OMV Petrom – Most complex and successful transformation of a state owned company in SEE
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Largest group in Romania & South-eastern Europe

- Privatized in 2004 to OMV AG (Austrian integrated oil and gas company)
- OMV Petrom is an integrated oil & gas player with international presence (RO, MD, BG, SR, KZ)
- Market capitalization: EUR 5.9 bn, as of end of 2013
- Group turnover: EUR 5.5 bn (2013)
- Total Shareholders Return**: 16% in 2013

Shareholder Structure

- **OMV***: Austria’s largest listed industrial company and integrated international oil and gas company
- **Property Fund**: listed fund, ~90% of AUM invested in the energy sector, managed by Franklin Templeton
- **State** holding
- **Free float**

*Shareholder since Dec 2004; ** Dividend yield plus share price increase in gross values (2013 vs 2012)
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Operationally integrated oil & gas player

**Exploration and Production**

**Romania**
- 4 mn toe/yr crude oil and NGL
- 5.2 bcm/yr gas
- 707 mn boe proven reserves (~11 yrs of current production)

**Kazakhstan**
- 0.4 mn toe/yr crude oil and NGL
- 0.1 bcm/yr gas
- 21 mn boe proven reserves

**Refining and Marketing**

- Petrobrazi refinery (4.2 mn t/yr capacity)
- 3.6 mn t marketing sales
- 785 filling stations (Romania, Bulgaria, Serbia, Moldova)

**Gas and Power**

- Gas sales 4.9 bcm/yr (up to 40% of Romanian demand)
- Brazi gas-fired power plant (860 MW)
- Dorobantu wind park (45 MW)
From a state owned company to a modern, competitive and successful European player
2005 – starting point for the transformation and modernization of OMV Petrom

2005
- Underdeveloped oil & gas market
- OMV Petrom: significant debts & losses, inefficient

2014
- Romania back on the international oil & gas map
- OMV Petrom: pillar of stability for Romania’s economy & strong presence in the region

<table>
<thead>
<tr>
<th>Before privatization²</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported EBIT</strong></td>
<td></td>
</tr>
<tr>
<td>Loss</td>
<td>EUR &gt;1 bn in last 3 years</td>
</tr>
<tr>
<td><strong>State budget contribution</strong></td>
<td>EUR &gt;2 bn (~11%) in 2013</td>
</tr>
<tr>
<td>EUR ~0.9 bn</td>
<td></td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>~1.1 bn EUR p.a. since privatization</td>
</tr>
<tr>
<td>EUR ~0.3 bn</td>
<td></td>
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</tbody>
</table>
**Transformed from an inefficient state-owned company into a high-performing private company**

<table>
<thead>
<tr>
<th>From...</th>
<th>To...</th>
<th>Impact</th>
</tr>
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<tbody>
<tr>
<td>Corporate governance</td>
<td>Operational efficiency</td>
<td>Management turnaround &amp; commitment to excellence</td>
</tr>
<tr>
<td>‘State company mindset’</td>
<td>Two-tier management system</td>
<td>Transparency and adherence to international standards</td>
</tr>
<tr>
<td>State interference in commercial decisions</td>
<td>Blue chip on BSE Code(^1) (\sim 20%) of BET Plus index</td>
<td></td>
</tr>
<tr>
<td>Lack of long term view</td>
<td>A long term strategy until 2021 incorporating sustainability</td>
<td></td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>Professional organization based on strategy, processes &amp; procedures</td>
<td></td>
</tr>
<tr>
<td>Operational efficiency</td>
<td>Management turnaround &amp; commitment to excellence</td>
<td></td>
</tr>
<tr>
<td>Large non-core businesses</td>
<td>Focus on oil &amp; gas core</td>
<td></td>
</tr>
<tr>
<td>Declining production and aging underinvested assets</td>
<td>Stable production at 171 kboed</td>
<td>ROACE(^2) 19%</td>
</tr>
<tr>
<td>Lack of management systems</td>
<td>Modern technology, facilities and management systems</td>
<td></td>
</tr>
<tr>
<td>HSSE(^3) standards</td>
<td>LTIR(^4) 0.33</td>
<td></td>
</tr>
<tr>
<td>Management turnaround &amp; commitment to excellence</td>
<td>Risk management framework</td>
<td>Performance mindset</td>
</tr>
<tr>
<td>Lack of risk management</td>
<td>Performance Culture</td>
<td></td>
</tr>
<tr>
<td>Lack of monitoring and reporting systems</td>
<td>Sustainability</td>
<td></td>
</tr>
<tr>
<td>HR limited to personnel administration function</td>
<td>Human resources management &amp; talent development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diversity programs</td>
<td></td>
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</tbody>
</table>

\(^1\) Bucharest Stock Exchange Code of Governance in adherence to OECD standards  
\(^2\) ROACE as of 2013  
\(^3\) HSSE: Health, safety, security and environment  
\(^4\) Lost time injury rate for 2013 compared with 1.11 in 2004
Complex & decentralized organization with no central control - 2005

Extreme decentralization

> 60 legal entities
1,400 sites & offices
>100 accounting departments

Overstaffed

~4,000 people in accounting departments

Old & fragmented IT infrastructure

> 300 end to end processes
>100 applications used by the finance teams
6,000-8,000 people using PCs with different software & specifications

7 months to produce the IFRS financial statements!

“OMV acquired not one company, but more than 100 companies, at more than 100 locations, with more than 100 cultures”
Lay the foundations: focus on Finance, Controlling & IT

2005
Inconsistent & unreliable reporting

2014
Quality & consistency of overall reporting, planning and analysis

10 days for monthly closing;

6 weeks to produce the consolidated IFRS quarterly results for the capital markets

“Reliability of management information systems leads to faster & better business decisions”
Office environment then and now
Current situation: effective management of the group’s financial resources and activities

- **CONTROL**: Ensure compliance, control and risk optimization based on transparent management information

- **CHALLENGE**: Enable business to optimize performance and to achieve competitive advantage for the group

- **SUPPORT**: Drive business and finance integration through effective and efficient finance processes and systems

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**Added value:**

Contribution to clear profit orientation, to increase shareholder value and to an excellent external reputation of the group
Profound restructuring & transformation in all business segments

Exploration and Production
- Natural decline largely mitigated
- New technologies
- Infrastructure modernization
- New frontiers

Before | After
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Gas and Power
- Expanding gas value chain: Brazi gas-fired power plant (860 MW, 57% efficiency)
- Renewable: Dorobantu wind park (45 MW)
- Strong position in the Romanian market: 28% market share on the gas free market
- Total net electrical output of 2.9 TWh in 2013, covering around 5% of the national electricity production

Refining and Marketing
- Modernization: Petrobrazi refinery (upstream integrated, 4.2 million tons per year)
- Optimized filling stations network (2013: 785 filling stations under Petrom and OMV brand in Romania, Serbia, Bulgaria and Moldova)
**Successful transformation during a challenging macro environment**

- **2004**: Romania joins NATO
- **2006**: Privatization of BCR
- **2007**: Romania joins EU
- **2008**: Economic/financial crisis starts
- **2011**: Romania exits the crisis – 2.5% economic growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (EUR mn)</th>
<th>EBIT (EUR mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.145</td>
<td>-143</td>
</tr>
<tr>
<td>2005</td>
<td>322</td>
<td>794</td>
</tr>
<tr>
<td>2006</td>
<td>1.348</td>
<td>1.200</td>
</tr>
<tr>
<td>2007</td>
<td>1.821</td>
<td>1.348</td>
</tr>
<tr>
<td>2008</td>
<td>5.473</td>
<td>1.200</td>
</tr>
</tbody>
</table>

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### Pillar of stability and reliable partner for the Romanian economy

<table>
<thead>
<tr>
<th>Largest private employer</th>
<th>Main energy supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>~20,000 direct employees and more than 50,000 indirect jobs</td>
<td>Accounts for ~40% of oil, gas and fuel supply, and up to 10% of power generation capacity in Romania</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Largest investor in the energy sector</th>
<th>Largest contributor to state budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over EUR 1 bn/year investments since privatization</td>
<td>EUR ~2.3bn in 2013 (~11% share of non-consolidated budget)(^1)</td>
</tr>
</tbody>
</table>

\(^1\) Equivalent share of state budget income in 2013e (non consolidated); Include: profit tax, royalties, employer social contributions, excises incl. custom duties, VAT, employee related taxes, other direct and indirect taxes, dividends paid to state
Efficient management of cost & investment within OMV Petrom
Oil and gas industry faces increasing cost inflation

Global Business environment

Upstream cost inflation index (rebased to 100, 2003)

Source: TOTAL, Guinness Asset Management estimates

Upstream cost inflation indices are now starting to level out

Romanian Business environment

Industrial production price index (IPP)
Romanian market (rebased to 100, 2005)

Source: own calculations based on INSSE data
INSSE = Romanian National Institute of Statistics
Constant focus enables keeping manageable cost broadly stable

- Specific oil and gas taxation (royalties, excise), export and import limits
- Inflation rate, geo-political risks
- Level of activity, organizational changes, investments, divestments

Costs inflate automatically …

- External specific regulatory framework
- External business environment
- Internal operating model changes

… and need to be consequently managed down

- Benchmarking
- Change management
- Cost efficiency projects

► International business benchmarking: Refining (Solomon Associates); Exploration and Production (IHS Herold); Solutions (Accenture, AUPEC)
► Increase accountability (regular reporting), change attitude towards costs

Since 2011:
► Refining achieved cost reductions of -4%
► E&P projects delivered a cost efficiency -10%
Taking investment decisions in a challenging environment

1. Assess situation and define strategy
2. Set a strategic asset allocation
3. Construct investment portfolio
4. Report progress & measure performance
5. Review and adjust portfolio

Source: IHS, Morgan Stanley Research
Investment projects need to meet hurdle rates and compete along the creaming curve

Hurdle Rates are set based on WACC and differ per segment due to
- different risk profiles and
- strategic intent

Project selection criteria include
- Internal Rate of Return
- Net Present Value
- Discounted Profitability Index
- Amortization time
Regular monitoring and assessments to improve project decisions and execution

- Monthly report on project / program level (including Forecasts)
- Ad hoc analysis and deep dives
  - performance of drilling
  - work-over performance
- Annual post investment appraisals
- Interim investment appraisals