OMV Petrom Group

2014 Overview and 2015 Outlook

General Meeting of Shareholders
April 28, 2015

Mariana Gheorghe, CEO
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10 years from privatization
Broadly complete company’s successful transformation

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

- 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
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
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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
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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)

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\(^1\) Lost time injury rate (employees and contractors)
\(^2\) LTIR for OMV Petrom Group, excluding Kazakhstan
E&P – second year of marginal production increase in Romania

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%\(^\text{1}\) of production losses
- Reserves replacement rate: 42% py (\(\uparrow 10\text{pp}\)) due to new discoveries and FRDs

OPEX impacted by infrastructure tax

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

\(^{1}\)compared to 2012 when operational excellence initiatives have been introduced
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
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
R&M – challenging market environment, inspite of good refining performance

Strong performance following Petrobraz modernization

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

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 Petrobraz instead of imports
- Competition continued to increase: 52 new filling stations in 2014
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\(^3\)

\(^1\) 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

*Fuel and loss (F&L) H1/11 actual
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## 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%  
**CAPEX:** EUR ~1.1bn (90% E&P)  
**Capital discipline:** Cost efficiency and business optimization

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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**
- Oil value chain – Petrobrazi, upstream integrated refinery
- Gas value chain – Brazi gas power plant

**Competitive financial position**
- Low gearing ratio
- Strong cash position
- Capital discipline
- Operational excellence
- Better performance and flexibility

**Track record in managing challenges**
- Swift measures for 2008/2009 global economic crisis
- 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**