

# Strategy Update 2021+

February 2017

Sustainable access to energy for everyday modern life



**OMV Petrom**

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# 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**

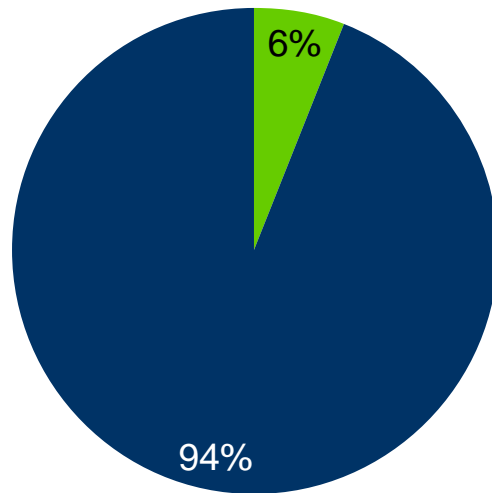


# Proven history of integration delivering value

Changes in performance contribution reflect market dynamics

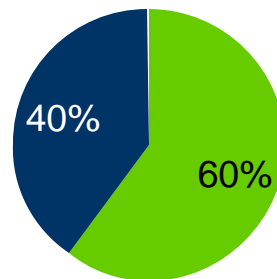
## Clean CCS EBIT evolution

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

<sup>1</sup> 2016 vs. 2012; <sup>2</sup> Of which modernization of Petrobrazi 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



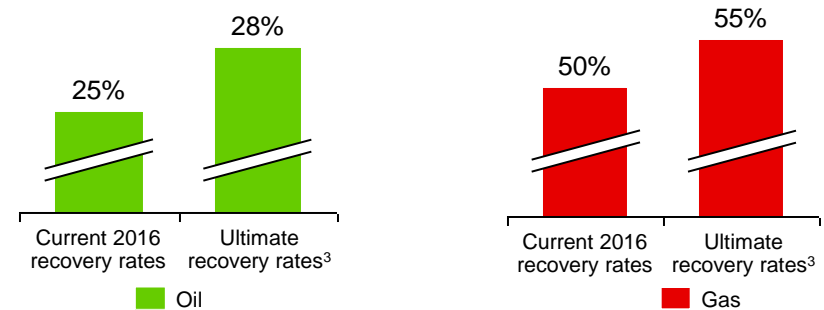
## Maximize economic recovery

- ▶ 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

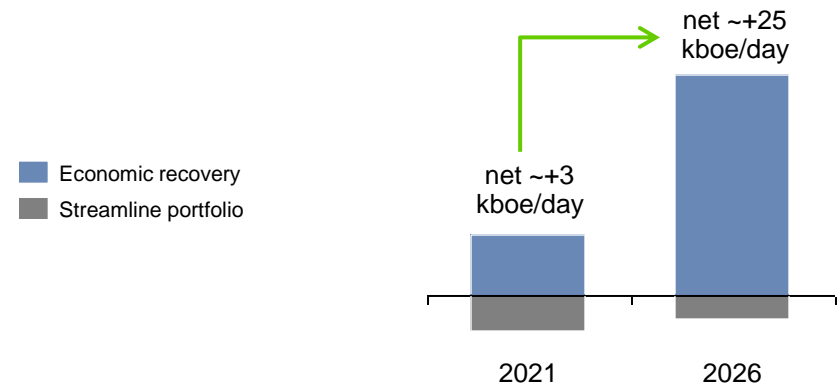
## Streamline portfolio

- ▶ 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

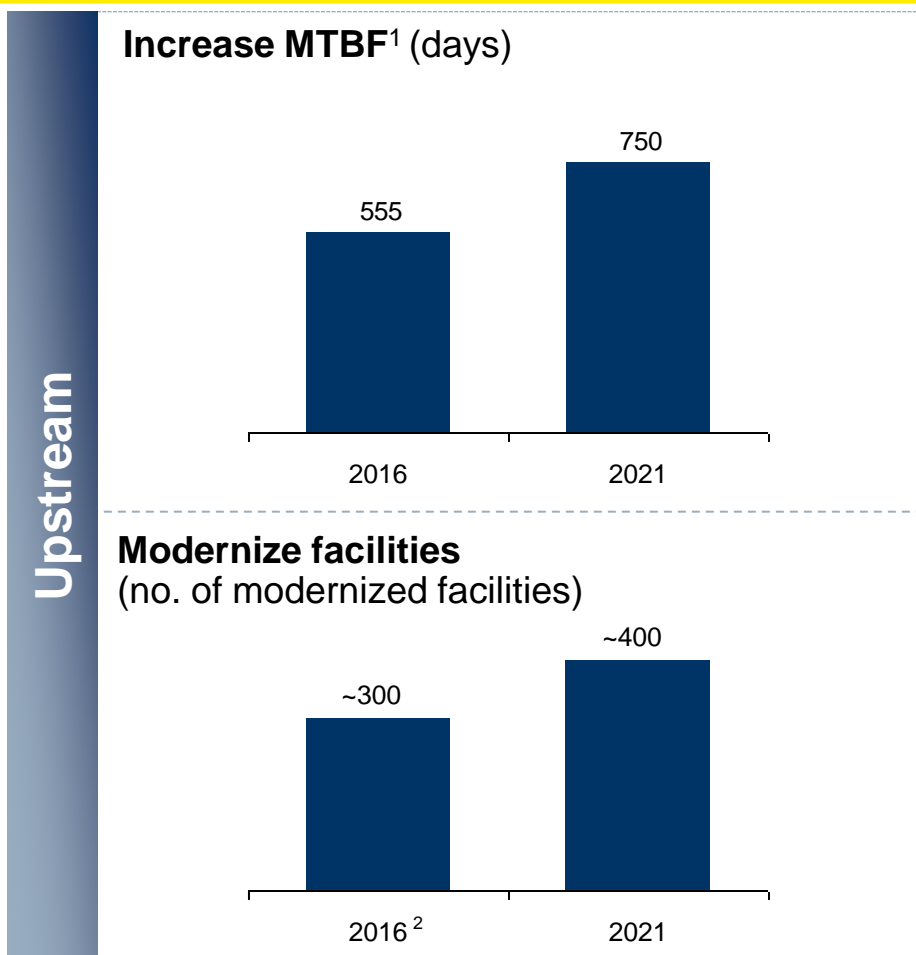
<sup>1</sup> Selling, General and Administration Expenses



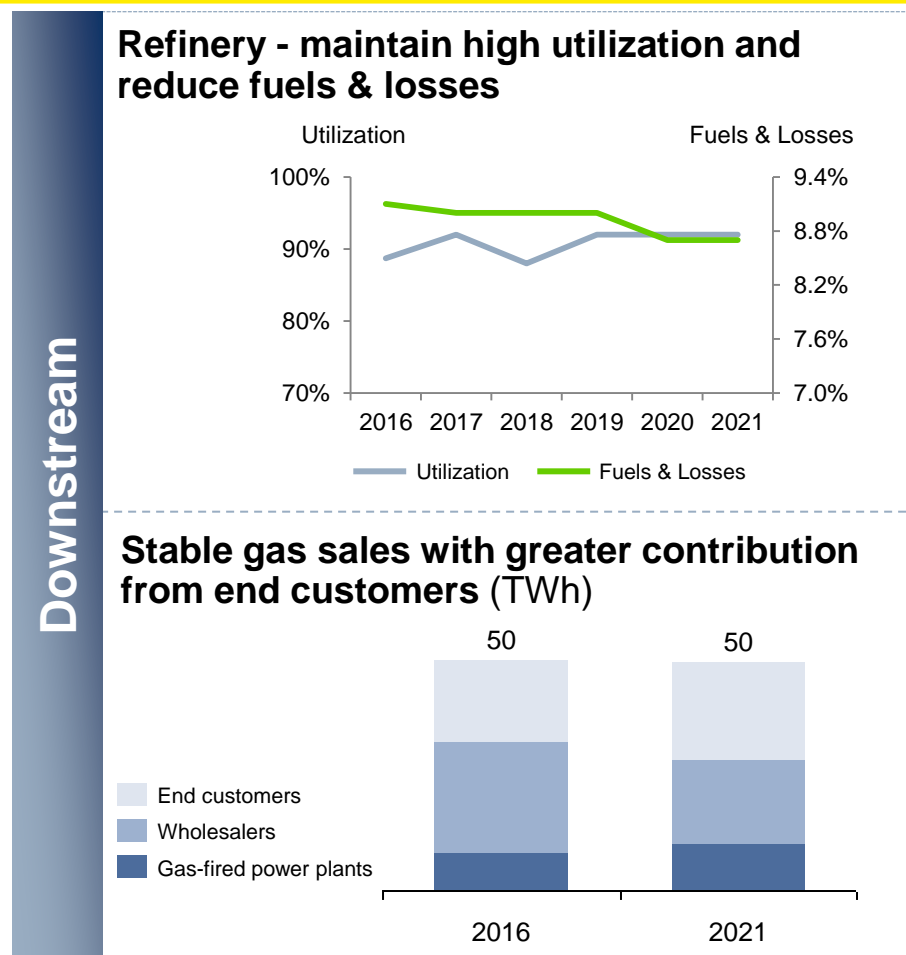




# Clear operational targets set



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





# Technology enabling efficiency progression

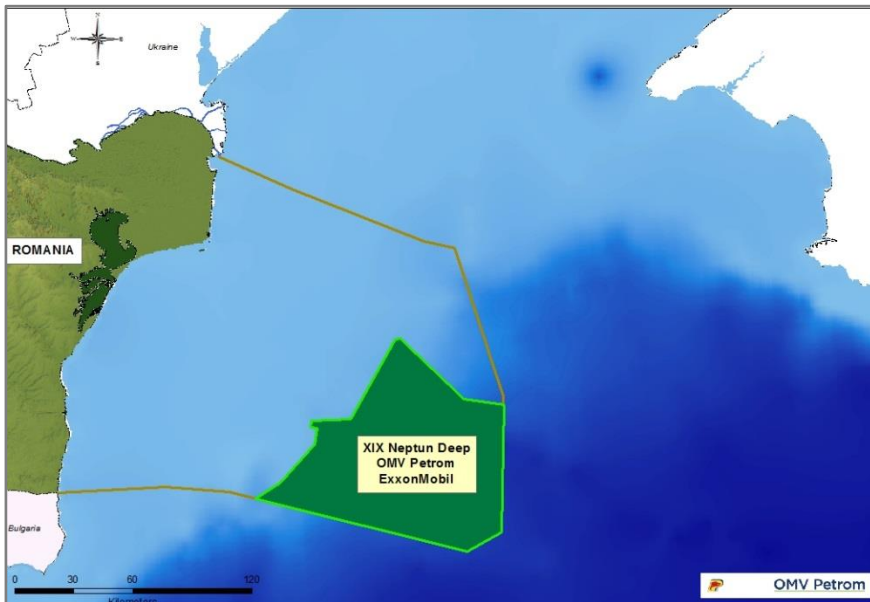


<b>Upstream</b>	<ul style="list-style-type: none"><li>▶ Digital Oil Field – well automation and online condition monitoring</li><li>▶ Drones used for aerial photogrammetry, imaging or videos</li></ul>	▶ Automated processes and optimized predictive maintenance
<b>Downstream</b>	<ul style="list-style-type: 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

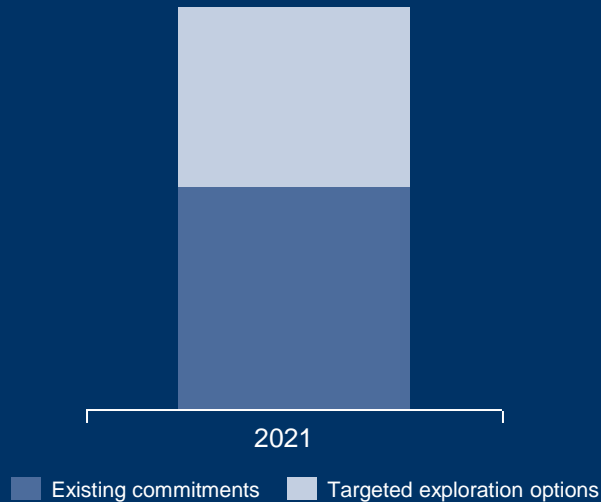


# Rejuvenated exploration portfolio in Romania



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

~10 kboe/day



▶ Continue to unlock deep onshore opportunities in existing licenses

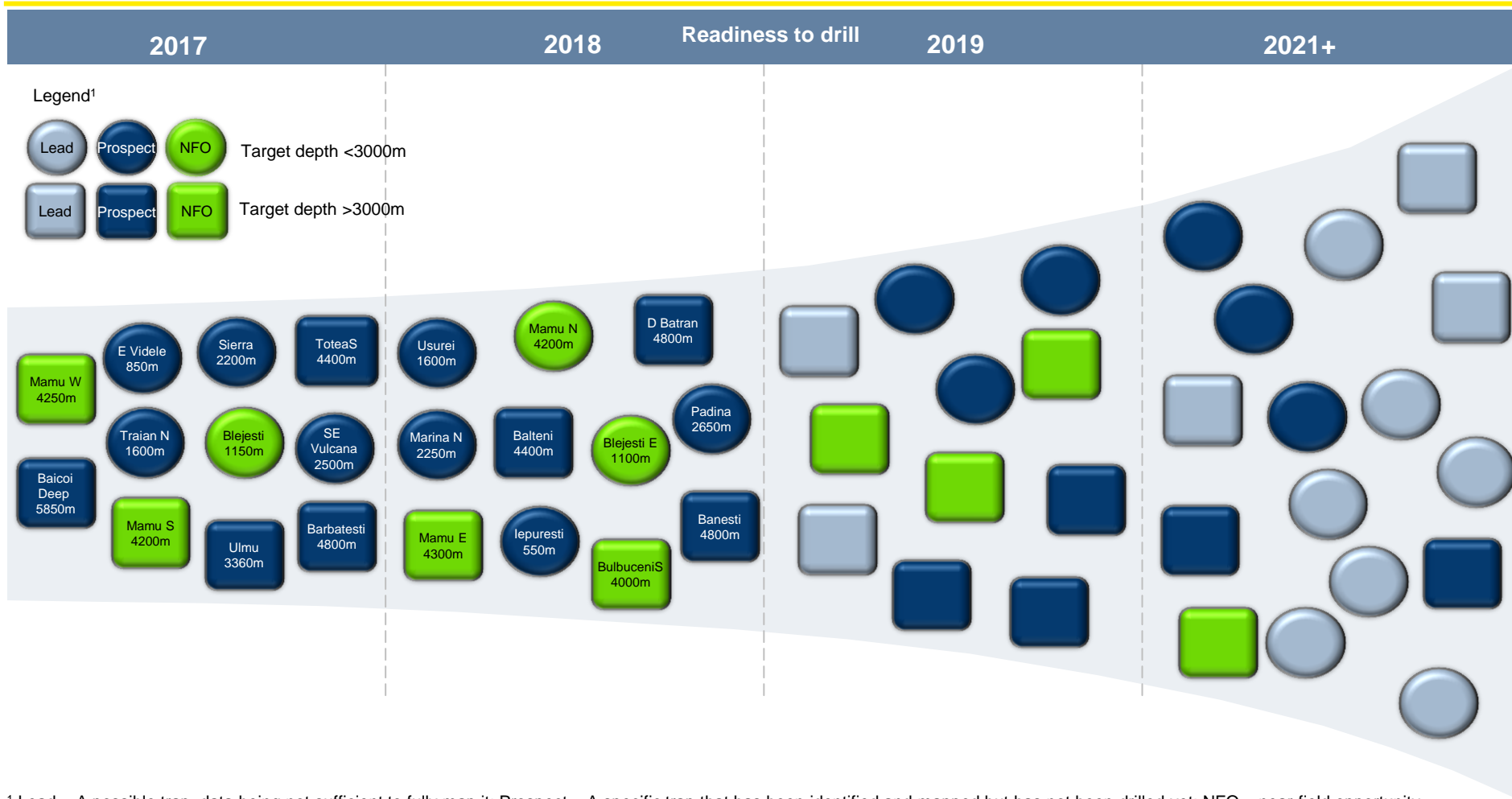
▶ Participate in new licensing rounds

▶ 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

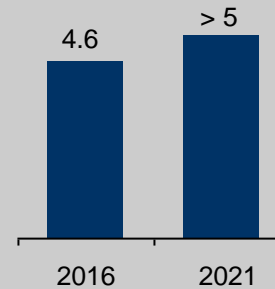
Downstream  
Oil



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



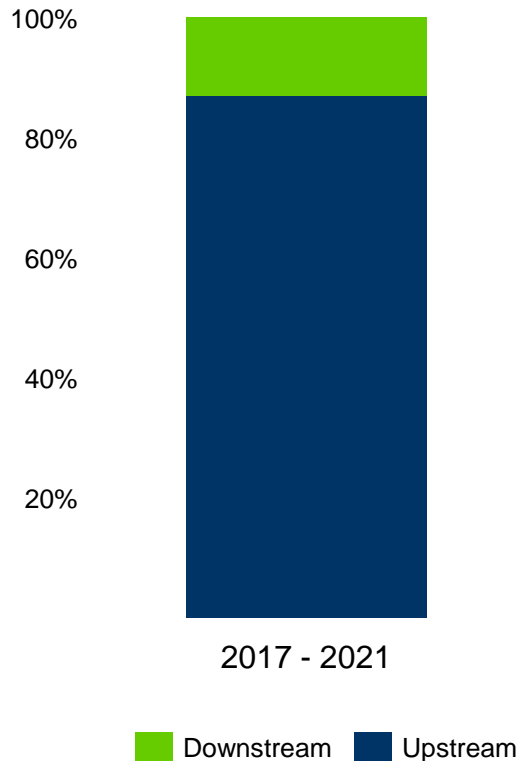


# Portfolio investments



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

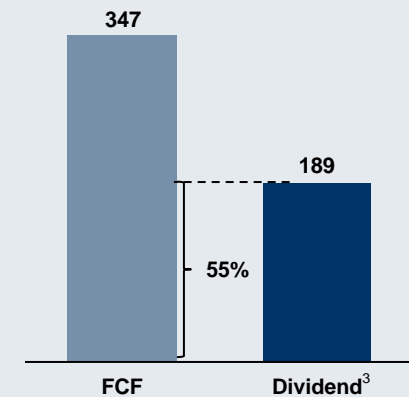
CAPEX

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



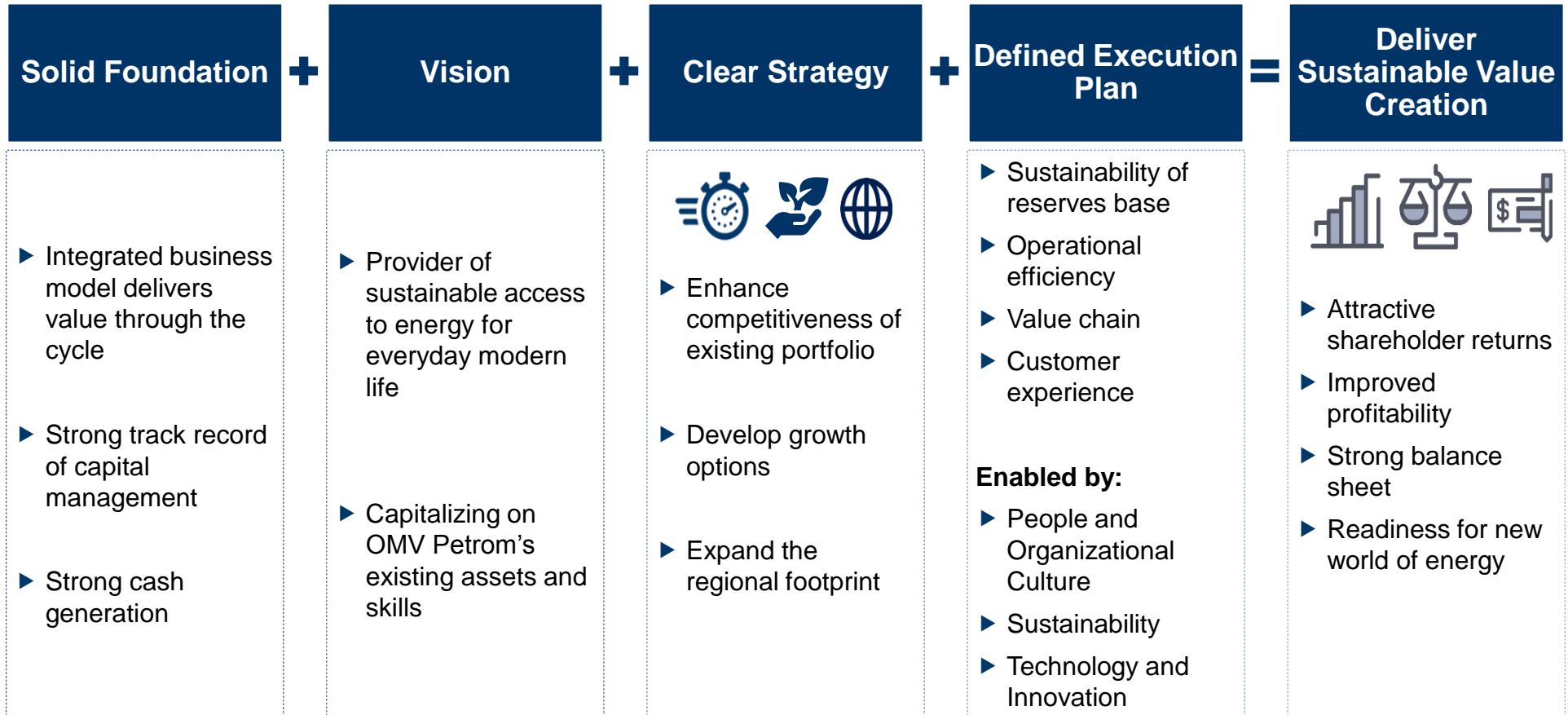
**EUR ~900 mn returned to shareholders over 2012-2015**

**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



# Contact Investor Relations

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