

Oil&Gas Integrated Company

OMV PETROM

Good Prospects Ahead

Buy (12m)

Price 23/05/12 12m target
RON 0.3460 RON 0.4929

Sector

 Weighting
na

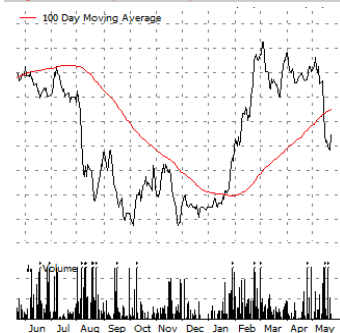
Last Recommendation

BUY (TP: RON 0.47) on 14 Mar'11

Type of investment

- Re-launch SPO for 9.84% of Ministry's stake ✓
- Efficiency increase programme ✓
- Deregulation of gas market ✓
- Hedged on oil price ✓

1 year-Price, Volume, MA 100



Source: FactSet, BRD GSG

Petrom on
www.petrom.com

Share data

RIC SNPP.BX, Bloomberg SNP. RO			
52-week range	0.275-0.425		
EV (RONm)-DCF(May'12)	25,339.48		
Market cap. (RON,m)	19,598.86		
Free float (%)	6.21		

Performance (%)	1m	3m	12m
Ordinary shares	-12.1	-15.9	-13.6
Relative to BET	-1.4	-5.7	2.9

▼ **Update** We calculated 12M TP of RON 0.49 for OMV Petrom stock and we reiterate our Buy rating, given the upside potential of 42.5% from current market price. We have revised our EPS upwards by 33.9% on avg. for 2012-20e, following better than expected 2011 and Q1'12 results together with incorporation in our model of higher Group's average realized price from our previous report, stronger USD against RON, lower OPEX in E&P and inclusion of revenues from Power segment starting with 2012e. Currently, we see 2012e clean EBIT at RON 6.42bn (+30.1% yoy), up 46.4% from our previous report and net profit at RON 5.23bn (+39.1% yoy), up 51.9% from our previous report.

▼ **Catalysts for the share price** In coming months it is likely to see SNP share price to reverse some of the gains posted ytd, as a result of negative sentiment related to Euro zone sovereign-debt crisis. The re-launch of the SPO for 9.84% of state's stake is the only short-term positive catalyst, but we consider highly improbable to happen this year considering local economic and political environment. However, we look forward to materialize positive catalysts on medium-long run, mainly related to power business and gradual liberalization of gas market. The gas market liberalization is supported by EU and IMF and local authorities should have submitted a draft schedule by end-Apr'12. Any modification of royalty regime from 2014e onwards and/or additional taxation of oil&gas companies' profits starting with 2013e will drag on company's operating performance. These fiscal changes decisions might occur if country's fiscal and debt position deteriorate in near future. Nevertheless, we believe that negative effects of higher taxation should be offset to some extent by improved performance of gas trading business as a result of authorities' decisions to align domestic gas price to international levels.

▼ **12m target price and methodology** Our 12m TP is derived based on DCF model and exit approach to estimate terminal value. SNP stock advanced by 15.97% ytd, following losses posted in the past month due to rising risk aversion towards frontier markets assets and ex-dividend date usual corrections. Thus, SNP stocks trades at discounts to its major peers, namely 51.4%-52.8% in terms of EV/EBITDA 2012-13e and 76.0%-74.8% in terms of P/E 2012-13e, respectively. Thus, our potential upside for the stock is justified from this perspective, too.

▼ **Alternative scenarios and risks to our valuation** Main risks arise from feeble economic growth associated with high oil price volatility, adverse FX rates evolution, delays in E&P segment investments, lower performance of oil fields than initially estimated, poor refining margins, changes of fiscal regulations. Last but not least factors that influence crude oil price on international markets, such as: political unrest in oil-producing countries (e.g.: Iran), available refining capacities, crude inventories level, OPEC decisions regarding production level, volumes of speculative trading on oil markets.

▼ **Next events** Q2'12/H1'12 IFRS results to be released on 8 Aug'12.

Financial data*	12/10	12/11	12/12e	12/13e	Ratios	12/10	12/11	12/12e	12/13e
Sales (RON,m)	18615.7	22613.7	24644.1	24247.0	Adjusted P/E (x)	7.30	4.80	3.75	4.02
Net Income (RON,m)	2189.7	3758.6	5226.6	4871.5	Price/CFO (x)	3.88	3.14	2.60	2.28
CFO/share (RON)	0.082	0.114	0.133	0.152	EV/EBITDA (x)	4.03	3.08	2.22	2.23
EPS BRD** (RON)	0.043	0.074	0.092	0.086	EV/EBIT (x)	6.91	4.53	3.24	3.38
BVPS (RON)	0.326	0.372	0.422	0.502	P/Sales (x)	0.96	0.89	0.80	0.81
Gross Div/share (RON)	0.018	0.031	0.031	0.046	Dividend yield (%)	5%	7%	8%	11%
Payout (%)	46%	47%	47%	50%	Price/book value (x)	0.97	0.96	0.83	0.70
Net Debt/equity (%)	14.5%	10.3%	4.9%	2.8%	ROIC/WACC (x)	0.81	1.23	1.47	1.29

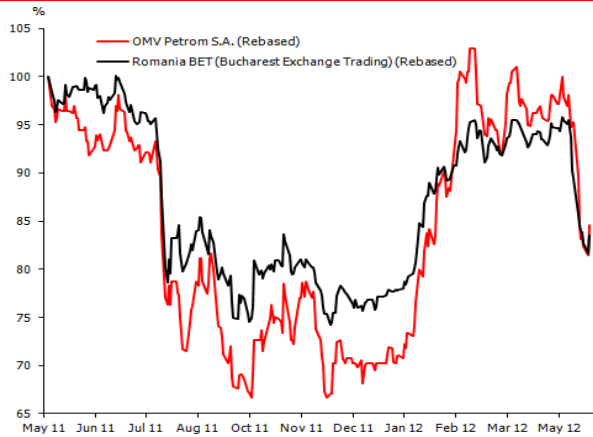
*IFRS financial statements; ** adj.for exceptional items (e.g.: provisions expenses)

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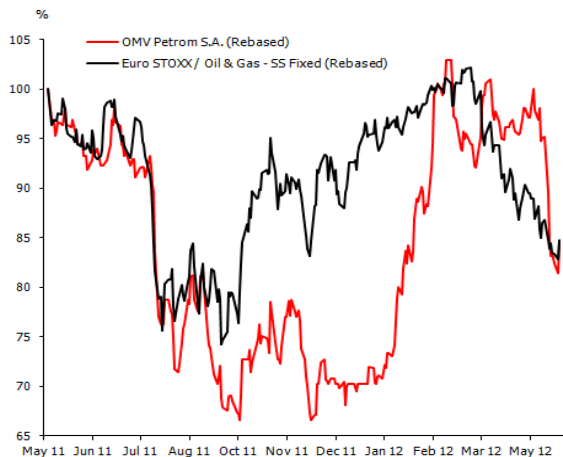
Market performance

SNP vs. BET yoy share price performance, rebased



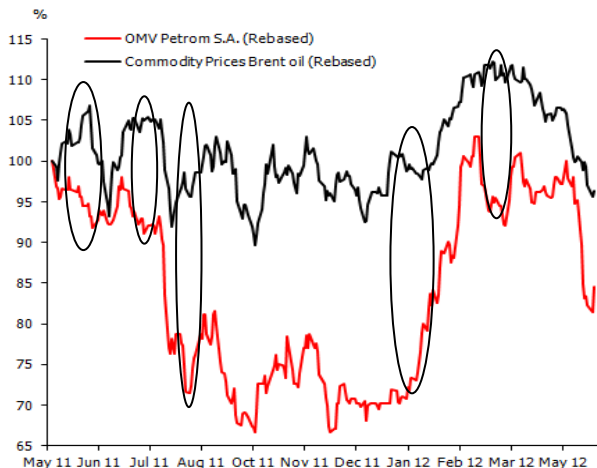
Over the last 12 months, SNP shares underperformed slightly BET by approx. 3.3% on avg. The stock had a major upward evolution in Jan-Mar'12, reaching 12M maximum of RON 0.425 on 5 Mar'12. Typical corrections posted after ex-dividend date (gross DPS was RON 0.031) and rising risk aversion triggered SNP share price to lower levels during Apr'12 - May'12.

SNP vs. European peers price performance, rebased, RON denominated, fixed FX rate



SNP shares underperformed by 7.8% on avg. its European peers for the period May'11 - May'12, as SNP stock declined at faster pace than its peers, following failure of SPO in H2'11 and spike of risk aversion that hit harder frontier markets equities compared with mature ones.

SNP price vs. Brent oil price, yoy evolution, rebased



The evolution of SNP share price decoupled from Brent crude price for May'11 - Aug '11, but their development becomes more correlated afterwards, translated into correlation coefficient of 0.78 between May'11 and May'12.

Source: FactSet, BRD GSG

Valuation

Target price calculation and fundamental valuation

12M TP at RON 0.49 and fair value of RON 0.4077

12M upside potential of 41.2% from current market price advocates our Buy recommendation

We reaffirm our **Buy** rating on OMV Petrom stock, with an upward revision of our 12M target price (TP) to **RON 0.4929** (Fair value per share of RON 0.4077) from RON 0.47 (Fair value per share of RON 0.396). Thus, the upside potential seen is 42.5%, following target price upgrade and stock decline of 18.6% from its 12M maximum posted on 5 Mar'12. DCF model is constructed based on the assumptions more detailed in *Key drivers and outlook* section presented below.

We have included in our DCF model the 2021 estimates, so the explicit timeframe spans now over 2012-21e. We have slightly changed our parameters for the terminal value estimation following adjustments of our estimations. Thus, we have used a normalized EBITDA (EBITDA_n) of RON 7.66bn (i.e: average EBITDA for 2007-21e), compared with EUR 7.58 bn (average EBITDA for 2007-20e) used in our previous report to estimate terminal value. We kept unchanged the multiple of EV/EBITDA at 2.1x.

As regards WACC estimations, we have included also 2021e WACC, keeping unchanged the other parameters for 2012-20e. We have rolled over by one year the use of risk free rate of 6% and ERP of 6.5% for 2020-21e and we obtained higher WACC of 12.07% (vs.11.6% previously) in 2020e.

The table below depicts WACC assumptions:

WACC assumptions

Indicator	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
LT Risk Free Rate	7.00%	6.50%	6.50%	6.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Equity Risk Premium	7.50%	7.00%	7.00%	7.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
β	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Target Debt/Equity	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%
B levered	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47
Cost of Equity	18.02%	16.79%	16.79%	16.79%	15.55%	15.55%	15.55%	15.55%	15.55%	15.55%
Cost of Debt (before tax)	8.00%	8.00%	7.50%	7.50%	7.50%	7.00%	7.00%	7.00%	7.00%	7.00%
WACC	13.95%	13.16%	13.01%	13.01%	12.22%	12.07%	12.07%	12.07%	12.07%	12.07%

Source:BRD GSG estimates

Indicator (RON,m)	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
EBIT	6,420.17	6,036.09	5,476.22	5,628.57	5,567.69	5,493.13	5,438.13	5,349.70	5,275.37	5,178.02
EBIT*(1-t)	5,360.85	5,040.13	4,572.64	4,699.86	4,649.02	4,586.76	4,540.84	4,467.00	4,404.93	4,323.65
+D&A expenses	2,942.25	3,109.05	3,366.49	3,541.59	3,704.71	3,888.44	4,059.79	4,219.77	4,369.39	4,509.59
change in Working Capital	(765.85)	463.35	(429.53)	393.60	(460.94)	431.34	(470.74)	442.52	(475.61)	451.67
CAPEX	4,965.00	4,965.00	4,615.00	4,515.00	4,515.00	4,515.00	4,515.00	4,515.00	4,515.00	4,515.00
FCFF	2,572.25	3,647.53	2,894.61	4,120.05	3,377.80	4,391.55	3,614.88	4,614.28	3,783.71	4,769.91
WACC	13.95%	13.16%	13.01%	13.01%	12.22%	12.07%	12.07%	12.07%	12.07%	12.07%
Discounted FCFF	2,328.56	2,917.88	2,048.96	2,580.60	1,885.27	2,187.08	1,606.39	1,829.65	1,338.72	1,505.88
Present value of FCFFs ('12 -'21e)	20,228.98									
Present Value of Terminal Value*	5,078.78									
Minorities	(24.59)									
EV	25,307.76									
(-) net debt (Mar'12, 31)	2,240.62									
Shareholder's value:	23,091.73									
Fair value per share	0.4077									
Target price 12M	0.4929									
Closing Price as of 23 May'12	0.3460									
Upside(Downside) potential:	42.5%									

*Terminal value based on exit approach methodology

Source: BRD GSG estimates

Sensitivity Analysis

We have run a sensitivity analysis for the parameters (i.e.: EBITDAn, EV/EBITDAn) used in terminal value calculations.

The sensitivity analysis results are presented in the tables below, showing significant upside of up to 73.4% for Petrom shares without any downside risk:

Target Price	EV/EBITDAn				
	0.6	1.1	2.1	3.1	3.6
EBITDAn-15%	0.41	0.43	0.48	0.52	0.54
EBITDAn-10%	0.41	0.44	0.48	0.53	0.55
EBITDAn	0.42	0.44	0.49	0.54	0.57
EBITDAn+10%	0.42	0.45	0.50	0.53	0.59
EBITDAn+15%	0.42	0.45	0.51	0.54	0.60

Source: BRD GSG estimates

Upside/Downside potential	EV/EBITDAn				
	0.6	1.1	2.1	3.1	3.6
EBITDAn-15%	18.5%	24.3%	38.7%	50.3%	56.1%
EBITDAn-10%	18.5%	27.2%	38.7%	53.2%	59.0%
EBITDAn	21.4%	27.2%	42.5%	56.1%	64.7%
EBITDAn+10%	21.4%	30.1%	44.5%	53.2%	70.5%
EBITDAn+15%	21.4%	30.1%	47.4%	56.1%	73.4%

Source: BRD GSG estimates

Peers comparison

OMV Petrom shares are trading at significant discounts compared to its peers around 51.4%-52.8% in terms of EV/EBITDA for 2012-13e and 76.0%-74.8% in terms of P/E for 2012-13, respectively. The level of discounts is unreasonable high considering the consensus' expectations in terms of EBITDA margin for Petrom (avg. of 33.27% for 2012-13e) compared to its peers (avg. of 9.42% for 2012-13e).

The results of peers' analysis are presented in the table below (closing prices as of 22 May '12):

Compania	Country	Price(EUR)	Mk Cap(EURm)	P/E			EV/EBITDA			EV/EBIT		
				11	12e	13e	11	12e	13e	11	12e	13e
MOL Hungarian Oil and Gas Plc	Hungary	54.59	5,705	7.89	7.08	6.06	4.34	3.79	3.60	9.06	6.97	6.32
Polskie Gornictwo Naftowe i Gazownictwo S.A.	Poland	0.91	5,365	17.80	13.72	6.85	9.02	7.49	4.66	18.28	14.79	6.92
Unipetrol A.S.	Czech Republic	6.74	1,222		87.45	84.60		9.14	12.46		74.09	
Hellenic Petroleum S.A.	Greece	4.89	1,495	10.43	6.64	5.13	9.81	7.09	5.70	17.02	11.93	8.77
OMV AG	Austria	23.05	7,542	6.84	5.42	4.97	3.12	2.47	2.18	5.02	3.71	3.21
Polski Koncern Naftowy ORLEN S.A.	Poland	7.97	3,407	6.98	11.80	10.84	4.56	5.35	4.71	9.66	12.84	10.89
OMV Petrom S.A.	Romania	0.08	4,441	4.93	5.29	4.98	2.38	2.86	2.62	3.90	4.70	4.33
Average				9.99	22.02	19.74	6.17	5.89	5.55	11.81	20.72	7.22
Discount/premium				-50.7%	-76.0%	-74.8%	-61.5%	-51.4%	-52.8%	-67.0%	-77.3%	-40.1%

Source: FactSet

Key drivers and outlook

Exploration & Production (E&P)

We made several changes to our estimates in the E&P segment to reflect higher oil prices for 2012 - 21e and new outlook on oil and gas production levels for 2012 - 21e. Below, we include the summary of adjustments in our assumptions:

Clean E&P EBIT'12e seen at RON 5.69bn vs. RON 5.4bn in 2011 mainly due to higher oil price

- ✓ We revised slightly downwards Group's hydrocarbon production by 0.34% on avg. for 2012-20e, mainly as a result of lower advance seen for production in Kazakstan as it is expected the fields have reached their potential production. We have revised downwards crude oil and NGL production in Romania by 2.45% on avg. 2012-20e, but we expect natural gas production to increase by 2.4% on avg. for 2012-20e compared to our previous report. Our view, conservative we think, is also sustained by the announcement made by OMV Petrom that it started test exploitation of the 4539 Totea well. The current estimation points to a daily production of approx. 430,000 cbm of gas and 58 tons of condensate (approx. 3% of Petrom's daily gas production). The results of the production tests indicated that 4539 Totea well might be the largest onshore gas and condensate well in Romania, according to company's release.

Also, OMV Petrom announced that a new exploration phase of the Neptun block in Romania (deep offshore) was entered, following the Government decision to amend the Neptun concession agreement to extend the time allowed for the exploration of the block by five years. Thus, on 9 Jan'12, OMV Petrom (SNP) said that it started exploration drilling on Domino-1 together with ExxonMobil Exploration and Production Romania Limited (EEPRL), an affiliate of Exxon Mobil Corporation. Domino-1 is the first deepwater exploration well, being

located in the Neptun Block. The technology to be used for exploration drilling is one of the newest in the field, but the discovery results are highly uncertain.

We should wait and see E&P segment news, mainly for the development of local onshore and offshore production.

However, we anticipate Group's hydrocarbon production at 68.27m boe (+0.74% yoy) for 2012e and increasing steadily up to 70.33m boe (vs. 70.65m boe previously) in 2020e.

- ✓ Political instability in Middle East and North Africa together with the re-emergence of Iran geopolitical unrest weighed significantly on Brent oil price between end-Feb'12 and beginning of Apr'12, reaching a maximum of USD 126/bbl. SG analysts (SG Commodities Review Report released in March 2012) latest forecasts for ICE Brent oil are: USD 127/bbl for 2012e (vs. USD 110/bbl previously) and USD 120/bbl in 2013e (vs. USD 115/bbl), respectively. However, the announcement of EU embargo on Iran oil imports starting with 1 Jul'12 will trigger further increases of Brent price. SG analyst forecast Brent oil price to USD 125-150/bbl for 2012 in a note released on January 6, 2012. Also, SG analysts mentioned that oil price at this level becomes a burden to an already weak economic rebound. Thus, we consider that crude oil price should not continue to increase at its recent elevated pace. In the past weeks ICE Brent oil posted negative corrections and lost approx. 14% from its maximum level reached on 13 Mar'12. Moreover, Euro area mild recession seen for 2012e, positive economic growth rate for US led us to believe that there are higher chances of an average oil price below USD 127/bbl for 2012, unless political risk in oil producers countries will resurface.

We have raised the average Brent oil price by 10.6% on avg. for 2012-20e, reaching USD 100/bbl for 2014-20e. This together with a small Brent-Ural differential (USD 1.2/bbl for 2012-20e) triggered an upward revision by 10.7% on avg. 2012-20e for Ural price. As a result, Group's average realized price is seen to fluctuate between USD 92.74/bbl in 2012e (vs. USD 78.34/bbl in our previous report) and USD 85.02/bbl (vs. USD 83.4/bbl) for 2020e.

For 2012, OMV Petrom announced on 5 Oct'11 that a new oil price swaps has been concluded for a volume 30,000 bbl/d, locking in a Brent price of approx. USD 101/bbl. In case our scenario for Brent oil proves to be correct, we anticipate a negative impact of approx. RON 705.1m in 2012e.

- ✓ We have downgraded Group's production cost by 14.4% (in USD terms) on avg. for 2012-20e, as a result of better development of the indicator for 2011 and Q1'12 compared with our estimates. As upside inflation risks in Romania have tempered since our last report and costs in Kazakhstan are not seen to experience an increase in the future, we have adjusted our Group's production cost to USD 14.81/bbl (vs. USD 18.44/bbl in our previous report) for 2012e up to USD 15.87/bbl (vs. USD 18.44/bbl for 2020e).

A major downside risk on E&P performance is royalty regime change likely to happen after 2014e, but nothing has been announced yet.

- ✓ We have made several changes to the estimated USDRON FX rate based on BRD and SG economists' estimates, mainly to reflect EU sovereign debt crisis developments. For 2012, USDRON is seen at 3.32 (vs. 3.04 in our previous report) and 3.07 for 2013e. Starting with 2015, USDRON anticipation is for 3.1 as is very likely the depreciation pressures for EUR against USD to fade.

All these changes resulted in a clean EBIT of RON 5.69bn (61.5% higher than the previous estimation) for 2012e, but we have to mention that CAPEX pursued and exploration activities' success within the next years might have a significant impact on EBIT. We have revised EBIT up by 26.5% on avg. for the estimated period (2012-20e).

The table below presents the main assumptions for the E&P segment:

Key assumptions E&P segment	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Total hydrocarbon production (mn boe) new	68.27	68.65	68.91	69.18	69.46	69.76	70.07	70.20	70.33	70.33
Total hydrocarbon production (mn boe) prev	68.34	68.84	69.12	69.41	69.71	70.03	70.36	70.50	70.65	nav
Crude oil and NGL production (mn bbl) new	33.60	33.97	34.21	34.47	34.73	35.02	35.31	35.44	35.56	35.56
Crude oil and NGL production (mn bbl) prev	34.82	35.32	35.59	35.88	36.18	36.50	36.83	36.97	37.12	nav
Natural gas production (bcm) new	5.50	5.52	5.53	5.54	5.56	5.57	5.59	5.59	5.60	5.60
Natural gas production (bcm) prev	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	nav
Average Brent price (USD/bbl) new	110.00	110.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Average Brent price (USD/bbl) prev	90.00	90.00	90.00	92.50	92.50	92.50	95.00	95.00	95.00	nav
Differential Brent-Ural(USD/bbl) new	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Differential Brent-Ural(USD/bbl) prev	1.25	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	nav
Average Urals price (USD/bbl) new	108.80	108.80	98.80	98.80	98.80	98.80	98.80	98.80	98.80	98.80
Average Urals price (USD/bbl) prev	88.75	88.72	88.72	91.22	91.22	91.22	93.72	93.72	88.75	nav
Average Group realized crude price (USD/bbl) new	92.74	92.91	84.48	84.58	84.69	84.81	84.92	84.97	85.02	85.02
Average Group realized crude price (USD/bbl) prev	78.34	78.46	78.53	80.83	80.92	81.01	83.32	83.36	83.40	nav
Average Group realized crude price (RON/bbl) new	307.90	285.24	259.34	262.20	262.55	262.90	263.26	263.41	263.57	263.57
Average Group realized crude price (RON/bbl) prev	238.14	238.50	238.75	245.73	245.99	246.27	253.30	253.42	253.55	nav
Regulated gas price for domestic producers in RON/1000 cbm new	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00
Regulated gas price for domestic producers in RON/1000 cbm prev	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	nav
OPEX (USD/boe) new	14.81	16.02	16.02	15.87	15.87	15.87	15.87	15.87	15.87	15.87
OPEX (USD/boe) prev	18.44	18.44	18.44	18.44	18.44	18.44	18.44	18.44	18.44	nav
OPEX (RON/boe) new	49.18	49.18	49.18	49.18	49.18	49.18	49.18	49.18	49.18	49.18
OPEX (RON/boe) prev	56.07	56.07	56.07	56.07	56.07	56.07	56.07	56.07	56.07	nav
USD RON new	3.32	3.07	3.07	3.10	3.10	3.10	3.10	3.10	3.10	3.10
USD RON prev	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	nav
Clean EBIT (RON,m) new	5,690.2	5,144.7	4,205.1	4,466.8	4,390.4	4,329.6	4,285.1	4,203.8	4,133.6	4,037.2
Clean EBIT (RON,m) prev	3,522.9	3,350.0	3,122.4	3,933.7	3,773.2	3,616.7	3,914.4	3,727.3	3,540.9	nav

Source: BRD GSG estimates

Gas&Power (G&P)

G&P positive at RON 293.3m (+97% yoy)

EBIT'12e at RON (+97%)

The changes made for this segment refer mainly to the incorporation of Power segment anticipated for Brazi power plant as commercial operations are seen for H2'12. Company's expectations point to a non-material contribution from it this year due to its start-up phase.

The convergence process of domestic gas price to international prices is moving slowly, in spite of EU and IMF pressures for gradual gas price liberalization and EU gas regulations implementation as methods to protect vulnerable consumers should be also performed. Romanian authorities should have drafted a schedule for gas prices deregulation by the end of April'12. However, Government change at the end of April'12 pose another stop to an already delayed process, especially that authorities intended to prepare a draft package of tax, royalty,

and deregulatory measures for oil and gas sector, according to IMF Fourth Review of Stand-By Arrangement issued on March'12.

On the other hand, the Government imposed the obligation of using two different gas baskets for industrial and households' consumers to slightly improve market conditions starting with 1 Jul'11. The gas price for households is unchanged by the end-March'12, whilst for the industrial consumers have been implemented three consecutive increases, such as: 10% in Jul'11, 8% in Oct'11 and 5% in Jan'12, respectively. The Romanian regulatory authority decision in early 2011 to extend the applicability of the gas basket to internal non-technological consumption is going to hamper G&P performance in the coming future. OMV Petrom made all the necessary steps against these current regulations as they break the local natural gas law and EU regulations.

We estimated a positive EBIT'12e at RON 293.3m (+97% yoy) (vs. RON 126.9m previously) as Q1'12 EBIT stands at RON 136m (vs. RON 33m in Q1'11) and marginal revenues from Brazi plant. As regards regulations changes, we don't expect any major adjustment for 2012 and 2013, respectively. We believe is likely to see a change in royalty before any gas price adjustments decisions for 2015 onwards.

Key assumptions G&P segment	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Regulated gas price for domestic producers in RON/1000cbm new	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00
Regulated gas price for domestic producers in RON/1000cbm prev	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	nav
Consolidated gas sales (bcm) new	5.31	5.33	5.36	5.39	5.41	5.44	5.47	5.50	5.52	5.55
Consolidated gas sales (bcm) prev	5.42	5.45	5.48	5.50	5.53	5.56	5.59	5.61	5.64	nav
EBIT (RON,m) new	293.3	589.3	561.7	565.9	572.0	546.2	521.0	496.4	472.1	448.2
EBIT (RON,m) prev	126.9	44.2	(7.1)	135.8	106.0	76.1	46.4	16.7	(12.9)	nav

Source: BRD GSG estimates

Refining & Marketing (R&M)

Clean R&M EBIT'12e at RON 507.1m compared to RON 916.4m previously, mainly as a result of still depressed oil products demand

In Refining, we have adjusted the refining input downwards by 12.2% on avg. for 2012-20e mainly due to constantly fine-tuning of Petrobrazi activity aiming to reach a capacity of 4.2m tonnes per year. In May'12, the company plans to start the six-week planned shutdown in order to upgrade the crude vacuum distillation unit to reduce the refining capacity at 4.2m t which should result in improved refinery utilization and product yields.

In Marketing the main challenge will remain fuels' demand given the expectations of lower disposable income of individuals and 1.9% yoy estimated economic growth rate for 2012e. We have revised downwards our marketing sales by 8.44% on avg. for 2012-20e, as marketing sales in 2011 came lower by 2% yoy and declined by 7% yoy in Q1'12 due to adverse weather conditions. Still, for 2012e we expect marketing sales of 4.07m t flat yoy (vs. 4.38mn t, previously), mainly as a result of a small revival of commercial sales, although we don't expect commercial sector to perform significantly better in 2012 compared with 2011.

OMV Petrom is focusing on increasing network efficiency and throughput per filling station from 4.9m liters in 2009 to 5.2m liters in 2015e in Romania. Still, in our model, we have included lower level of throughput per filling station, an average of 4.72m liters for 2012-2020e. For 2012-2014e, we have declined the throughput per station by 3.1% on avg. from our previous report, whilst for the remaining years we have made no change.

Consequently, we estimated EBIT'12e at RON 507.1m (vs. RON 916.4m, previously) and EBIT'13e at RON 372.1m (vs. RON 939.8m, previously) as we incorporate also lower price for oil products compared with our previous report. In our valuation model, we did not consider positive/negative inventory effects in P&L lines, because they are not recurrent and we might have false upsides/downsides on EBIT.

The table below presents the main assumptions for R&M segment:

Key assumptions R&M segment	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Refining input new (m t) new	3.83	3.70	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64
Refining input (m t) prev	4.15	4.11	4.19	4.19	4.19	4.19	4.19	4.19	4.19	nav
Refining output (m t) new	3.68	3.55	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Refining output (m t) prev	3.82	3.78	3.86	3.86	3.86	3.86	3.86	3.86	3.86	nav
Total refined product sales (m t) new	5.26	5.08	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
thereof Marketing sales volumes (m t) new	4.07	4.13	4.15	4.25	4.22	4.18	4.15	4.12	4.09	4.06
Total refined product sales (m t) prev	5.53	5.47	5.58	5.58	5.58	5.58	5.58	5.58	5.58	nav
thereof Marketing sales volumes (m t) prev	4.38	4.43	4.48	4.58	4.58	4.58	4.58	4.58	4.58	nav
EBIT (RON,m) new	507.1	372.1	778.9	664.8	673.6	684.9	698.7	715.2	734.2	755.9
EBIT (RONm) prev	916.4	939.8	832.4	735.2	726.9	719.4	515.7	510.0	505.2	916.4

Source: BRD GSG estimates

Corporate&Other

Small investments in this segment following the Petrom City inauguration along with the specific costs might point to the below presented estimations:

Key assumptions Corporate segment	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
EBIT (RON,m) new	(70.4)	(70.0)	(69.5)	(69.0)	(68.3)	(67.5)	(66.6)	(65.7)	(64.6)	(63.3)
EBIT (RON,m) prev	(156.9)	(181.4)	(207.1)	(234.2)	(262.8)	(292.8)	(324.3)	(357.5)	(392.4)	(392.4)

Source: BRD GSG estimates

All segments for one bottom line

Net income seen at RON 5.23bn in 2012e (vs. RON 3.76bn in 2011)

We have upgraded our sales estimation by 6.71% on avg. for 2012-20e, mainly as a result of higher sales expected for 2012-13e thanks to higher oil price anticipated for these years compared to 2014-20e period. Higher sales together with good costs management made us to revise upwards EBIT by 37.95% on avg. for 2012-20e.

For 2012e, we expect sales of RON 24.64bn (+8.9% yoy) and clean EBIT of RON 6.42bn (+30.1% yoy). We anticipate a financial loss worth RON 160.8m (vs. financial loss of RON 315.43m, previously) in 2012e as we think the reimbursements to continue this year too leading to low interest expenses. As regards FX rates impact on company's overall performance this year is rather challenging, considering volatility expected for EURUSD and EURRON, due to Euro zone uncertainties and still poor economic growth rate. Thus, for the moment we have included in our estimation FX loss of RON 79.74m which together with net interest expenses of RON 84.19m result in a total financial loss of RON 160.8m.

Indicator (RON,m)	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Sales new	24,644.1	24,247.0	24,218.5	24,829.9	25,066.0	25,309.9	25,561.9	25,767.8	25,978.4	26,156.1
Sales prev	22,221.4	22,538.5	23,106.4	23,421.7	23,620.5	23,826.0	24,091.5	24,253.6	24,419.0	nav
EBIT new	6,420.2	6,036.1	5,476.2	5,628.6	5,567.7	5,493.1	5,438.1	5,349.7	5,275.4	5,178.0
EBIT prev	4,409.4	4,152.6	3,740.6	4,570.5	4,343.3	4,119.5	4,152.1	3,896.5	4,409.4	nav
Financial result new	-160.8	-202.0	-196.4	-249.9	-282.9	-329.6	-396.0	-428.2	-91.6	-91.6
Financial result prev	-315.4	-262.0	-201.0	-97.1	-42.8	-25.6	-15.2	-10.8	-8.8	nav
Gross income new	6,259.4	5,834.1	5,279.8	5,378.7	5,284.8	5,163.5	5,042.1	4,921.5	5,183.7	5,086.4
Gross income prev	4,094.0	3,890.6	3,539.6	4,473.4	4,300.5	4,093.9	4,136.9	3,885.7	3,632.0	nav
Reported net income new	5,226.6	4,871.5	4,408.6	4,491.2	4,412.8	4,311.5	4,210.1	4,109.5	4,328.4	4,247.1
Reported net income prev	3,440.8	3,269.8	2,974.9	3,759.7	3,614.3	3,440.7	3,476.9	3,265.7	3,052.6	nav

Source: BRD GSG estimates

Thus, gross income should reach RON 6.26bn in 2012e, 52.9% higher than in our previous report and 35.8% higher than a year-ago period, whilst net income after minorities is seen at RON 5.23bn (revised up by 51.9% from our previous report) vs. RON 3.76bn in 2011.

CAPEX plan and financial resources from 2012e onwards

CAPEX seen at RON 4.96bn in 2012e, up by 8.9% from our last report

We have revised CAPEX upwards by 14.4% on avg. for 2012-20e from our last report, mainly as a result of higher investments estimation in E&P (+36.67% on avg. for 2012-20e from our previous report) and lower in G&P (-77.8% on avg. for 2012-20e from our previous report) following the strategy announced by OMV officials during Capital Markets Day as of Sep'11, 21-22. We remind you that OMV Petrom investment plans amount to approx. EUR 1.2-1.5 bn per year by 2015e, with main destination E&P segment.

We have downgraded our R&M CAPEX by 11.1% on avg. for 2012-20e, from our last report, trying to respect the CAPEX target announced by OMV Petrom.

We reiterate the view according which E&P will continue to attract the largest CAPEX for the coming years, 88.76% (vs. 61.7% in our previous scenario) on avg. for 2012-20e. Moreover, for G&P should be allocated 2.85% (vs. 14.4% in our previous report) of CAPEX on avg. for 2012-20e, whilst R&M will be distributed 8.1% (vs. 11.1% previously) of CAPEX on avg. for 2012-20e.

E&P CAPEX will continue to be concentrated on drilling of development and production wells, surface facilities replacement, well workovers and optimization of water injection facilities. Additionally, the company will make significant investments for further steps in integrated field redevelopment projects of selected key fields with engineering and implementation of the most advanced projects, including the optimization of gas production systems. The work program in Neptun deep water offshore block entered a new exploration phase, including the drilling of the first deep water exploration well in the Black Sea waters by the end of 2011 or beginning of 2012. Further development of Komsomolskoe field might require additional investments, but is very likely to have no significant impact on the overall E&P CAPEX.

R&M investments target remains the same, namely Petrobrazi refinery modernization in order to adjust its processing capacity to 4.2m tones per year from 4.5m tones per year for domestic crude, and the modernization of its crude and vacuum distillation unit planned to begin operations by mid 2012. The restructuring of the Arpechim aims at adapting it for the utilization as a terminal for selected assets (mainly logistic facilities) within the R&M downstream operations. As regards the refinery related assets, the company makes the

necessary steps for the permanent closure along with starting the discussions with the Ministry of Economy, Commerce and Business Environment to take over those assets.

As Brazi terminal has been finalized in Nov'10 (investments amounted to EUR 29m with a capacity of 8,120 cbm) securing the supply for Central and Eastern part of Romania, OMV Petrom will continue the third part of its Terminal Modernization Program by the construction of Isalnita storage facility (aprox. 11,000 cbm per year).

Brazi power plant (installed capacity of 840MW) is expected to start-up its commercial operations sometime in H1'12, whilst Dorobantu wind power plant has started its operations on 1 October'11.

The detailed changes to CAPEX for 2012-21e are presented below:

Indicator (RON,m)	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
CAPEX E&P new	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	3,500
CAPEX E&P prev	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	nav
<i>change</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>36.67%</i>	<i>na</i>
CAPEX G&P new	200	200	200	100	100	100	100	100	100	100
CAPEX R&M prev	750	750	750	500	500	500	500	500	500	nav
<i>change</i>	<i>-73.33%</i>	<i>-73.33%</i>	<i>-73.33%</i>	<i>-80.00%</i>	<i>-80.00%</i>	<i>-80.00%</i>	<i>-80.00%</i>	<i>-80.00%</i>	<i>-80.00%</i>	<i>na</i>
CAPEX R&M new	650	650	300	300	300	300	300	300	300	300
CAPEX G&P&Chemicals prev	800	800	800	300	300	300	300	300	300	nav
<i>change</i>	<i>-18.75%</i>	<i>-18.75%</i>	<i>-62.50%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>na</i>
CAPEX Corporate new	15	15	15	15	15	15	15	15	15	15
CAPEX Corporate prev	10	10	10	10	10	10	10	10	10	nav
<i>change</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>50.00%</i>	<i>na</i>
TOTAL CAPEX new	4,965	4,965	4,615	4,515	4,515	4,515	4,515	4,515	4,515	4,515
TOTAL CAPEX prev	4,560	4,560	4,560	3,810	3,810	3,810	3,810	3,810	3,810	nav
<i>change</i>	<i>8.88%</i>	<i>8.88%</i>	<i>1.21%</i>	<i>18.50%</i>	<i>18.50%</i>	<i>18.50%</i>	<i>18.50%</i>	<i>18.50%</i>	<i>18.50%</i>	<i>na</i>

Source: BRD GSG estimates

We continue to keep our view of no threat for OMV Petrom to find resources to finance its CAPEX, keeping the medium-long term financial stability of the company. First reason to support our view is company's gearing ratio downward evolution up to 5.89% as of end-Mar'12 from 9.28% as of end-Dec'11 (vs. 12.45% as of end-Dec'10). Company's total interest bearing debts increased to RON 2.695bn as of end-Mar'12 from RON 2.64bn as of end-Dec'11, mainly as a result of EUR appreciation against RON during the period, as net debt declined by RON 651m to RON 1.3bn during Q1'12.

**Significant
operating cash flow
will cover CAPEX**

Secondly, on 23 Nov'11 the company announced that it contracted a multi-currency revolving credit facility worth EUR 930m (higher than initially planned worth EUR 750m) with a maturity of three years and the possibility to be prolonged by two more consecutive years. This loan replaces the unutilized credit facility worth EUR 875m contracted in 2008 and 2009 with maturity in 2012. OMV Petrom (SNP) stated that the unused committed lending facility amount to approx. EUR 1bn as of 23 Nov'11, whilst company's gearing ratio never exceeded 16% during the post-privatization period.

Thirdly, significant operating cash flow will cover the planned CAPEX worth below EUR 1bn per year, whilst we estimate an avg. operating cash flow of RON 8.5bn for 2012-21e.

Dividends

On April 27, 2012, OMV Petrom shareholders approved the distribution of a gross DPS worth RON 0.031 (vs. gross DPS of RON 0.0177 per share last year), representing a payout ratio of 46.76%, higher than our estimation of 40% for 2011 net profit. Consequently, we have

increased our anticipations for the payout ratio up to 47% for 2012e, and we kept unchanged at 50% for 2013-14e and 60% starting with 2015e-onwards respectively, if our cash-flow scenario proves to be correct.

IFRS Q1'12 results

Overview

Q1'12 EBIT and net profit came above market and our expectations, mainly thanks to favorable oil and oil products price, efficient cost management and higher gas sales

OMV Petrom released very good Q1'12 IFRS results on 9 May'12 as follows: **net sales** worth **RON 6.01bn** (+20.6% yoy), in line in line with our estimation of RON 5.98bn and market consensus of RON 5.94bn (Reuters' consensus avg); **Group's EBIT** amounted to **RON 1.79bn** (+50.5% yoy), by 25.1% higher than our estimation of RON 1.43bn and Reuters' consensus avg. RON 1.43bn; **net income** for the period of **RON 1.38bn**, came 25% above our estimation of RON 1.108bn and 28% above market expectation of RON 1.080bn (Reuters's consensus avg.). Petrom's cash flow from operating activities increased by 16.65% qoq to RON 1.96bn in Q1'12, mainly as a result of 53.1% qoq rise of profit before taxation up to RON 1.66bn recorded in Q1'12. Q1'12 results were supported, mainly, by: higher oil price (average Group realized crude price up 9% yoy in USD terms to USD 98.33/bbl); stronger USD against RON with positive impact on E&P revenues and costs (+7% yoy, average terms); 5% yoy higher consolidated gas sales up to 1.62 bn cbm; production cost decline by 8% yoy to USD 15.37/bbl thanks to good costs management; improved cost and operational performance in R&M. On negatives for Q1'12, we may mention: marketing sales lower by 7% yoy due to weak demand of retail sector (Group's retail sales went down by 6% yoy) and commercial sector decline (-10% yoy); lower daily hydrocarbon production at 184,000 boe/d (-2% yoy) due to harsh weather conditions in the first two months of the year; negative contribution of hedging instruments worth RON 159m in EBIT line. Q1'12 group's EBIT came at RON 1.79bn (+51% yoy), whilst clean CCS EBIT reached RON 1.65bn (+38% yoy) (inventory gains of RON 147m). However, Q1'12 net result after minorities came at RON 1.38bn (+64.7% yoy) with a marginal impact of net financial loss of RON 138.31m. Please see below, main items of company's P&L:

Q1'12 IFRS P&L

Indicator (RON,m)	Q4'11	Q1'12	Q1'11	yoy	2011	2010	yoy
Sales	6,390.00	6,004.99	4,978.09	20.6%	22,613.65	18,615.69	21.5%
Operating expenses	(1,186.81)	(4,248.61)	(3,900.53)	nm	(18,110.40)	(16,144.03)	12.2%
Group EBIT	1,181.69	1,793.54	1,191.64	50.5%	4,935.76	2,985.51	65.3%
thereof: EBIT E&P ¹	1,460.84	1,704.18	1,260.61	35.2%	5,236.32	3,012.12	73.8%
EBIT R&M	112.60	136.27	33.30	nm	148.84	163.85	-9.2%
EBIT G&P	(376.13)	86.43	(52.76)	nm	(187.37)	106.30	nm
EBIT Corporate&other	(30.86)	(12.11)	(21.14)	nm	(78.98)	(135.48)	nm
EBIT Consolidation	15.23	(121.23)	(28.37)	nm	(183.06)	(161.28)	nm
Clean CCS EBIT²	1,710.00	1,646.00	1,193.00	38.0%	5,475.00	3,325.00	64.66%
Income from associated companies	(1.71)	2.24	1.19	nm	3.12	6.72	nm
Net interest expense	(158.52)	(69.72)	(64.03)	nm	(332.88)	(537.00)	nm
Other financial income and expenses	59.53	(70.83)	(117.70)	nm	2.59	150.09	nm
Net financial result	(100.70)	(138.31)	(180.54)	nm	(327.17)	(380.19)	nm
Gross profit	1,080.99	1,655.23	1,011.10	nm	4,608.59	2,605.32	76.9%
Taxes on income	(243.08)	(270.07)	(170.13)	nm	(849.97)	(415.67)	nm
Net income	837.91	1,384.53	840.97	64.6%	3,758.62	2,189.65	71.7%
thereof attributable to non-controlling interests	(0.05)	0.69	0.78	nm	1.87	(11.57)	nm
Net income after minorities	837.96	1,383.84	840.19	64.7%	3,756.75	2,201.22	70.7%

¹Excluding intersegmental profit elimination shown in the line "Consolidation"

²Adjusted for exceptional, non-recurring items, clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from the fuels refineries

Source: OMV Petrom Q1'12 IFRS financial statements

Significant CAPEX in Q1'12 at RON 1.15bn (+81.4% yoy)

Stronger cash generation and lower gearing ratio in Q1'12 compared with Q1'11

As regards Q1'12 balance sheet items, OMV Petrom recorded an increase of 2.3% ytd (+11.9% yoy) in its long term assets to RON 31.74bn, following net increase in investments of RON 585m consisting of property, plant and equipment and intangible assets. Also, cash&cash equivalents increased by RON 709m to RON 1.46bn(+94% ytd) in Q1'12.

Total debt position amounted to RON 2.69bn as of end-Mar'12 (+2.2% ytd) mainly as a result of RON depreciation against EUR in terms of eop closings. The good cash position and major net profit led to a declining gearing ratio to 5.89% as of end-Mar'12 from 9.28% for the end-2011, so we reiterate our belief that the company net debt/equity target of 30% will not be put in danger within next years.

Significant increase in company's operating cash flow to RON 1.96bn (+55% yoy) in Q1'12 is to a large extent justified by a significant profit before taxation of RON 1.655bn (+63.7 yoy), and lower cash outflow from net working capital compared with a year-ago period.

Q1'12 IFRS Balance Sheet

Indicator (RON,m)	Q1'12	2011	ytd	2010	yoy
Total non-current assets	31,735.17	31,021.51	2.3%	28,459.47	11.9%
Total current assets	6,349.06	5,466.93	16.1%	6,305.79	-13.3%
<i>out of which</i>					
<i>Inventories</i>	2,368.03	2,349.04	0.8%	2,500.12	-6.0%
<i>Receivables</i>	2,011.32	1,825.72	10.2%	1,397.98	30.6%
<i>ST investments</i>	76.39	76.44	-0.1%	77.29	-1.1%
<i>Cash and bank accounts</i>	1,462.34	753.84	94.0%	1,588.60	-52.5%
Liabilities within one year	6,541.73	6,124.75	6.8%	5,578.30	9.8%
<i>out of which debt</i>	516.84	463.95	11.4%	391.05	18.6%
Liabilities in more than one year	9,395.03	9,287.08	1.2%	10,727.92	15.3%
<i>out of which debt</i>	2,177.92	2,173.30	0.2%	3,453.35	-13.4%
<i>Provisions for decommissioning and restoration obligations</i>	5,992.57	5,897.65	1.6%	5,917.85	-37.1%
Shareholders' Equity	22,147.47	21,076.61	5.1%	18,459.04	-0.3%
<i>Minority interests</i>	(24.59)	(25.79)	nm	(26.54)	nm

Source: OMV Petrom Q1'12 IFRS financial statements

Segment by segment

Q1'12 EBIT of E&P hike 35% yoy to RON 1.70bn, on higher oil price

Q1'12 EBIT of E&P segment came at RON 1.704bn (vs. RON 1.26bn in Q1'11) (27.3% higher than our estimation of RON 1.34bn) thanks to: higher oil price (avg. Group realized crude price up 9% yoy, in USD terms, to USD 98.33 per bbl), 8% yoy lower production cost as OPEX was USD 15.37/bbl, as a result of stronger USD compared to RON; lower exploration costs as no exploration write-offs were recorded in Q1'12. These positive factors were partially offset by slightly lower hydrocarbon production (16.71mn boe in Q1'12 vs. 16.78mn boe in Q1'11) due to adverse weather conditions in Romania, negative hedging result whose impact on EBIT came at RON 159m (vs. our estimation of RON 157.75m) and higher exploration expenditures worth RON 267m vs. RON 114m in Q1'11 mainly as a result of first deep offshore well (Domino1) drilled in Black Sea in joint venture with ExxonMobil.

Q1'12 domestic crude oil production was lower by 1.6% yoy due to adverse winter conditions in Jan'12 and Feb'12, whilst domestic gas production was almost flat at 8.38mn boe, driven by production from new wells, the workover program and additional production from the exploration well 4539 Totea. Oil and gas production in Kazakhstan increased by 7.3% yoy, to 1.11mn boe in Q1'12, as a result of higher gas production in the Tasbulat and Turkmenoi fields and higher oil production in Komsomolskoe.

Q1'12 E&P total sales went up 18% yoy to RON 3.39bn.

Key indicators E&P segment	Q4'11	Q1'12	Q1'11	yoy	2011	2010	yoy
Total hydrocarbon production (m boe)	17.08	16.71	16.78	-0.4%	67.77	67.08	1.0%
Crude and NGL production (m bbl)	8.26	8.17	8.27	-1.2%	33.08	33.34	-0.8%
Natural gas production (bcm)	1.35	1.31	1.30	0.8%	5.32	5.16	3.1%
Average Urals price (USD/bbl)	109.12	117.49	102.67	14.4%	109.60	78.29	40.0%
Average Group realized crude price (USD/bbl) ²	93.02	98.33	90.14	9.1%	93.30	68.72	35.8%
Average regulated gas price for domestic producers in USD/1000 cbm	153.81	149.05	160.29	-7.0%	162.29	155.44	4.4%
Exploration expenditure (RONm)	145.00	267.00	114.00	134.2%	436.00	341.00	27.9%
Exploration expenses (RONm)	205.00	45.00	61.00	-26.2%	383.00	124.00	208.9%
OPEX(USD/boe) ³	15.52	15.37	16.66	-7.7%	16.22	16.74	-3.1%
OPEX(ROn/boe)	49.91	51.01	50.82	0.4%	49.44	53.23	-7.1%
RON USD (avg rate)	3.216	3.319	3.091	7.4%	3.048	3.180	-4.2%
Segment sales (RONm)	2,979	3,390	2,880	17.7%	11,743	9,534	23.2%
EBIT ¹ (RONm)	1,461	1,704	1,261	35.1%	5,236	3,012	73.8%
Special items (RONm)	(87)	-	-	nm	(195)	(532)	nm
Clean EBIT (RONm)	1,547	1,704	1,261	35.1%	5,432	3,544	53.3%

¹Excluding intersegmental profit elimination

²Realized price includes hedging result

Source: OMV Petrom Q1'12 IFRS financial statements, BRD-GSG

Q1'12 sales continue to increase, thanks to higher gas sales volumes (+5% yoy)

Gas&Power (G&P) segment. Q1'12 EBIT G&P came at RON 136m (vs. RON 33m in Q1'11), above our estimation of RON 41.95m, as consolidated gas sales volumes increased by 5% yoy up to 1.616bn cbm. Another positive influence came from better domestic gas sales contracts, and improved margins on gas extracted from storage because the gas was stored ahead of cold season at lower import gas price. However, company's quarterly gas sales volumes (+6% qoq) was below market's evolution (local total gas consumption went up 15% qoq) as group's customer profile is large customers supplying mostly domestic gas from Petrom, according to company's release.

Still, the unchanged domestic gas price at USD 149/1,000cbm vs. imported gas price of USD 505/1,000cbm in Q1'12 hampers segments' performance, despite higher imported quota settled by ANRE (average for non-household sector stood at 53% in Q1'12 vs. 38% in Q1'11).

Dorobantu wind park net electrical output reached 0.03TWh (+48% qoq), for which the company received 61,763 (+87% qoq) green certificates. Still it is anticipated Brazi power plant to start full commercial operation in H2'12.

Q1'12 G&P sales to external customers went up by 37% yoy to RON 1.27bn, mainly as a result of higher consolidated gas sales volumes.

Key indicators G&P segment	Q4'11	Q1'12	Q1'11	yoy	2011	2010	yoy
Consolidated gas sales (bcm)	1.11	0.88	0.77	14.8%	3.54	3.26	8.7%
Average gas price for domestic producers in Romania (RON/1,000 cbm)	172.00	164.00	150.00	9.3%	166.00	155.00	7.1%
Imported gas price in USD/1,000 cbm*	495.00	495.00	495.00	0.0%	495.00	495.00	0.0%
RON USD FX rate avg	415.00	477.00	371.00	28.6%	423.00	355.00	19.2%
Segment sales (RONm)	1,184	1,398	1,041	34.3%	3,627	3,065	18.3%
EBIT (RONm)	113	136	33	nm	149	164	-9.1%
Special items (RONm)	(1.00)	-	-	nm	(1.00)	(8.00)	nm
Clean EBIT (RONm)	114	136	33	nm	150	172	-12.8%

Source: OMV Petrom Q1'12 IFRS financial statements

Q1'12 R&M sales went up by 17% yoy (RON 4.48bn), thanks to higher prices

Refining&Marketing (R&M) segment. Q1'12 EBIT of R&M worth RON 86m, mainly as a result of inventory holding gains of RON 147m thanks to higher crude oil and oil products prices. However, clean R&M CCS EBIT was negative at RON 61m (vs. BRD-GSGe: positive of RON 50.5m) as refining margins deteriorated and marketing volumes declined by 7% yoy to 0.8m tones due to harsh weather conditions

The decline of Group marketing sales was driven by decrease in retail sales (-6% yoy) due to extreme bad weather in the first two months of 2012, whilst commercial sales recorded a sharper decline by 10% yoy, mainly in LPG, jet and light fuel oil sales. However, segment sales to external customers increased by 17% yoy to RON 4.48bn, mainly thanks to higher prices in Q1'12.

Key indicators R&M segment	Q4'11	Q1'12	Q1'11	yoy	2011	2010	yoy
Indicator refining margin (USD/bbl)	(4.62)	(3.58)	(0.88)	nm	(2.40)	0.33	nm
Refining input (m t)*	1.00	0.93	0.96	-3.1%	3.79	4.15	-8.7%
Refining output (m t)**	0.91	0.82	0.91	-9.9%	3.58	3.78	-5.3%
Total refined product sales (m t)***	1.37	1.14	1.16	-1.7%	5.23	5.47	-4.4%
thereof Marketing sales volumes (m t)****	1.10	0.80	0.86	-7.0%	4.07	4.16	-2.2%
Segment sales (RONm)	5,254	4,532	3,889	16.5%	18,957	15,176	24.9%
EBIT (RONm)	(376)	86	(53)	nm	(187)	106	nm
Special items (RONm)	(550)	-	(106)	nm	(651)	(1)	nm
Clean EBIT(RONm)	61	(61)	(52)	nm	152	(104)	nm

* Figure includes crude and semi-finished products, in line with OMV Group reporting standard

** Represents Refining sales volumes excluding traded goods sourced externally by Refining

*** Includes all products sold by Petrom Group. The figure also includes marginal petrochemical sales volumes for previous periods. It also includes volumes sold to OMV Western refineries

****As of Q1/10, Marketing sales figure excludes export sales which are included in total refined product sales.

Source: OMV Petrom Q1'12 IFRS financial statements, BRD-GSG

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**BRD-GSG rating system
(May 2012)**
Premium List

Selected from stocks expected to outperform the market by over 25%.

Buy

Expected to outperform the market by at least 10%.

Hold

Expected to perform in line with the market +/-10%.

Sell

Expected to underperform the market by at least 10%.

Assumptions

12 month time horizon and flat market over forecast period.

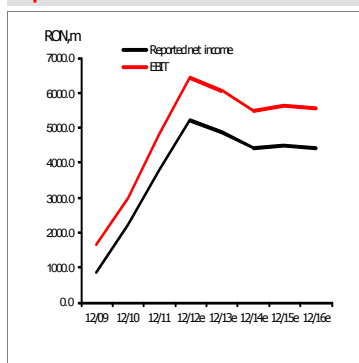
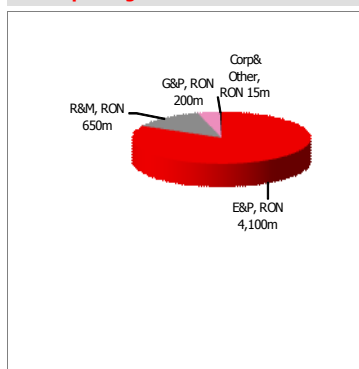
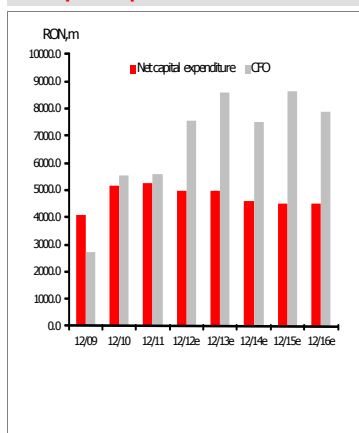
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Reported net income and EBIT

CAPEX per segment in 2012e

Net capital expenditure and CFO

Major shareholders (%) as of 31 Dec'11

OMV	51.01
Ministry of Economy	20.64
Property Fund	20.11
Private investors	6.21
EBRD	2.03

Oil&Gas
PETROM
Valuation*

	12/09	12/10	12/11	12/12e	12/13e	12/14e	12/15e	12/16e
Average no of shares (bn,diluted)	56.64	56.64	56.64	56.64	56.64	56.64	56.64	56.64
Share price (average)	0.22	0.32	0.36	0.35	0.35	0.35	0.35	0.35
EV	15268.3	20624.5	22381.7	20777.6	20381.7	20561.0	21320.1	23017.0
P/E (x)	14.96	8.20	5.38	3.75	4.02	4.45	4.36	4.44
Adjusted P/E (x)	14.96	7.30	4.80	3.75	4.02	4.45	4.36	4.44
EV/EBIT (x)	9.42	6.91	4.53	3.24	3.38	3.75	3.79	4.13
EV/EBITDA (x)	4.36	4.03	3.15	2.22	2.23	2.33	2.32	2.48
Price/book value (x)	0.77	0.97	0.96	0.82	0.69	0.71	0.72	0.72
Price/CFO (x)	4.57	3.88	3.14	2.62	2.30	2.63	2.29	2.50
Dividend yield (%)	na	5%	7%	8%	11%	10%	11%	12%

Per share data (RON)

EPS BRD** (adj.)	0.015	0.043	0.074	0.092	0.086	0.078	0.079	0.078
CFO	0.048	0.082	0.114	0.133	0.152	0.133	0.152	0.152
Book value	0.286	0.326	0.372	0.422	0.502	0.489	0.484	0.484
Gross Div	0.000	0.018	0.031	0.031	0.046	0.043	0.047	0.048

Income statement (IFRS, RON,m)

Sales	16089.7	18615.7	22613.7	24644.1	24247.0	24218.5	24829.9	25066.0
EBITDA	3498.2	5116.2	7102.5	9362.4	9145.1	8842.7	9170.2	9272.4
Depreciation, depletion and amort.	-1877.7	-2130.2	-2327.8	-2942.3	-3109.1	-3366.5	-3541.6	-3704.7
EBIT	1620.5	2986.0	4935.76	6420.2	6036.1	5476.2	5628.6	5567.7
E&P EBIT	2467.7	3012.0	5236.3	5690.2	5144.7	4205.1	4466.8	4390.4
G&P EBIT	71.4	163.9	148.8	293.3	589.3	561.7	565.9	572.0
R&M EBIT	-618.3	106.3	-187.4	507.1	372.1	778.9	664.8	673.6
EBIT Corporate&Other	-139.7	-135.5	-79.0	-70.4	-70.0	-69.5	-69.0	-68.3
Financial result	-451.1	-380.2	-327.2	-160.8	-202.0	-196.4	-249.9	-282.9
EBT	1169.4	2605.3	4608.6	6259.4	5834.1	5279.8	5378.7	5284.8
Corporate tax	-336.1	-415.7	-850.0	-1032.8	-962.6	-871.2	-887.5	-872.0
Net income	833.3	2189.7	3758.6	5226.6	4871.5	4408.6	4491.2	4412.8

Cash flow statement (IFRS, RON,m)

Net income	833.3	2189.7	3758.6	5226.6	4871.5	4408.6	4491.2	4412.8
Depreciation, depletion and amort.	1877.7	2130.2	2327.8	2942.3	3109.1	3366.5	3541.6	3704.7
Change in working capital	-583.9	890.3	-747.4	-765.8	463.3	-429.5	393.6	-460.9
Cash flow from operating activities	2726.2	5530.1	5593.3	7537.3	8612.5	7509.6	8635.0	7892.8
Net capital expenditure	4071.2	5144.8	5240.9	4965.0	4965.0	4615.0	4515.0	4515.0
Cash flow from investing activities	-4071.2	-4263.9	-5092.5	-4965.0	-4965.0	-4615.0	-4515.0	-4515.0
Cash flow from financing activities	1149.1	655.5	-2192.6	-2331.6	-4230.6	-2847.8	-3528.1	-4285.5
Net change in cash resulting from CF	-196.0	1921.7	-1691.7	240.7	-583.0	46.8	592.0	-907.7

Balance sheet (IFRS, RON,m)

Total long-term assets	27684.7	31021.5	32196.1	34052.1	35300.6	36274.0	37084.3	37710.8
o/w tangible assets	21430.6	23777.2	26334.3	27865.7	29620.1	30800.3	31720.5	32486.5
Working capital	254.5	443.7	857.2	1796.5	1515.3	1636.0	1566.4	1754.2
Total debt	2997.5	3465.5	2173.3	2173.3	1194.3	1420.5	2771.5	3560.7
Shareholders' equity	16190.8	18459.0	21076.6	23885.5	28409.6	27715.4	27390.0	27280.3
Provisions	1714.6	1581.4	2171.5	2171.5	2171.5	2171.5	2171.5	2171.5
Net debt (+)/cash (-)	2807	2680	2173	1179	783	962	1721	3418

Accounting ratios

ROIC	7.1%	11.4%	17.1%	20.6%	17.0%	15.7%	15.6%	15.1%
ROE	5.1%	11.9%	17.8%	21.9%	17.1%	15.9%	16.4%	16.2%
Sales growth (%)	-20.1%	15.7%	21.5%	9.0%	-1.6%	-0.1%	2.5%	1.0%
EBITDA margin	21.7%	27.5%	31.4%	38.0%	37.7%	36.5%	36.9%	37.0%
EBIT margin	10.1%	16.0%	21.1%	26.1%	24.9%	22.6%	22.7%	22.2%
Net income margin	5.2%	11.8%	16.6%	21.2%	20.1%	18.2%	18.1%	17.6%
Net debt/equity	17.3%	14.5%	10.3%	4.9%	2.8%	3.5%	6.3%	12.5%
Interest cover (x)	8.31	17.07	12.69	76.26	92.34	52.25	35.56	29.10
Payout ratio (%)	0%	46%	47%	47%	50%	50%	60%	60%

*Valuation ratios for past years are based on average price;** adj.for exceptional items (e.g.: provisions expenses)