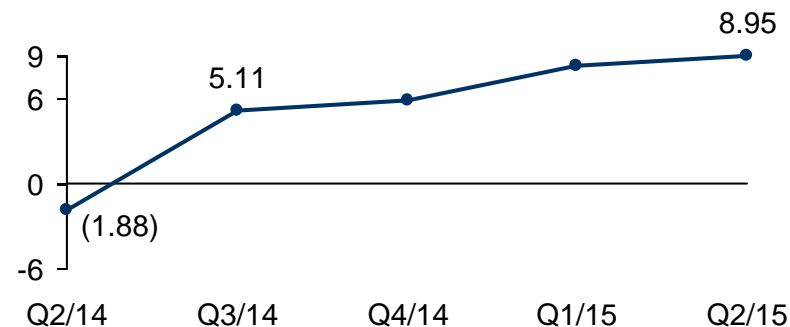


Economic environment

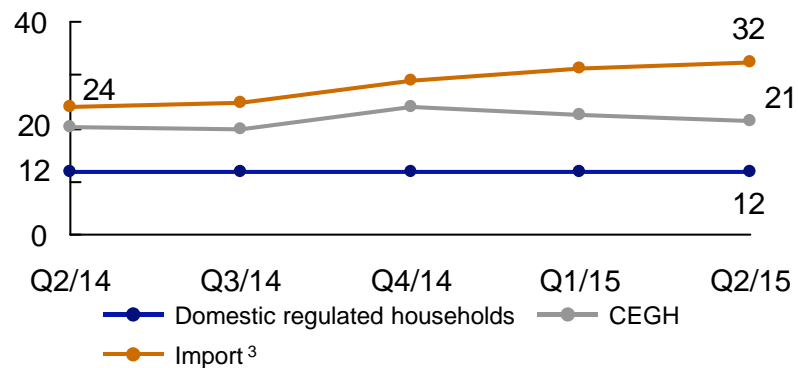
Oil price (USD/bbl) and FX (USD/RON)



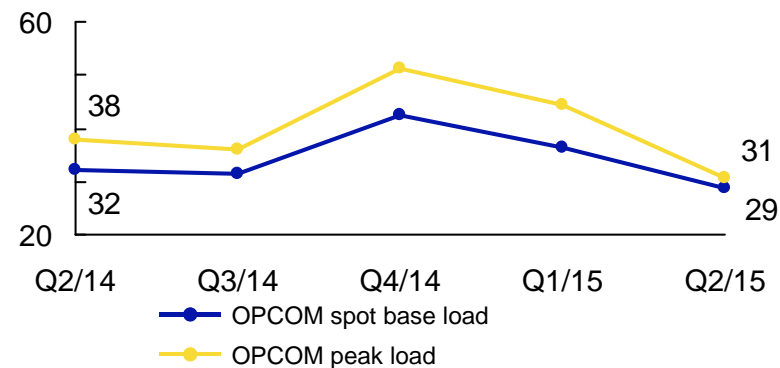
OMV Petrom Indicator refining margin¹ (USD/bbl)



Gas prices (EUR/MWh)²



Power prices in Romania (EUR/MWh)²



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 ; ² Converted from RON into EUR, FX rate: 4.4439; ³ Q2/14 – Q1/15 final prices published by ANRE; Q2/15 price is estimated



Dynamics of the Romanian energy sector

**Demand and prices
6m/15 vs 6m/14**

- **Demand**¹
 - Fuels +12%; Gas -7%; Power +2%;
- **Prices**
 - Urals: -47%
 - Gas price deregulation for HH⁴ continued; power prices² almost stable

**Regulatory and fiscal
framework**

- **Gas and Power:** undergoing structural changes
 - ✓ Price liberalization: NHH³ completed; HH⁴ continues (deadline: June 2021)
 - ✓ Gas trading on centralized platforms starting 2014
- **Taxation**
 - ✓ Construction tax introduced 2014, amended 2015
 - ✓ Supplementary taxation⁵ extended until end-2015
 - ✓ Ongoing discussions with authorities

¹ OMV Petrom's estimates based on preliminary market data available; ² OPCOM average spot base load; ³ Non-households; ⁴ Households; ⁵ Introduced at the beginning of 2013 simultaneously with the start of gas liberalization process



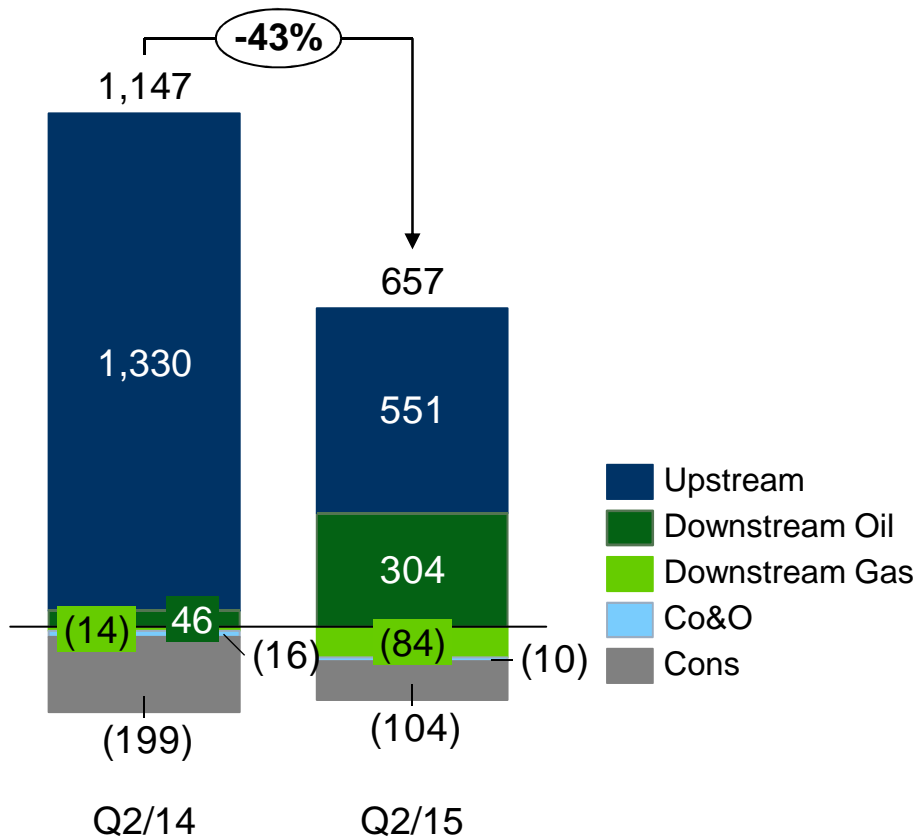
Operational and financial highlights

Andreas Matje, CFO



Q2/15 overview

Clean CCS EBIT (RON mn)

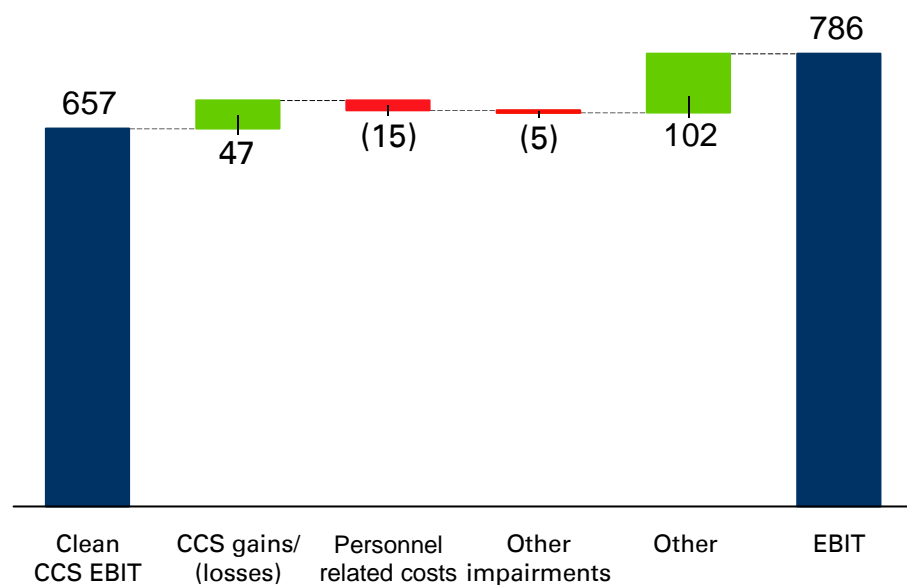


- ▶ Production stable at 181 kboe/d
- ▶ RON weaker than USD
- ▶ Average Urals crude price at USD 61.42/bbl
- ▶ Significantly higher refining margin
- ▶ Gas sales volumes of 10.57 TWh (~ 1 bcm)
- ▶ Net electrical output of 0.11 TWh
- ▶ Lower tax on constructions



Special items and CCS effect

Q2/15 (RON mn)



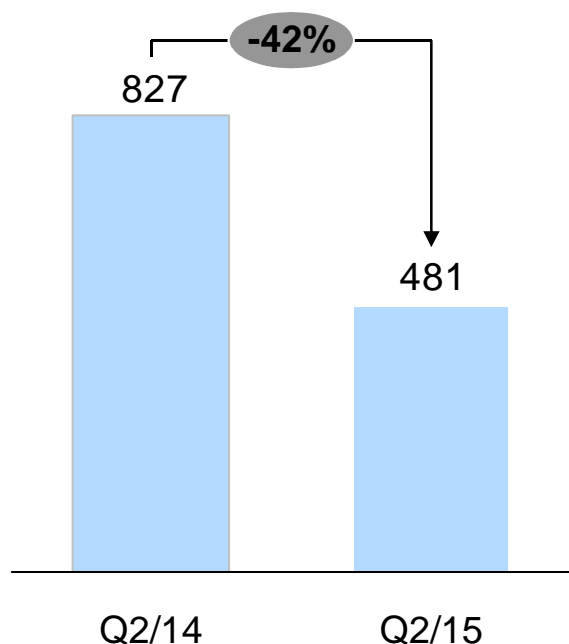
- ▶ CCS effect: RON 47 mn due to slightly higher crude oil prices in Q2/15 vs Q1/15
- ▶ Other: Special item related to a legal dispute

in RON mn	Q2/15	Q2/14
Clean CCS EBIT	657	1,147
CCS gains/ (losses)	47	14
Clean EBIT	704	1,161
Personnel related costs	(15)	(1)
Other impairments	(5)	(491)
Assets disposal	0	(43)
Other	102	0
Total special items	82	(535)
Reported EBIT	786	626



Clean CCS net income

Clean CCS net income attributable to stockholders (RON mn)



in RON mn	Q2/15	Q2/14	Δ
EBIT	786	626	26%
Financial result	43	(55)	n.m.
Income tax	(138)	(259)	(47)%
Effective tax rate	17%	45%	(63)%
Net income	691	312	122%
Minorities	(1.46)	0.85	n.m.
Net income attributable to stockholders¹	693	311	123%
EPS (RON)	0.0122	0.0055	123%
Clean EBIT ²	704	1,161	(39)%
Clean CCS EBIT²	657	1,147	(43)%
Clean CCS net income attributable to stockholders^{1,2}	481	827	(42)%
Clean CCS EPS (RON) ²	0.0085	0.0146	(42)%

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

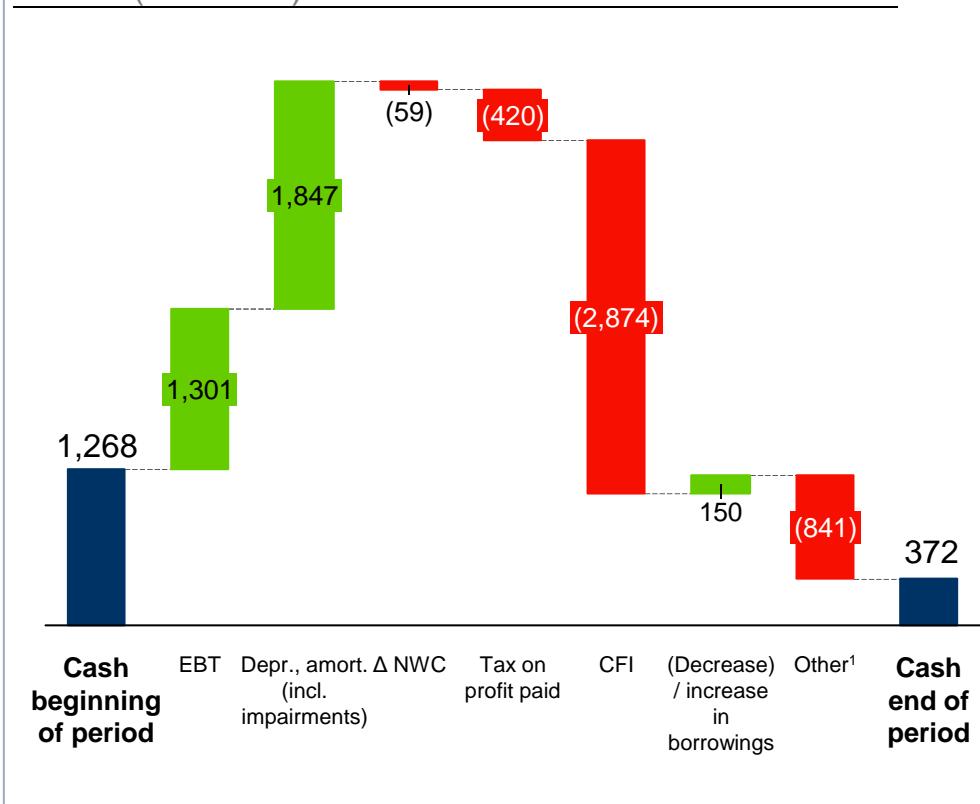
¹ After deducting net income attributable to non-controlling interests

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



Cash flow

6m/15 (RON mn)



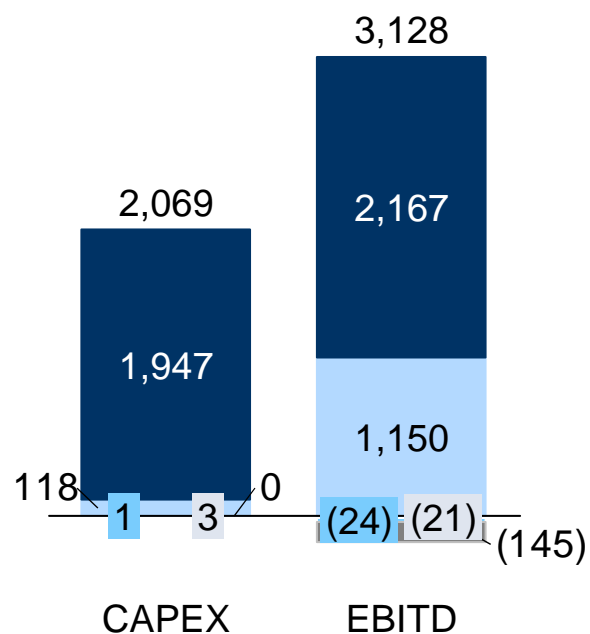
in RON mn	6m/15	6m/14	Δ
Profit before taxation	1,301	1,911	(32)%
Depreciation and amortization	1,847	2,148	(14)%
Net interest received/ (paid)	125	(25)	n.m.
Tax on profit paid	(420)	(463)	(9)%
Other	(344)	125	n.m.
Sources of funds	2,510	3,695	(32)%
Change in net working capital(NWC)	(59)	(305)	(81)%
Net cash from operating activities (CFO)	2,450	3,390	(28)%
Net cash from investment activities (CFI)	(2,874)	(2,506)	15%
(Decrease) / increase in borrowings	150	90	67%
Dividends paid	(628)	(1,657)	(62)%
Net cash from financing activities (CFF)	(479)	(1,567)	(69)%
Cash and cash equivalents at end of period	372	716	(48)%

¹Includes: 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

6m/15 (RON mn)



■ Upstream
 ■ Downstream Oil
 ■ Downstream Gas
 ■ Co&O
 ■ Cons

Key investment projects

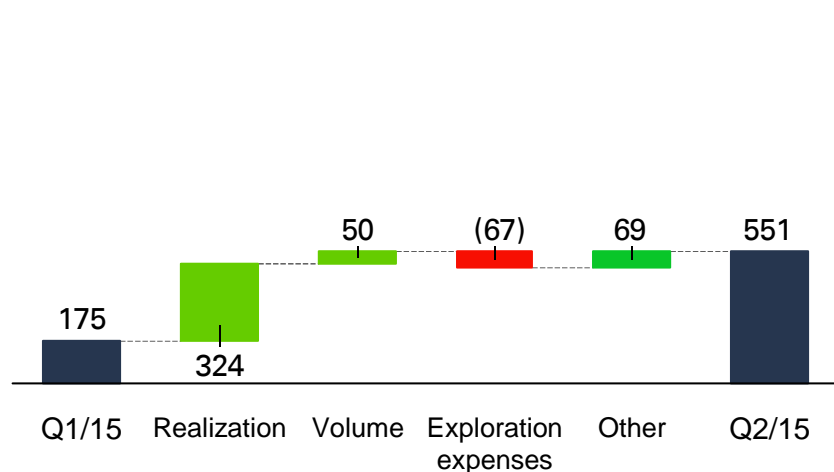
Upstream: Field redevelopment executions, workover activities, drilling as well as investments related to Neptun Deep project

Downstream Oil: 3+3 terminals strategy, efficiency, legal and environmental projects



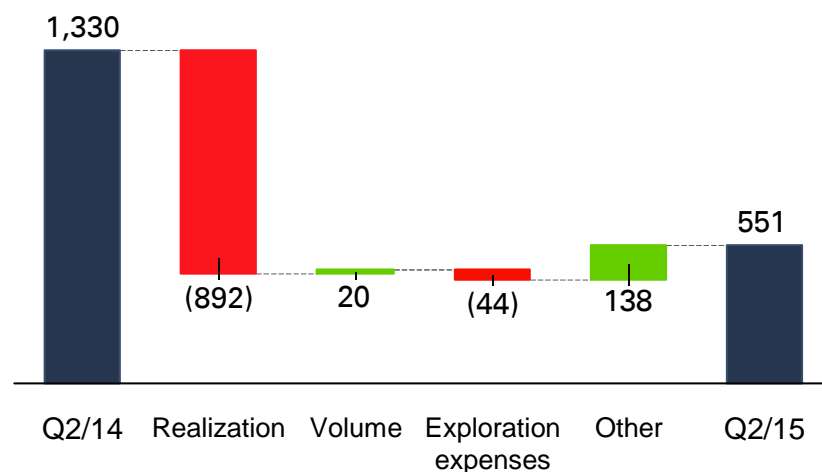
Upstream– Clean EBIT

Q2/15 vs Q1/15 (RON mn)



- ▶ Higher realized oil sales
- ▶ Write-off of one offshore well in Q2/15
- ▶ OPEX: lower personnel and material costs, partly offset by increase in services

Q2/15 vs Q2/14 (RON mn)



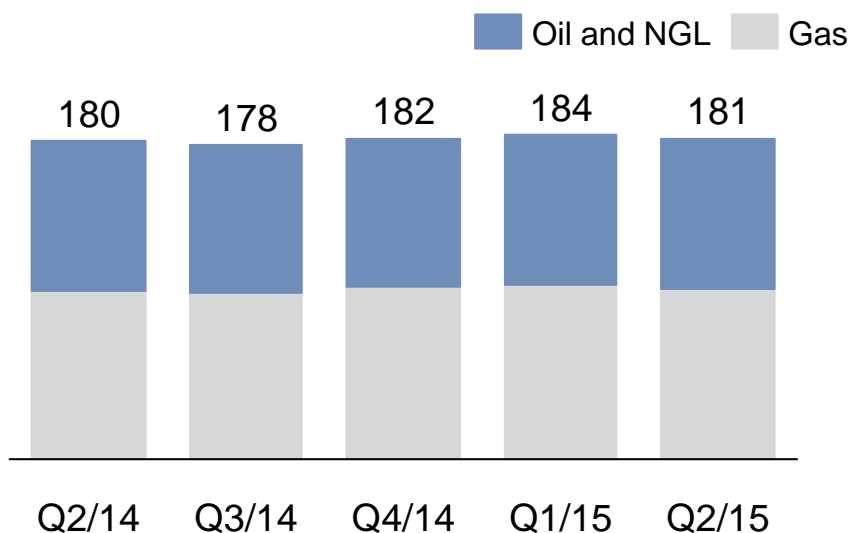
- ▶ Lower oil price, partly offset by favorable FX effects
- ▶ Sales volumes up 1%
- ▶ OPEX: steep cost reductions

Note: Realization includes price, FX related to prices



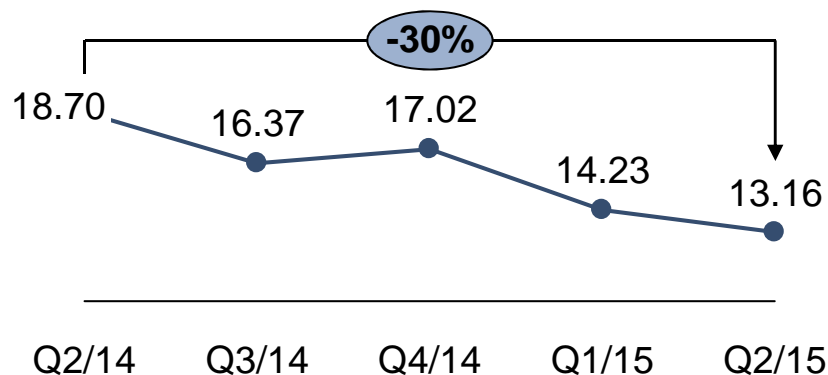
Upstream– KPIs

Hydrocarbon production (kboe/d)



- ▶ Group hydrocarbon production dropped by 1% vs Q1/15
- ▶ Planned workovers at key wells in Romania

OPEX (USD/boe)

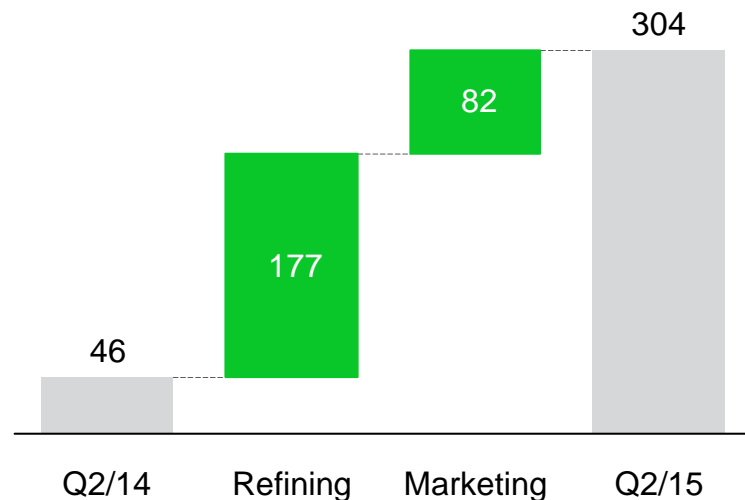


- ▶ Production costs on a downward trend also supported by favorable FX rate, significant cost reductions and lower construction tax

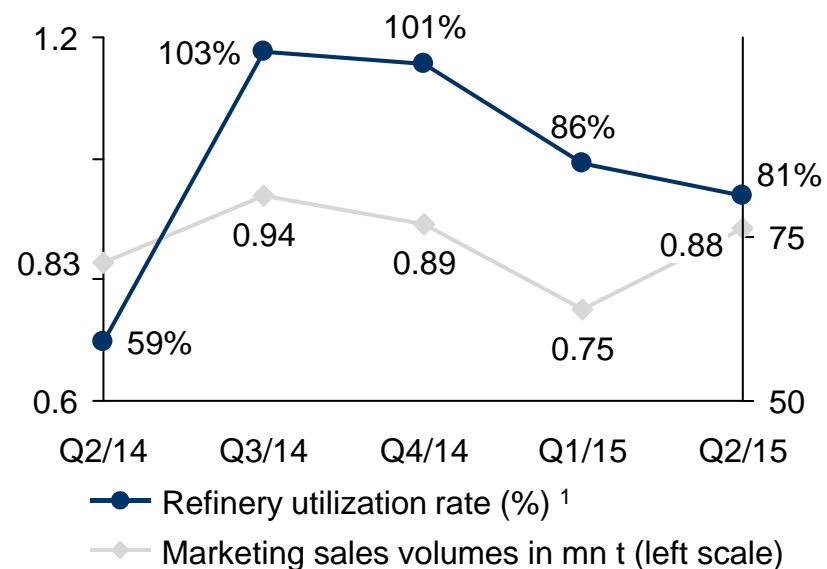


Downstream Oil

Clean CCS EBIT Q2/15 vs Q2/14 (RON mn)



Refining and Marketing



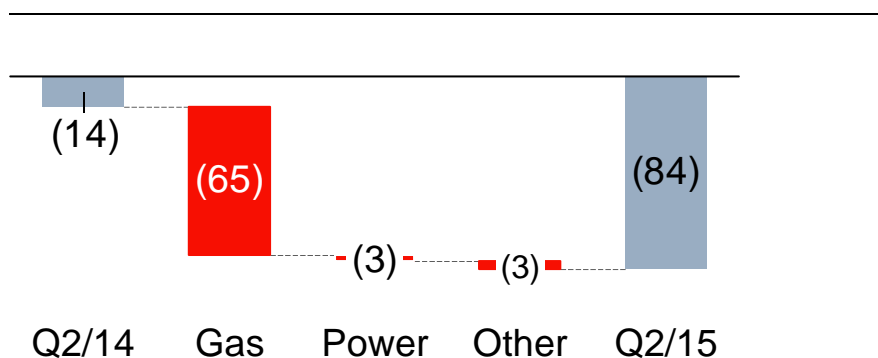
- ▶ Strong Refining contribution supported by higher refining margins and improved operational performance
- ▶ Indicator refining margin increased significantly due to updated standard yield, lower cost for crude and higher product spreads
- ▶ Increased Marketing performance reflecting higher fuel products demand

¹ After the finalization of the Petrobrasi refinery modernization, the opportunity was taken to demonstrate the maximum throughput based on a timeframe of the best 30 consecutive days. As a result, the annual refining capacity has been updated from 4.2 mn t to 4.5 mn t as of Q1/15; previously reported figures were not adjusted accordingly



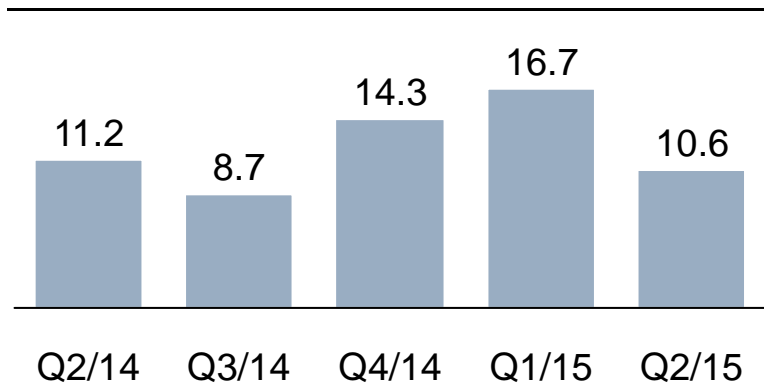
Downstream Gas

Clean EBIT Q2/15 vs Q2/14 (RON mn)

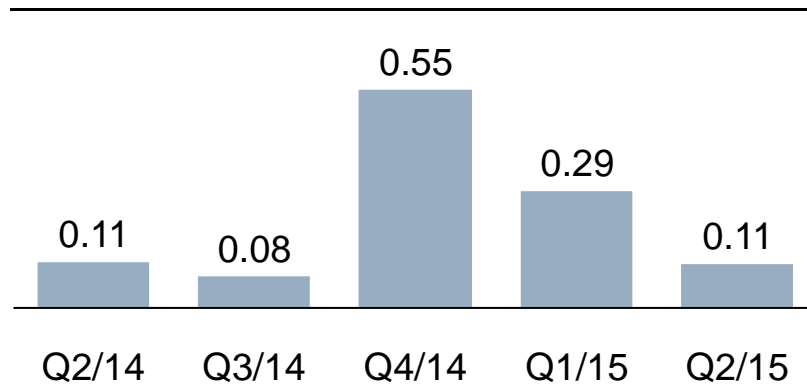


- ▶ EBIT impacted in Q2/15 by RON ~(40) mn provisions for outstanding receivables
- ▶ Gas sales volumes decrease by 6% due to lower sales to the fertilizer industry and heat & power sector
- ▶ Average spark spreads remained negative and relatively stable vs Q2/14

Gas sales (TWh)



Net electrical output (TWh)



Upstream update

Gabriel Selischi, EB
member



Upstream in H1/15

Delivery on promises in Romania

0.37

Lowest LTIR¹ since privatization

~25%

OPEX² reduction vs H1/14

~30%

Reduction of CAPEX (excl. E&A³) vs H1/14

~1%

Marginal production increase vs H1/14

4

Deep offshore wells finalized

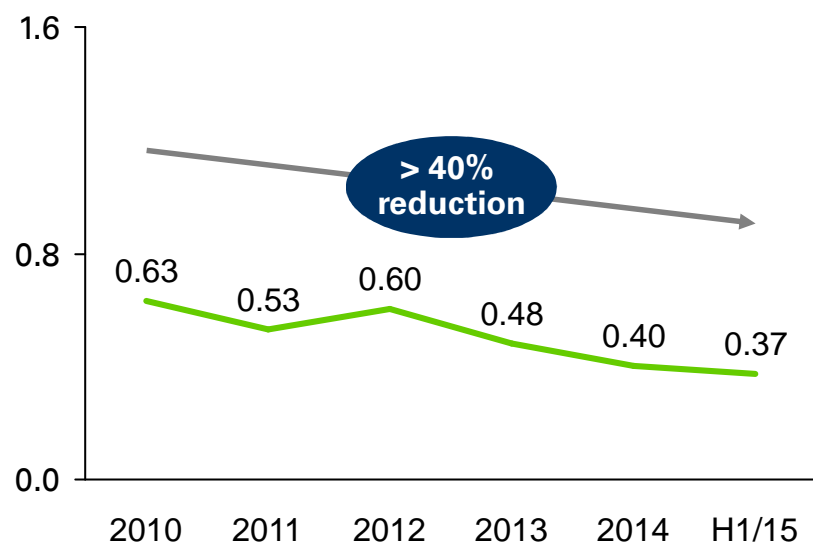
¹ Lost time injury rate (employees and contractors) for OMV Petrom Group, excluding Kazakhstan; ² in USD/boe; ³ exploration and appraisal capitalized



Upstream

High safety and efficiency focus

Upstream LTIR¹ Romania



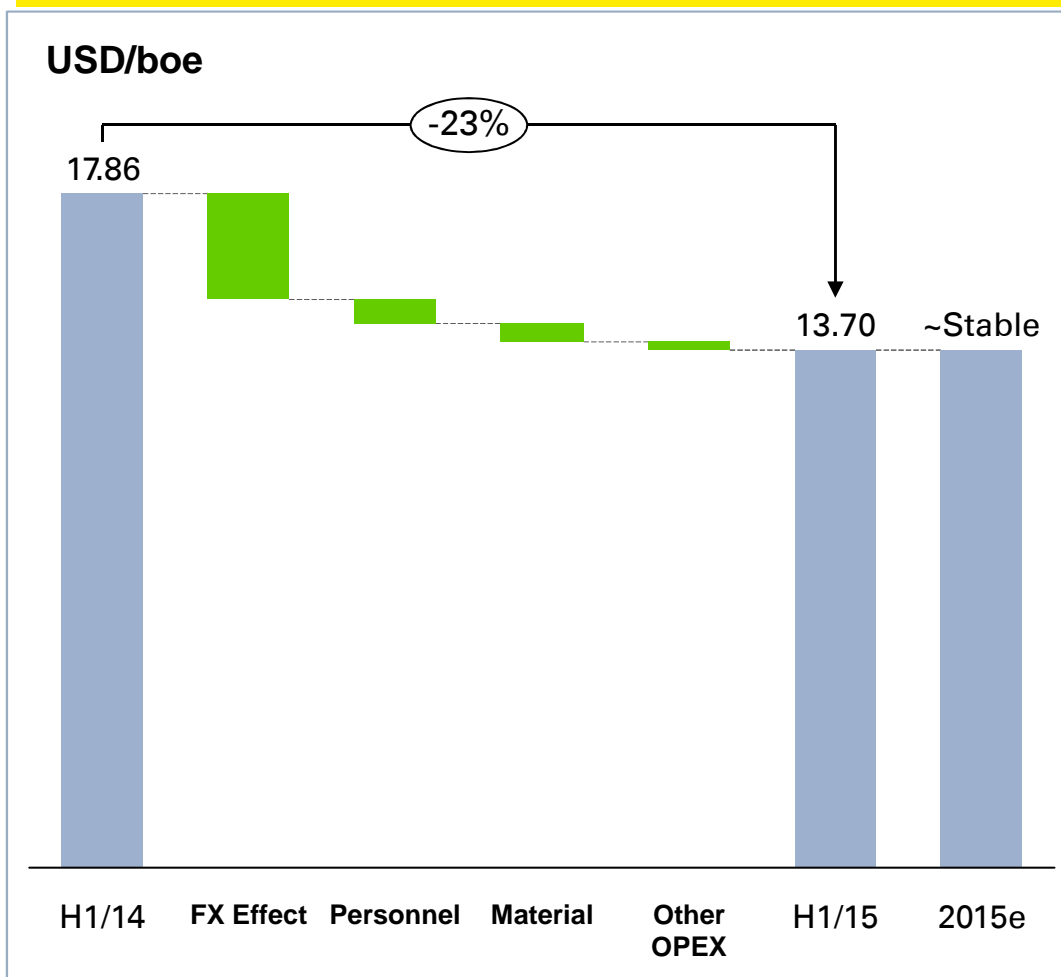
- ▶ Operations safety - our top priority irrespective of cost reduction
- ▶ LTIR substantially improved
 - ▶ H1/15: the lowest level since privatization
 - ▶ Lower than IOGP² international benchmark
- ▶ Significant reduction of GHG³ emission intensity, ~14% less in H1/15 compared to H1/14
 - ▶ 25 G2P/CHP⁴ units burning flare gas ensure ~ 50% Upstream electricity demand in H1 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



Upstream Reduced Group OPEX to a new base



OPEX H1/15 decreased by 23% compared to H1/14 mainly due to:

- ▶ Favorable FX effects
- ▶ Lower personnel costs (outsourcing, overtime, leased personnel)
- ▶ Lower material costs (consumables, electricity, shut down of uneconomic wells, increase of MTBF¹)
- ▶ Services costs neutral
- ▶ Other OPEX (infrastructure tax)

¹MTBF – Mean time between failures



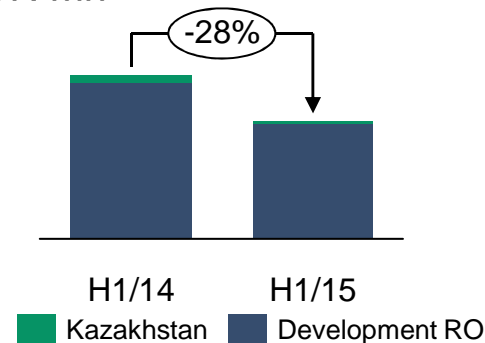
Upstream

Group CAPEX was adjusted to the new oil price environment

- ▶ **Maintain guidance of 25-35% CAPEX reduction for 2015 vs 2014**
- ▶ **CAPEX (excl. E&A) reduced by ~30% in H1/15 compared to H1/14:**
 - ▶ FRDs prioritization and re-engineering
 - ▶ More efficient workover jobs (~28% drop; plus production of 300 boe/d vs H1/14)
 - ▶ Number of new wells drilled: screening of best candidates
- ▶ **Exploration CAPEX higher compared to H1/14 due to planned drilling activity in Neptun Block**

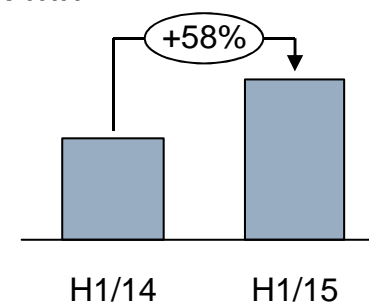
Upstream CAPEX (excl. E&A)

RON mn



Upstream Exploration* CAPEX

RON mn



* Acquisitions included



Upstream

Scaled down investments will impact production

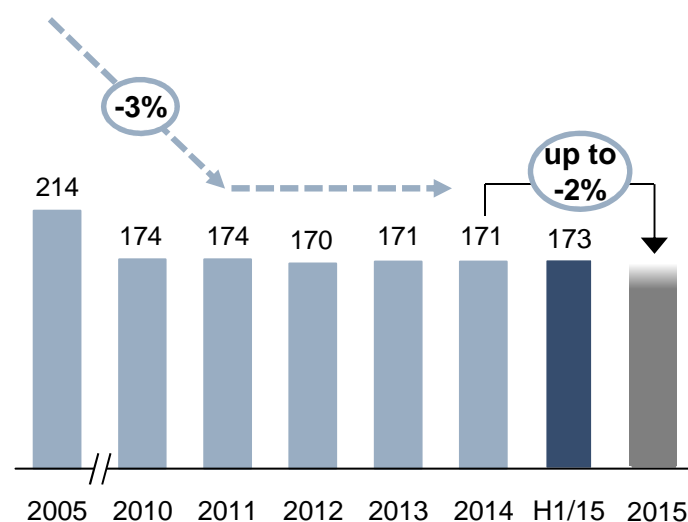
▶ H1/15 Group production ~1% higher compared to same period last year

- ▶ **Workovers in H1/15** ~7% higher contribution to daily production
- ▶ **FRDs (incl Totea)** contribution to production almost doubled vs 2014 to ~13%
- ▶ **Production losses** lower by ~1 kboe/d in H1/15 compared to H1/14 mainly due to increased MTBF¹ and better planning

▶ Production in H2/15 to be mainly impacted by:

- ▶ Planned operations at key wells in Totea field (Q3)
- ▶ Revamp of offshore gas compressors at Lebada NAG² (Q4)

Production in Romania, kboe/d, CAGR



~10% production decline p.a. without investments

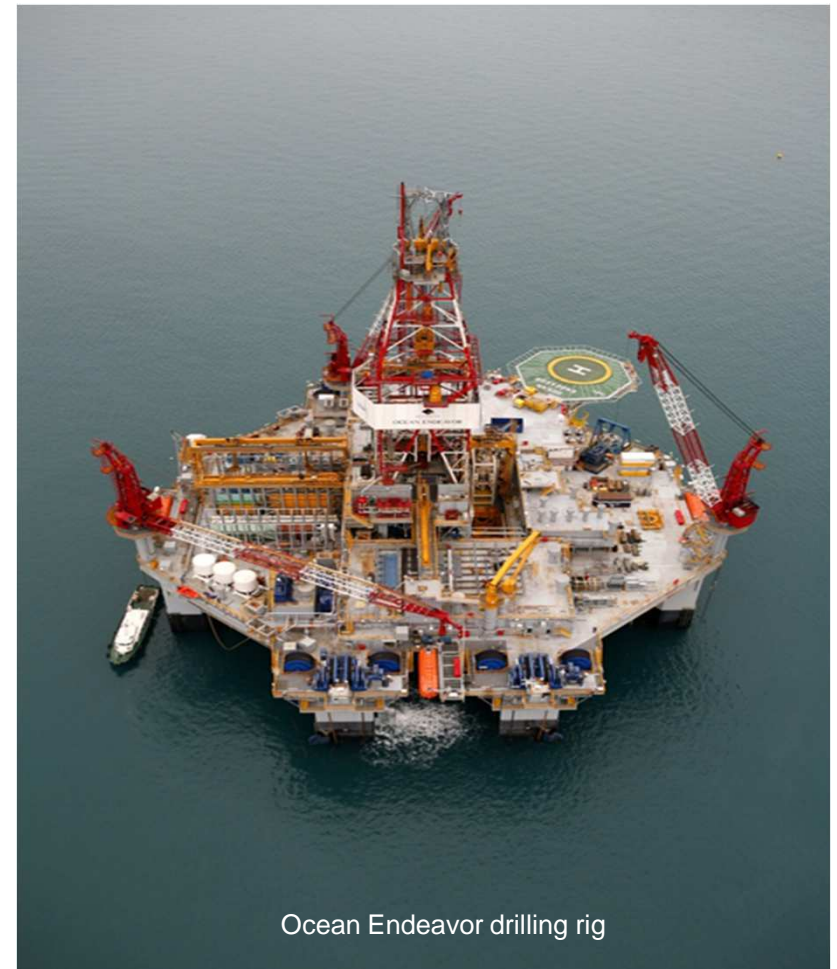
¹MTBF – Mean time between failures; ²Non associated gas



Upstream – Offshore exploration

Neptun Deep: activity continues

- ▶ Drilling campaign 2014/2015:
 - ▶ **Domino-2, Pelican South-1, Dolphin-1, Flamingo-1 and Califar-1 wells** were finalized
 - ▶ Data under evaluation
- ▶ Exploration drilling campaign to continue throughout this year
- ▶ The potential for **commercial development** will be assessed after completion of the drilling program



Ocean Endeavor drilling rig

Upstream Outlook H2/15

Adapt to the new oil price environment

HSSE

- ▶ No compromise on safety
- ▶ Focus on behavioral change

Operational excellence

- ▶ Strive to limit production decline in 2015
- ▶ Implement leaner & simpler operational processes

Value driven management

- ▶ Re-set the organization to a lower cost environment
- ▶ Investment at lower level following prioritization

Sustain long term perspective

- ▶ Monetize new discoveries or near field opportunities
- ▶ Continue Neptun Block exploration & appraisal



- ▶ Simplicity & Standardization
- ▶ Adjust if further needed



Outlook 2015

Andreas Matje, CFO



Outlook 2015

International market

Oil price:	Brent average between USD 50-60/bbl
Refining margin:	Expected to decline from 6m/15 levels

Romanian market

Gas:	Demand not expected to recover, increased competition
Power:	Demand stable, prices under pressure with short-term upside from weather conditions
Fuels:	Demand to be supported by lower prices; increased competition

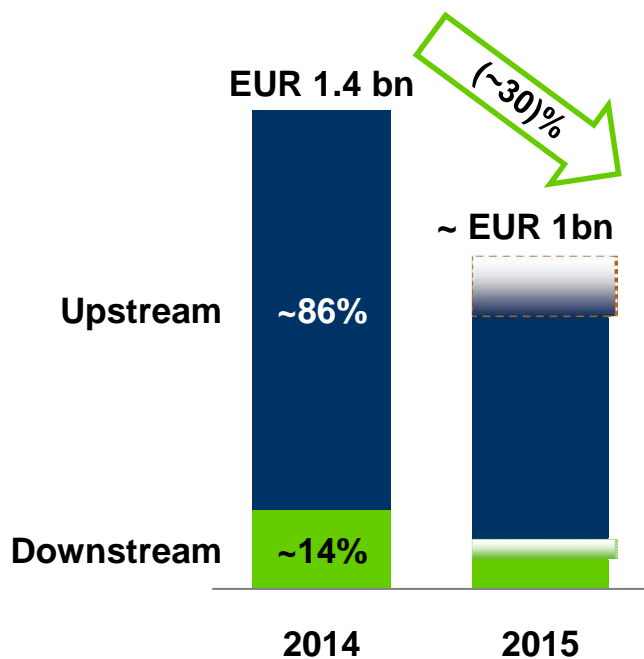
OMV Petrom

Investments:	Approx. EUR 1 bn (~85% in Upstream)
Production:	Up to 2% decline
Capital discipline:	Cost efficiency & business optimization



Strict CAPEX and cost management

Group CAPEX adjustments



▶ Group CAPEX reduced by ~EUR 0.4 bn¹ in 2015

▶ Neptun Deep continuing exploration activities

▶ Efficiency and cost reduction program in place

▶ Tight personnel policy

▶ Significant reduction in use of agency staff & consultancy

▶ Ongoing re-negotiations with suppliers

▶ Re-prioritize discretionary spend

▶ Optimize portfolio by selling selected marginal fields

¹ 2015 vs. 2014



Closing remarks

- ▶ **Strong foundation** to cope with current market downturn
- ▶ **Consistent delivery on promises** regarding CAPEX and OPEX adjustments, within the current market environment
- ▶ **Maximize integrated** value
- ▶ **Neptun Deep** exploration to continue
- ▶ Public consultations on **taxation and regulatory framework**
- ▶ **Shareholder return**



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2015 Financial Calendar

Nov 5: Q3 2015 results

