

## Petrom Strategy Update 2021: Sustainable performance for growth

- ▶ **Strategic directions for 2021: Maximize portfolio value and capture growth opportunities in upstream while optimizing mid- and downstream operations**
- ▶ **Continue to invest in a competitive, investment-friendly regulatory and fiscal environment to sustain performance and position for growth in upstream**
- ▶ **Petrom's strategic directions match the OMV Group strategy and address the needs of the Romanian energy sector**

Petrom, the largest oil and gas producer in Southeastern Europe, announces its strategic directions for 2021, as approved by the Supervisory Board on June 15, 2012.

**Mariana Gheorghe, CEO Petrom: "Petrom's strategic directions for 2021 reconfirm those outlined in the previous Strategy for 2015, ensuring continuity in the company's development, and match the OMV Group strategy for 2021. Petrom aims to remain the leading regional, integrated oil and gas company with sustainable performance needed to support potential upstream growth in the neighboring Black Sea region. We believe Romania has a significant energy supply potential, which can reduce its dependency on imports. Petrom is well positioned to support the energy sector, thus contributing to economic growth in Romania."**

Petrom's strategic directions have been updated based on a comprehensive analysis of the Romanian energy sector and considering the sector's international and regional developments. Oil and gas consumption will continue to grow and account for 60% of energy demand in Romania by 2021.

With a current share of imports of 20-30%, Romania's relative energy independence is likely to decrease, with imports expected to increase to 40-50% by 2030 due to higher primary energy demand and natural decline in domestic hydrocarbon production. However, Romania has a large energy supply potential, which can be unlocked with significant investments, out of which, only to unlock the hydrocarbon potential over EUR 20-35 bn are required by 2030.

### **Petrom 2021: "Sustainable performance for growth"**

***We aim to remain the leading regional, integrated oil and gas company with sustainable performance to support potential upstream growth in the neighboring Black Sea region***

### **Exploration and Production (E&P): Maximize current portfolio value and position for growth**

Exploration and Production continues to be the company's backbone and the focus over the short-term will be on stabilizing conventional production to largely offset natural decline, and on achieving operational excellence. For this purpose, the company will: i) continue field redevelopment projects, ii) explore and develop near field opportunities, iii) apply state of the art technologies and iv) optimize the E&P portfolio through partnerships.

To enhance its medium-term value, E&P will continue with: i) activities to increase the ultimate oil

and gas recovery, ii) exploration, appraisal and development of the Neptun gas discovery in the Black Sea, if commercial viability is confirmed and iii) the exploration of deeper and frontier hydrocarbons.

E&P will strive to position itself for long-term growth by exploring the neighboring Black Sea region and unconventional opportunities.

#### **Gas and Power (G&P): Enhance the value of equity gas**

In the short term, G&P activities will focus on bringing the Brazi CCPP (860 MW) on stream in the second half of 2012. To further enhance the value of the gas portfolio, Petrom will seek to strengthen its gas sales and leverage fair market conditions. In the medium to long term, we will explore renewables opportunities and assess further infrastructure investments around the Nabucco gas pipeline project. Also, we will explore the development of a potential gas hub.

#### **Refining and Marketing (R&M): Optimize integrated equity oil**

In R&M, the modernization of our upstream refinery Petrobrazii will be finalized by 2014 and we will continue to improve our operations, reduce costs and increase efficiency. Additionally, we further enhance our supply network with modern storage facilities to fully support the retail network. Petrom will undertake continuous business review and portfolio measures (partnerships and divestments of non-core/non-economical units) based on market conditions and network performance.

#### **Successful strategy implementation**

To successfully implement our strategy in the coming years, Petrom will continue to invest at a similar pace as in the past to support the company's future growth. In the last seven years, Petrom has invested more than EUR 1 bn p.a. (more than 90% of its EBITD) in order to transform the company and improve its performance. Considering the large exposure of Petrom's portfolio to volatile oil prices, an investment-friendly environment with predictable, fair and transparent fiscal and regulatory regimes is needed to achieve our strategic objectives and to realize the envisaged investments.

Building on a foundation of successful transformation over the last years, Petrom has proven strong execution capabilities to deliver on its strategic objectives.

Petrom will focus on key enablers to deliver on its strategy – people and sustainability. On the people dimension, the focus will be on developing a performance-based organizational culture and a strong skill pool. Equally importantly, we seek to develop a sustainability culture for efficient use of natural resources and to share value with stakeholders for common long-term benefit.

*For more details please see attached "Petrom Strategy Update 2021" presentation.*

*The information herein represents the strategic directions of OMV Petrom and may be interpreted as forward looking statements subject to uncertainties, risks and regulatory changes which may cause the actual results/performance of OMV Petrom to be materially different. Under no circumstances may be deemed as representation/warranties of OMV Petrom or of its management regarding the company's' future results as well as a recommendation/ offer / invitation to subscribe for or purchase any securities.*

#### **Petrom Group**

Petrom is the largest oil and gas group in Southeastern Europe, with activities in the business segments of Exploration and Production, Gas and Power as well as Refining and Marketing. The Group consolidated its position on the oil market in Southeastern Europe following a far-reaching modernization and efficiency increase process whereas investments accounted for more than EUR 7.7 bn during the last seven years.

In Romania and Kazakhstan, the Group exploits proved oil and gas reserves of approximately 812 mn boe (thereof 786 mn boe in Romania) and has a maximum annual refining capacity of 4.5 mn t as of end of 2011. OMV Petrom is present in the distribution market for oil products in Romania, Republic of Moldova, Bulgaria and Serbia through a network of approximately 800 filling stations, operated under two brands, Petrom and OMV. In Romania, this activity is performed through OMV Petrom Marketing, 100% owned by OMV Petrom. For its sustainable development, OMV Petrom has expanded the gas value chain into power. In this context, OMV Petrom has built an 860 MW gas fired power plant project at Brazi and began commercial operations at the Dorobantu 45 MW wind park.

In 2011, the Group's turnover was EUR 5,336 mn, EBIT was EUR 1,165 mn.

OMV, one of Austria's largest listed industrial companies holds a 51.01% share in OMV Petrom. In Exploration and Production, OMV is active in two core countries Romania and Austria and holds a balanced international portfolio. In Gas and Power, OMV sold approximately 272 TWh of gas in 2011. In Refining and Marketing, OMV has an annual refining capacity of 22.3 mn t and as of the end of 2011 approximately 4,500 filling stations in 13 countries including Turkey.

The Ministry of Economy holds 20.64% of OMV Petrom shares, the Property Fund SA holds 20.11%, the European Bank for Reconstruction and Development 2.03% and 6.21% is free float on the Bucharest Stock Exchange.

### **Contact details**

Sorana Baci,   
Strategy, Corporate Development & Investor Relations  
Tel: 0040-372-429 082, Fax: 0040-372-868 518  
e-mail: [investor.relations.petrom@petrom.com](mailto:investor.relations.petrom@petrom.com)

# “Sustainable performance for growth” Petrom Strategy Update 2021

Investor presentation  
June 2012



**PETROM**

Member of OMV Group

# Disclaimer

---

The information presented hereinabove represents only the strategic directions („**Directions**”) of OMV Petrom SA („**Petrom**”) and under no circumstances the Directions may be deemed as representation/warranties of Petrom or of its management regarding the future results of the company.

The Directions shall not be interpreted in any way as an undertaking of liability or an approval of the strategy as a whole. They represent Petrom’s management subjective view with respect to business environment and may be interpreted as forward looking statements subject to uncertainties and risks as well as to regulatory changes which might affect them.

These Directions are based on Petrom’s plans, estimates, projections and expectations as well as on certain assumptions which, although reasonable at this time, may prove to be erroneous. Should the assumptions underlying the Directions prove to be incorrect, the Directions described herein may deviate from those anticipated, believed, estimated or expected.

All statements included in the Directions relating to the company’s financial position, business strategy, plans, and objectives of management for future operations including development plans and objectives relating to the company’s products are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Likewise, the Directions will be influenced by the environment in which the Company will operate in the future and speak only as of the date of this document. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results or otherwise.

This document does not constitute a recommendation, an offer or invitation, or solicitation of an offer, to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis of any contract, investment decisions or commitment whatsoever. This document does not include any financial analysis or financial research and may not be construed to be a or form part of any offering document.

This document is not directed at, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

This document does not purport to contain all information that may be necessary in respect of the Company or its shares and in any event each person receiving this document needs to make an independent assessment. None of Petrom, connected persons, their respective affiliates, or any other person accepts any liability whatsoever for any loss or damage howsoever arising, directly or indirectly, from any use of this document or its contents.

# Oil and gas continues to be Romania's main energy source, covering half the primary demand



1 National Forecasting Commission 2010-2020; EU Energy Trends 2030

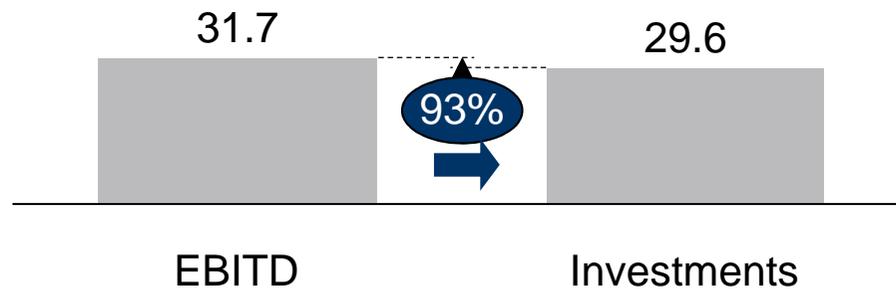
2 Including nuclear and renewables



# Petrom has reinvested its profits into the Romanian production, avoiding imports

## High reinvestment rate of operating profits

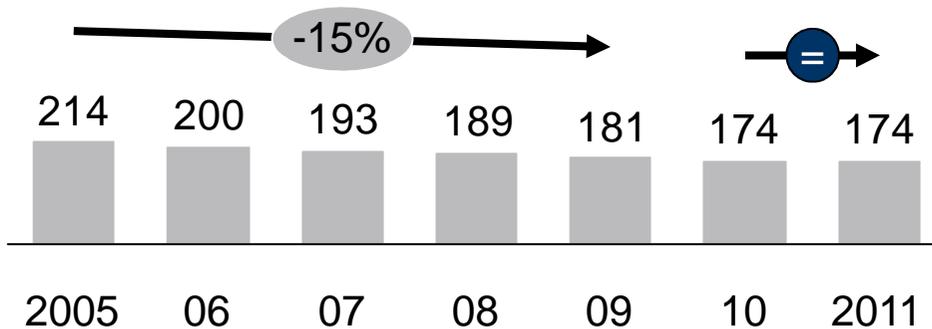
2005 - 2011, RON bn



- Petrom invested on average more than EUR 1 bn p.a.
- Almost all operating profits reinvested in Romania

## Ensured security of supply by stopping decline

Thousand barrels of oil equivalent/day



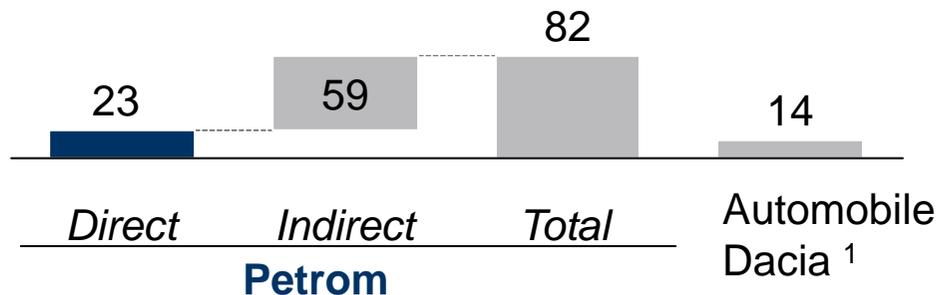
- Current annual production avoided energy imports of EUR ~4 bn<sup>1</sup> p.a.
- Production level stabilized

<sup>1</sup> Valuated at the current oil price and import parity gas price

# Petrom is a pillar of stability – largest private employer and contributor to Romanian budget

## Largest private employer

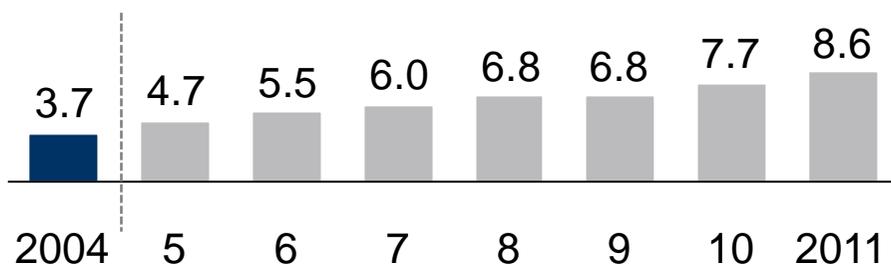
2011, thousand FTE



- Petrom is the largest private employer in Romania
- Indirectly employing more than twice the number of direct employees

## Annual contributions to the state budget income<sup>3</sup>

2005-2011, RON bn p.a.



- ~11% equivalent of non-consolidated state budget income<sup>2</sup> p.a.
- Significant additional spill-over effects throughout the economy

<sup>1</sup> Second largest private employer (2010 data)

<sup>2</sup> Equivalent share of state budget income in 2011 (non consolidated)

<sup>3</sup> Include: profit tax, royalties, employer social contributions, excises incl. custom duties, VAT, employee related taxes, other direct and indirect taxes, dividends paid to state

# Petrom is the leading oil and gas player in SEE, with a high degree of physical integration

## Current position, 2011 (Petrom Group figures)

### E&P



- 4.6 mtoe crude oil and NGL (4.1 mtoe in Romania, ~99% of domestic production)
- 5.3 bcm gas (~50% domestic production)
- 812 mboe proved reserves

### G&P

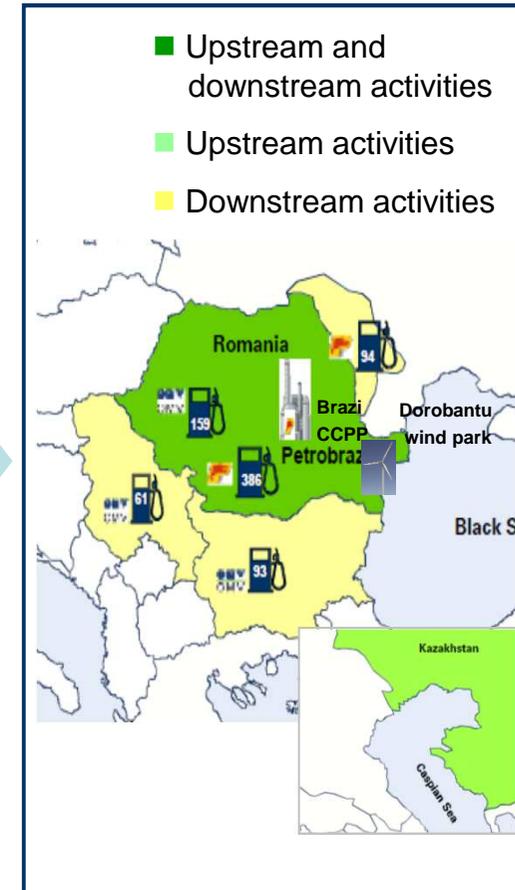


- 5.1 bcm gas sales
- Brazi gas-fired power plant <sup>1</sup> (860 MW) - cleaner energy
- Dorobantu wind park (45 MW)

### R&M



- Upstream integrated refinery (4.5 mtpa capacity)
- 4.1 mt marketing sales
- 793 filling stations



<sup>1</sup> Not yet on stream

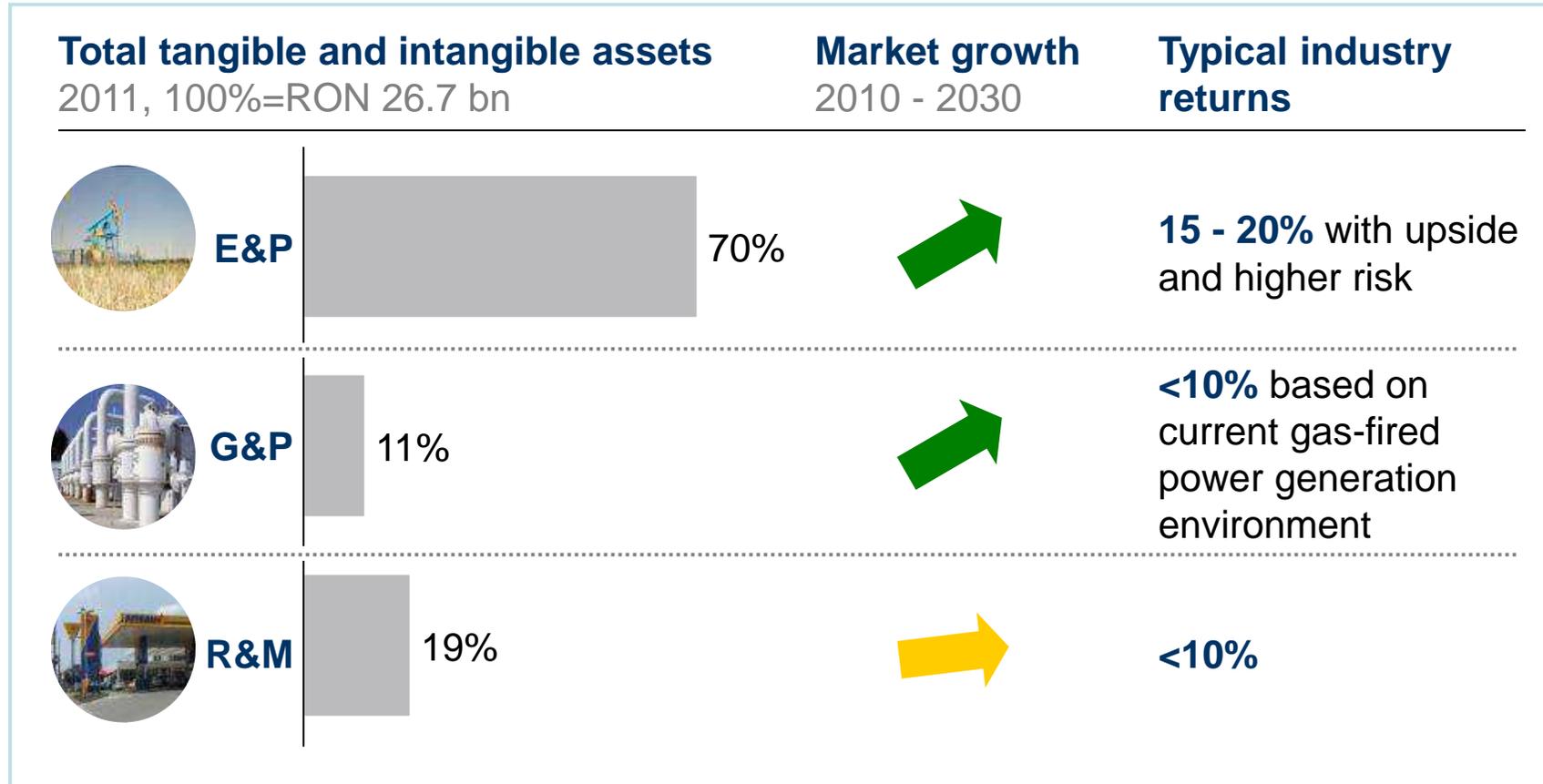
# Petrom's relevant market perspective

		<b>Relevant market growth</b> 2010 – 2030, absolute change	
	<b>Oil demand</b> (Global)	<b>+14%</b>	
	<b>Gas and power demand</b> (Regional <sup>1</sup> )	<b>+16%</b> (gas) <b>+45%</b> (power)	
	<b>Oil products demand</b> (Regional <sup>1</sup> )	<b>+9%</b>	

<sup>1</sup> Including Romania, Bulgaria, Moldova, Serbia

Source: IEA WEO (November 2011), Enerdata Global Energy POLES Global energy forecasting model – Recovery scenario (2012)

# Petrom portfolio today is well positioned to capture markets growth



# Petrom has opportunities, but faces challenges due to market and regulatory uncertainties

	Opportunities	Challenges
<b>E&amp;P</b> 	<ul style="list-style-type: none"> <li>▪ Potential for improvement of recovery rates</li> <li>▪ Neptun / Black Sea deepwater</li> <li>▪ Unconventional hydrocarbons</li> </ul>	<ul style="list-style-type: none"> <li>▪ Oil price volatility</li> <li>▪ Uncertain predictability and competitiveness of fiscal and regulatory regime</li> <li>▪ Regulated gas price</li> <li>▪ Mature fields with declining production (technical/reservoir risk)</li> <li>▪ Safety and environmental standards (e.g. due to old infrastructure)</li> </ul>
<b>G&amp;P</b> 	<ul style="list-style-type: none"> <li>▪ Market growth capture by leveraging equity gas</li> <li>▪ Related infrastructure and tools to maximize value of gas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less favorable power market conditions for gas power plants (e.g. regarding use of equity gas)</li> <li>▪ Gas and power market regulations</li> </ul>
<b>R&amp;M</b> 	<ul style="list-style-type: none"> <li>▪ Efficiency increase</li> <li>▪ Optimization potential from integration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pressure on fuel and refining margins</li> <li>▪ Overcapacity in refining</li> </ul>

# “Sustainable performance for growth”

---

## Core assumptions

- Robust market fundamentals
- Competitive regulatory regime



**PETROM**

Member of OMV Group

We aim to remain the leading regional, **integrated oil and gas company** with **sustainable performance** to support potential upstream growth in the neighboring Black Sea region

# “Sustainable performance for growth”



**PETROM**

Member of OMV Group

We aim to remain the leading regional, **integrated oil and gas company** with **sustainable performance** to support potential upstream growth in the neighboring Black Sea region

## E&P



Maximize portfolio value and position for growth

## G&P



Enhance value of equity gas

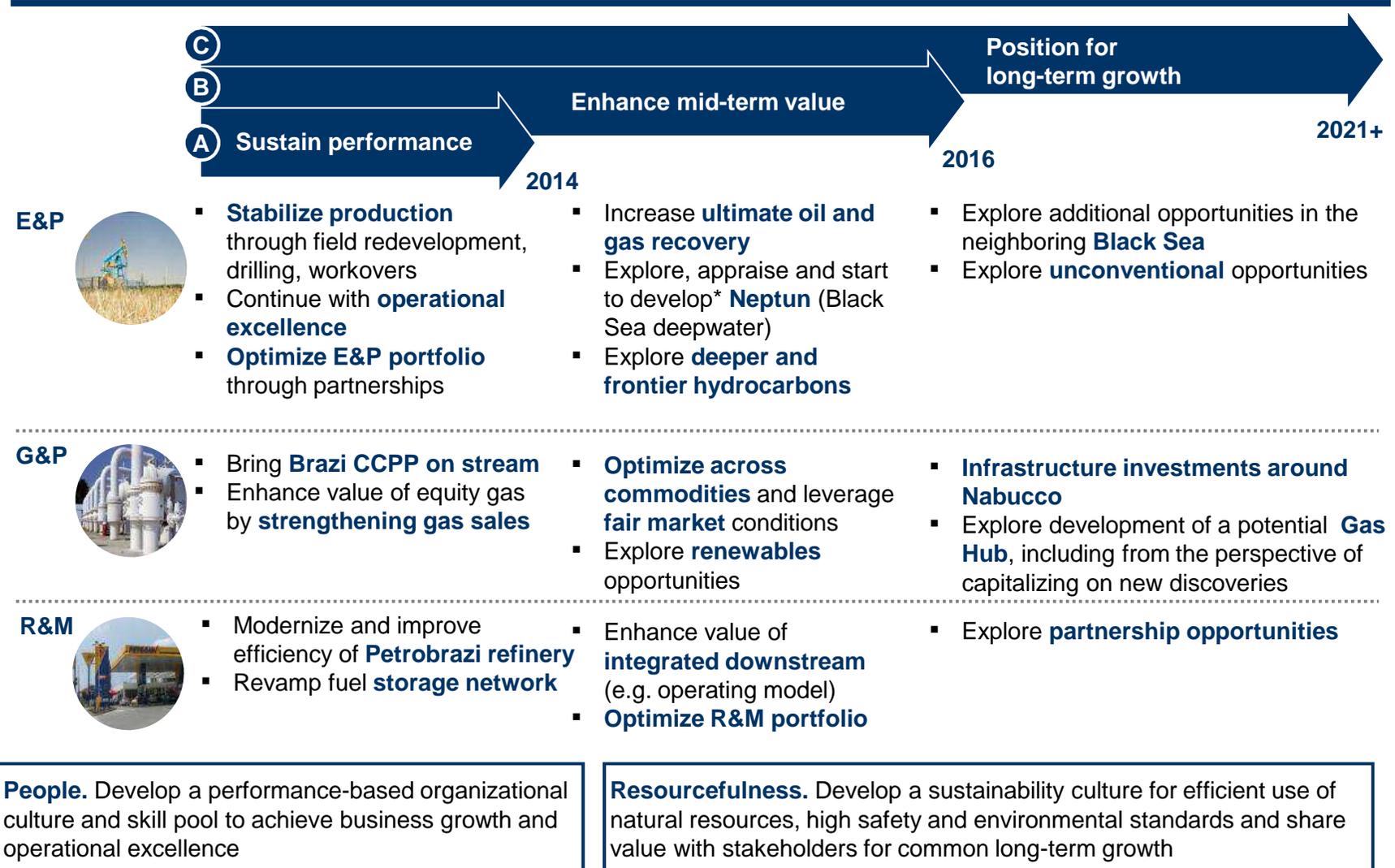
## R&M



Optimize integrated equity oil



# Petrom strategic initiatives assuming continued robust market fundamentals and competitive regime



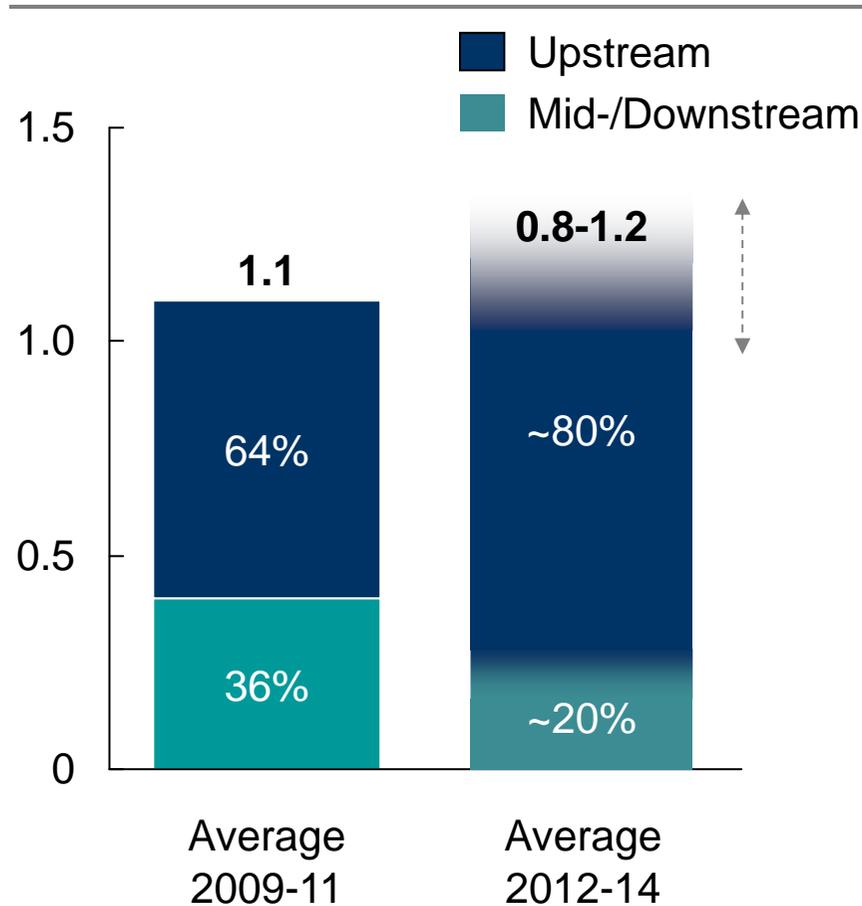
\* Development subject to confirmation of commercial viability



# Petrom would continue to invest EUR 0.8-1.2 bn p.a. on average assuming an investment-friendly environment

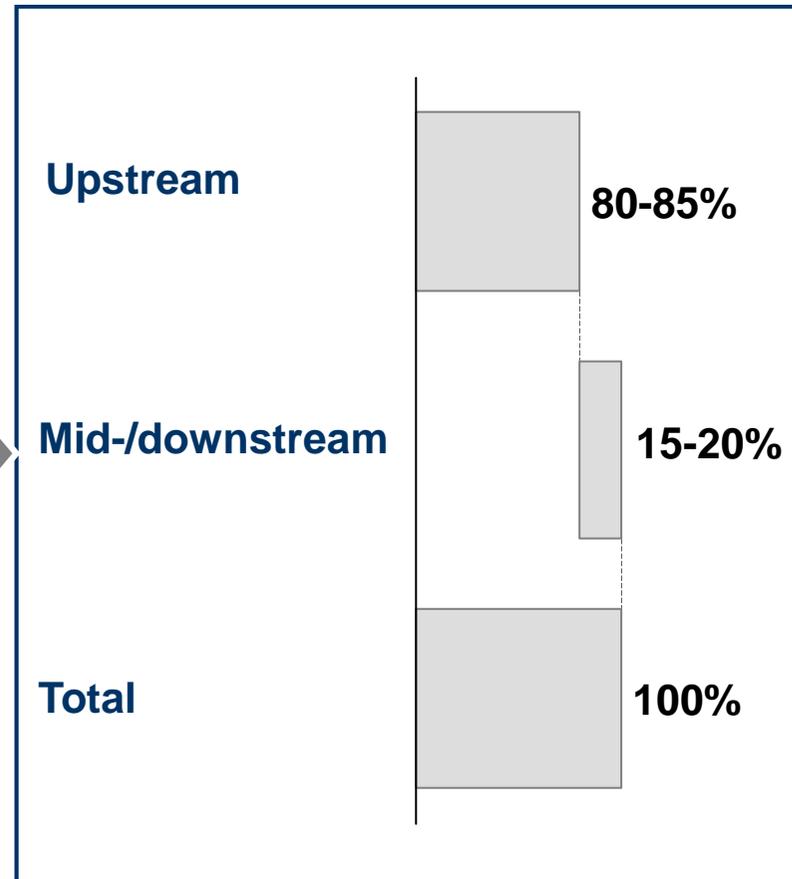
## Annual capital investments

EUR bn p.a.



## Petrom total assets 2021

Total tangible and intangible assets



# “Sustainable performance for growth”

<b>E&amp;P</b>		<b>Maximize portfolio value and position for growth</b>	<ul style="list-style-type: none"> <li>▪ Stabilize production</li> <li>▪ Drive operational excellence and optimize E&amp;P portfolio (partnerships)</li> <li>▪ Increase ultimate oil &amp; gas recovery</li> <li>▪ Explore, appraise and start to develop* Neptun block (Black Sea)</li> <li>▪ Explore deeper and frontier hydrocarbons</li> <li>▪ Explore additional opportunities in neighboring Black Sea</li> <li>▪ Explore unconventional opportunities</li> </ul>
<b>G&amp;P</b>		<b>Enhance value of equity gas</b>	<ul style="list-style-type: none"> <li>▪ Bring Brazi CCPP on stream and leverage fair market conditions</li> <li>▪ Strengthen gas sales and explore the development of a potential gas hub, including from the perspective of capitalizing on new discoveries</li> <li>▪ Explore Nabucco infrastructure and renewables opportunities</li> </ul>
<b>R&amp;M</b>		<b>Optimize integrated equity oil</b>	<ul style="list-style-type: none"> <li>▪ Modernize and improve efficiency of Petrobrazil refinery</li> <li>▪ Revamp fuel storage network</li> <li>▪ Optimize R&amp;M portfolio and explore partnership opportunities</li> </ul>
<b>Enablers for successful strategy implementation</b>			<ul style="list-style-type: none"> <li>▪ Strong execution capabilities proven in successful transformation of Petrom</li> <li>▪ Focus on enhancing the skills of our employees for growth</li> <li>▪ Develop a performance-based organizational culture</li> <li>▪ Develop a culture for efficient use of natural resources and high safety and environmental standards</li> <li>▪ Share value with stakeholders for common long-term growth</li> </ul>

# Contact Investor Relations

---



Petrom Investor Relations Team

Tel.: +40 372 868930

E-mail: [investor.relations.petrom@petrom.com](mailto:investor.relations.petrom@petrom.com)

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