# OMV Petrom Group

## 2014 Overview and 2015 Outlook

General Meeting of Shareholders

April 28, 2015

**Mariana Gheorghe, CEO**

OMV Petrom

| | |
|---|---|
| 1 | 10 years from privatization |
| 2 | Context 2014 |
| 3 | Operational review 2014 |
| 4 | Outlook 2015 and challenges ahead |

# 10 years from privatization
# Broadly complete company's successful transformation


- New technologies and infrastructure modernization
- Several discoveries onshore and offshore
- Production stabilized


- Divestments of non-core assets and optimize core business
- Expand gas value chain: Brazi power plant
- Petrobrazi modernization (upstream integrated)
- Modernization of filling stations and storages network
- Partnerships with reputed upstream companies


- Deep water exploration - JV with ExxonMobil
- Onshore deeper drilling – including JV with Repsol
- International technical records

**From an inefficient state-owned company to a high-performing company which continuously ensures 40% of Romania's demand for oil, gas and fuels**



OMV Petrom

# 2021 Strategy
# We have delivered on our 2012-2014 objectives

## 2012-2014 - DELIVERED

- ☑ **Stabilize production** through field redevelopment, drilling, workovers
- ☑ Continue with **operational excellence**
- ☑ **Optimize** E&P **portfolio** through partnerships
- ☑ Bring **Brazi CCPP on stream**
- ☑ Enhance value of equity gas by **strengthening gas sales**
- ☑ Modernize/improve efficiency of **Petrobrazi refinery**
- ☑ Revamp fuel **storage network**

## 2015+ Strategic directions remain…

**…but pace depends on market fundamentals and investment friendly environment**

- Increase **ultimate** oil and gas recovery
- Explore and appraise **Neptun block** (Black Sea deepwater)
- Explore **deeper and frontier** hydrocarbons
- **Optimize** across commodities and **leverage** evolving regulatory framework
- Enhance value of **integrated downstream**
- **Optimize** business portfolio

# 2014 at a glance

**Environment**

- Unfavorable crude price environment in the 2nd part of the year
- Lower demand for fuels and gas
- Better environment for refining

**Financial performance**

- Consolidated sales decreased 11%: lower oil product and gas volumes sold
- EBIT decreased 44%: lower crude and oil products prices, impairments in E&P and G&P and higher taxation in Romania (excises and infrastructure tax)
- Net income decreased by 56%, while taxes paid to the state increased

**Delivery on strategy**

- Stable production and new discoveries
- Petrobrazi modernization completed
- Modern and flexible company 10 years after privatization

# Dynamics of the Romanian energy sector

**Demand and prices 2014 vs 2013**

- **Demand under pressure**
  - Gas -4%; Power almost stable; Fuels -2.6%
- **Prices**
  - Urals: -10%
  - Gas price deregulation continued; power prices[1] almost stable

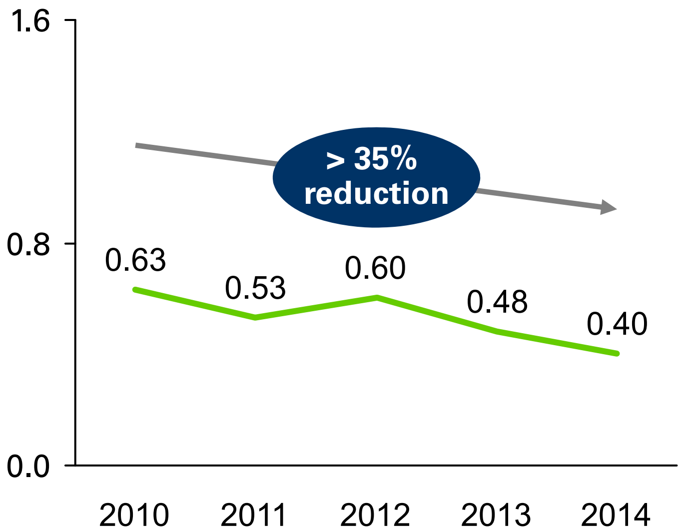
**Regulatory and fiscal framework**

- **Gas and Power:** undergoing structural changes
  - ✓ Price liberalization: NHH[2] completed; HH[3] continued
  - ✓ Gas trading on centralized platforms in 2014
- **Taxation**
  - ✓ Construction tax introduced starting 2014
  - ✓ Supplementary taxation extended until end 2015
  - ✓ Ongoing discussions with authorities

[1]Source: OPCOM; [2] Non-households; [3] Households

# Health Safety Security and Environment (HSSE) - Strong focus on safety and efficiency

## E&P LTIR[1] Romania



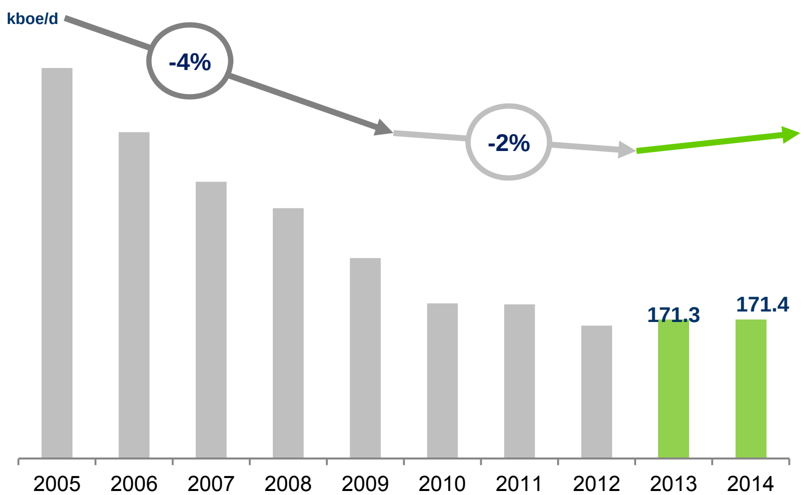

- OMV Petrom LTIR substantially improved[2] (0.30 in 2014 better than international benchmark)
- People more intensively trained in HSSE, which has become part of our corporate DNA (mindset and lean processes)

[1] Lost time injury rate (employees and contractors)
[2] LTIR for OMV Petrom Group, excluding Kazakhstan



OMV Petrom

# E&P – second year of marginal production increase in Romania




## OPEX impacted by infrastructure tax

- Average production cost: 17.27 USD/boe (↗ 1.82 USD/boe)
  - Mainly infrastructure tax
  - Gas to Power: positive impact by using stranded gas

## **Group production broadly stable** at 180 kboe/d

- Romania: drillings & workovers main contributors to production stabilization
  - 11% of production from workovers & new wells
  - 8% of production from FRDs
- 25% of production from wells drilled over the last 4 years
- Operational excellence: reduction by 16%[1] of production losses
- Reserves replacement rate: 42% py ( ↗10pp) due to new discoveries and FRDs

[1]compared to 2012 when operational excellence initiatives have been introduced



OMV Petrom

# E&P - Exploration
# Increased activity to ensure long term growth

## Largest exploration budget in 10 years

### Discoveries in 2014

- Marina (oil) – Black Sea shallow waters
- Padina (Oil&gas) - with Hunt Oil, largest discovery in Muntenia region in 30 years

### Exploration: 60% success rate

- 15 exploration wells drilled
- 3D seismic data coverage up to 76%[1]

## Black Sea deep water exploration continued

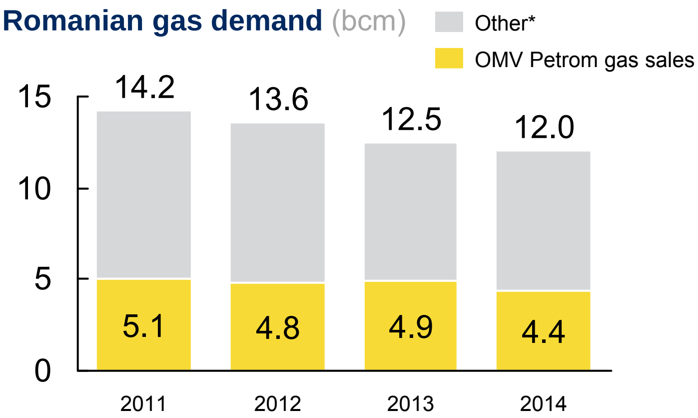
### Neptun Deep

- Domino-2 completed in Q4; data under evaluation
- Pelican South-1 spudded in October to explore new geological structure

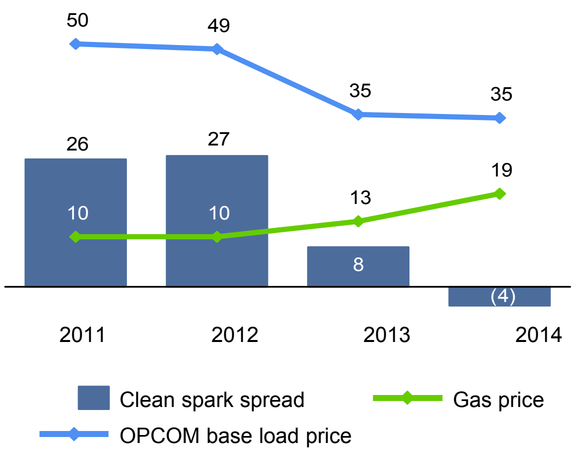
[1]*weighted average onshore and offshore*

# G&P – deteriorated market environment

**Romanian gas demand** (bcm)




**Clean spark spreads in Romania** (EUR/MWh)[1]




[1] Converted from RON into EUR, FX rate: 4.4336

### Lower gas sales volumes

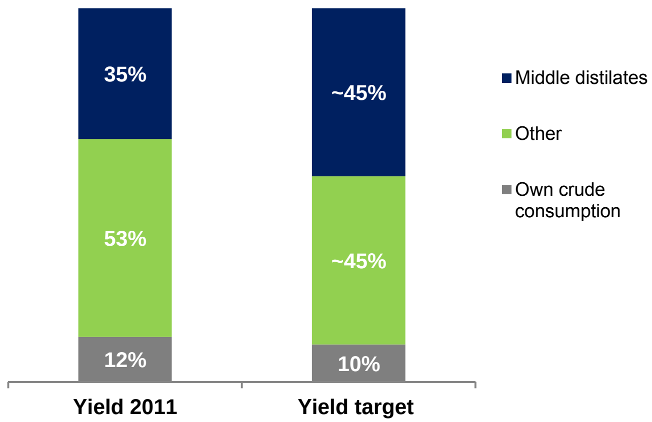
- Domestic consumption down by 4% vs 2013: lower demand from fertilizers and mild winter
- OMV Petrom Group's gas sales down by 9% to 4.4 bcm: lower consumption of Brazi power plant
- Imports decreased to 7% vs 15% in 2013

### Negative clean spark spreads

- Stable national consumption, exports more than tripled, to 7.2 TWh
- Negative average spark spreads triggered by higher gas prices and relatively stable average electricity prices
- Brazi net electrical output decreased by 55% at 1.22 TWh
- Impairment of power assets due to revised long-term market perspective

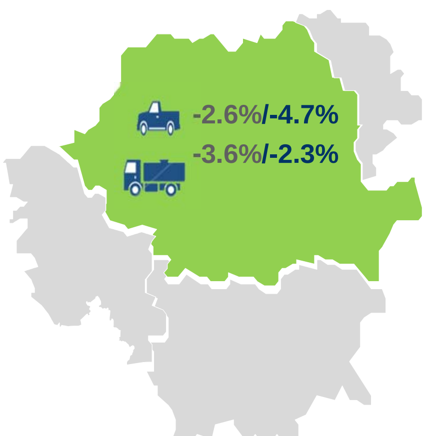

OMV Petrom

# R&M – challenging market environment, inspite of good refining performance




## Strong performance following Petrobrazi modernization

- Approx. EUR 600 mn in 2010-2014 for modernization
- Fuels & losses decreased below 10%




| | |
|---|---|
| Group market RO, MD, BG, SR | - 1.2% |
| Group sales volume | - 3.4% |

Market; OMV Petrom

## Sales volumes continued to decrease

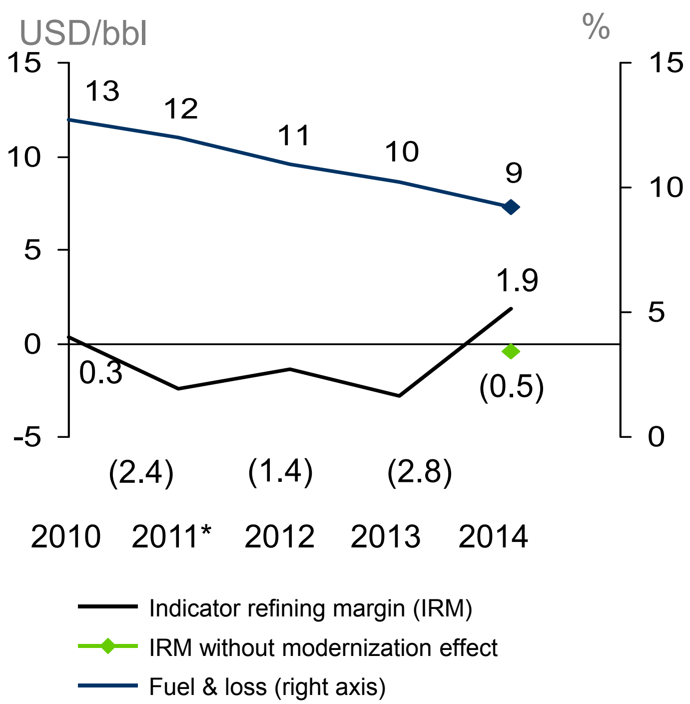
- Decrease of RO market demand (higher excises) was partially offset by demand recovery in Q4/14 (lower product quotation)
- Despite OMV Petrom total sales decrease, commercial diesel sales increased 21% in Q4/14 vs Q4/13, as more quantities available from Petrobrazi instead of imports
- Competition continued to increase: 52 new filling stations in 2014



OMV Petrom

# R&M - Petrobrazi refinery is delivering the expected results

**Indicator refining margin[1] improved; F&L on a downward trend**




- First year with positive refining result
- ~ USD 5/bbl higher indicator refining margin[2]
- Reduced F&L (below 10%)
- Improved white products yields
- Diesel imports decreased in spite of CSO[3]

*Fuel and loss (F&L) H1/11 actual

[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] vs the pre-modernization period; [3] compulsory stock obligation



OMV Petrom

# Outlook 2015

| | | |
|---|---|---|
| **International market** | **Oil price:** | Brent average USD 50-60/bbl |
| | **Refining margin:** | Expected to come down from the recent highs |
| **Romanian market demand** | **Gas:** | Under pressure, increased competition |
| | **Power:** | Stable, prices under pressure |
| | **Fuels:** | Supported by lower prices, competition |
| **OMV Petrom** | **Upstream:** | Decrease in production of up to 2.5 % [1] |
| | **CAPEX:** | EUR ~1.1bn [2] (90% E&P) |
| | **Capital discipline:** | Cost efficiency and business optimization |

[1] *Decrease in production on OMV Petrom S.A.*
[2] CAPEX OMV *Petrom S.A.*

# Within the current volatile environment OMV Petrom is prepared to cope with challenges

| Integrated company | Competitive financial position | Track record in managing challenges |
|---|---|---|
| Oil value chain – Petrobrazi, upstream integrated refinery<br><br>Gas value chain – Brazi gas power plant | Low gearing ratio<br><br>Strong cash position<br><br>Capital discipline<br><br>Operational excellence<br><br>Better performance and flexibility | Swift measures for 2008/2009 global economic crisis<br><br>OMV Petrom's successful transformation |

# In a nutshell

- **Strong foundation** to cope with current market downturn
- Decisive actions regarding **CAPEX and OPEX**
- **Maximize integrated** value
- **Neptun Deep** exploration to continue
- Public consultations on **taxation and regulatory framework**
- **Shareholder return**