# OMV Q3/18 Results Conference Call

October 31, 2018


The energy for a better life. OMV

## Rainer Seele

Chairman of the Executive Board and CEO

The spoken word applies

## Disclaimer

This report contains forward-looking statements. Forward-looking statements may be identified by the use of terms such as “outlook,” “expect,” “anticipate,” “target,” “estimate,” “goal,” “plan,” “intend,” “may,” “objective,” “will” and similar terms or by their context. These forward-looking statements are based on beliefs and assumptions currently held by and information currently available to OMV. By their nature, forward-looking statements are subject to risks and uncertainties, both known and unknown, because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of OMV. Consequently, the actual results may differ materially from those expressed or implied by the forward-looking statements. Therefore, recipients of this report are cautioned not to place undue reliance on these forward-looking statements.
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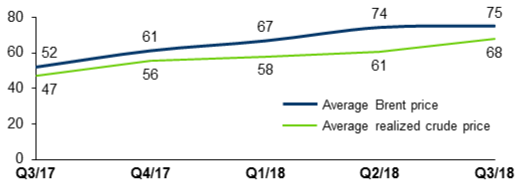
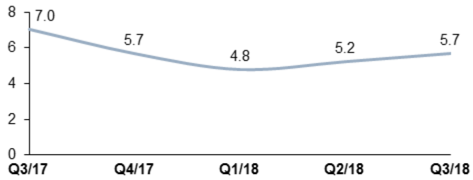
## Macro environment – Higher oil and gas prices, healthy refining margins

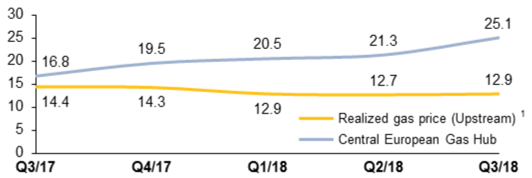
**Oil prices**
USD/bbl



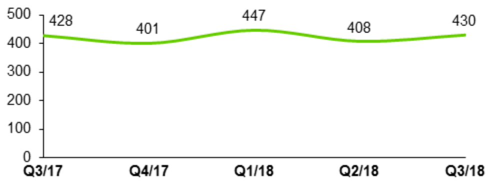

**OMV indicator refining margin**
USD/bbl




**Gas prices**
EUR/MWh




**Ethylene/propylene net margin** [2]
EUR/t




Note: All figures are quarterly averages [1] Converted to MWh using a standardized calorific value across the portfolio
[2] Spread between market prices of ethylene/propylene and naphtha including standard processing consumption

Ladies and gentlemen,

Good morning and thank you for joining us.

In Q3, we continued to deliver on our strategy. After a strong first half, OMV was again able to achieve a very strong operational performance, driving results and cash generation. Before coming to our business development, let me briefly review the economic environment.

## Slide 3: Macro environment – Higher oil and gas prices, healthy refining margins

In the third quarter 2018, Brent averaged 75 Dollars per barrel. This was 44 percent higher than the average during the same period in 2017. The oil price strengthened predominantly due to strong demand growth, lower Iran exports ahead of the expected secondary oil sanctions and concerns about supply disruptions in a tightening market.

Gas prices showed a strong upturn of 50 percent compared to Q3 2017. In contrast to the typical seasonal pattern, European gas prices went up during the summer months. The increase was supported by surging CO2 prices as well as the need to replenish storage levels following exceptionally cold weather in February and March of this year. In addition, the high gas demand in Asia drove gas prices, limiting the availability of LNG cargoes for the European market.

At 5.7 Dollars per barrel, the OMV indicator refining margin remained at a healthy level despite the high oil price environment. Compared to the previous year’s quarter, however, refining margins were down by 19 percent. In Q3 2017, refining margins were exceptionally high due to unplanned refinery shutdowns and a series of hurricanes in the US, most notably Harvey. The ethylene and propylene net margin was basically flat compared to the previous year’s quarter.

## Key messages

### FINANCIAL PERFORMANCE

**Excellent clean CCS Operating Result** of EUR 1,050 mn

**Continued strong cash generation** – Operating cash flow at EUR 970 mn

**Balanced free cash flow** in 9m/18 despite record dividends and Abu Dhabi acquisition

### STRONG OPERATIONS

Refineries ran at a very high **utilization rate of 98%**

**Production cost brought down** to USD 6.8/boe

Group-wide **efficiency program** well on track

### DELIVERING THE STRATEGY

Signed Basic Sale Agreement with Gazprom for a stake in **Achimov 4A/5A**

Signed Heads of Agreement with **Malaysian Sapura Energy**

Closed the divestments of **Samsun power plant in Turkey**

## Slide 4: Key messages

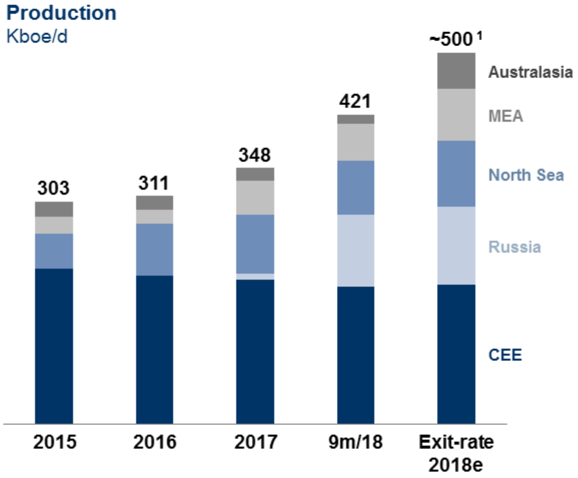
Let me now briefly point out the highlights of the third quarter of 2018.

OMV delivered a clean CCS Operating Result of more than one billion Euros. Ladies and gentlemen, this is a record in a decade! The last time we achieved a result of a similar magnitude was in a 120 Dollar oil price environment back in 2008. Our cash generation remained also at a high level. OMV delivered an operating cash flow of almost one billion Euros despite significant negative net working capital effects. As a result, we reached an almost neutral free cash flow after dividends in the first nine months this year, and this, despite the major acquisition in Abu Dhabi and the record dividend paid in June.

These impressive figures were driven by our strong operations. In Downstream, we ran our refineries at a very high utilization rate of 98 percent. Our refining margins stayed healthy despite the continued high oil prices. In Upstream, we decreased our production costs for the first time to a level of below seven Dollars per barrel.

Last but not least, we continued to deliver on our strategy. We further streamlined our portfolio and successfully closed the divestment of the Samsun power plant in Turkey. At the same time, we achieved major milestones in Upstream. In September, we entered into a Heads of Agreement with the Malaysian company Sapura Energy to form a strategic partnership. The intended acquisition of a 50 percent stake in Sapura Energy's wholly-owned upstream subsidiary is a major step towards developing OMV's activities in South East Asia. In October, we signed a Basic Sale Agreement with Gazprom for a potential acquisition of a roughly 25 percent stake in Achimov 4A and 5A in Siberia. The new agreement of a cash transaction replaces the previously intended asset swap. The signing of the final transaction documents is expected in the beginning of next year.

## Balanced and upgraded portfolio in Upstream, expected exit rate of 500 kboe/d this year




[1] Indicative illustration pending on closing the New Zealand acquisition

- **500 kboe/d exit rate expected** by the end of 2018 driven by both organic projects and acquisitions
- OMV's increased footprint comes with a **well-balanced portfolio** in the core regions
- Focus on fast ramping up projects with low production costs
- Strengthening **OMV's value proposition** in terms of cash generation, cost structure and financial resilience

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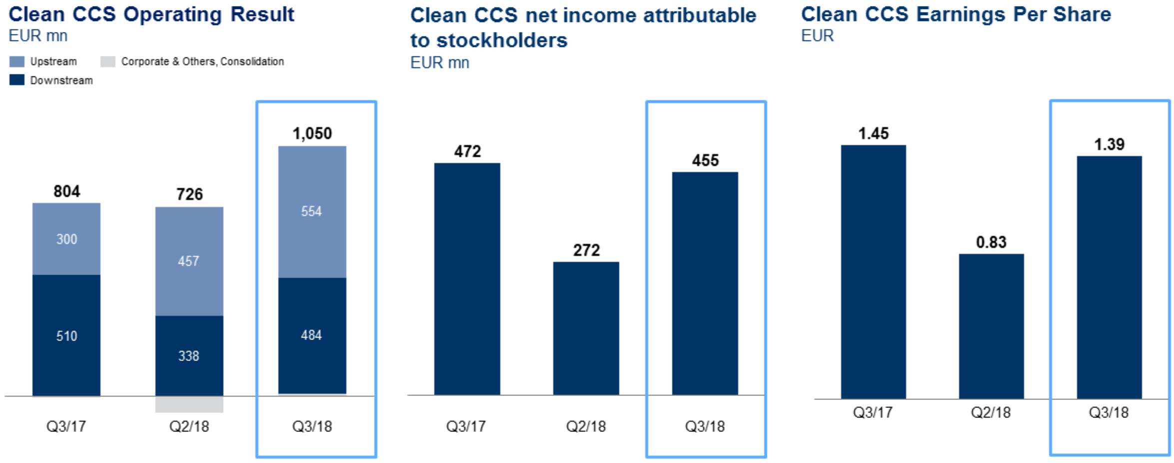
## Slide 5: Balanced and upgraded portfolio in Upstream, expected exit rate of 500 kboe/d this year

At our Capital Markets Day this March, we announced to reach a production of 500 thousand barrels per day by 2020. I am delighted to announce that this target will already be within reach by the end of this year. This success is driven by both the acquisitions in New Zealand and Abu Dhabi as well as the upcoming start-up of Aasta Hansteen in Norway. Both fields in Abu Dhabi started production in Q3 and we expect a production rate of 25 thousand barrels per day by the end of this year. In addition, Aasta Hansteen will support OMV's production by roughly 20 thousand barrels. The acquisition of Shell's upstream assets in New Zealand will add 30 thousand barrels. The higher production does not come at the expense of our future. Over the next five years, we expect to maintain a reserves replacement ratio of above 100 percent.

We not only have higher production but also a more balanced portfolio. In 2015, more than two out of three barrels were produced in the region Central Eastern Europe while the expected 500 thousand barrels rate will be based on five strong core regions. We have also improved our portfolio in terms of costs: For 2018, we expect average production cost of 7.2 Dollars per barrel.

Thanks to our strong partnership approach, we were able to enter into fields that combine low production costs with strong cash flows. OMV is repositioning its value proposition in terms of cash generation, cost structure and financial resilience. And, ladies and gentlemen, this is not the end of our journey. The intended acquisitions in Malaysia and Russia provide the base for further growth in earnings and cash generation in our Upstream segment.

## Clean CCS Operating Result of more than EUR 1 bn achieved

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## Slide 6: Clean CCS Operating Result of more than EUR 1 bn achieved

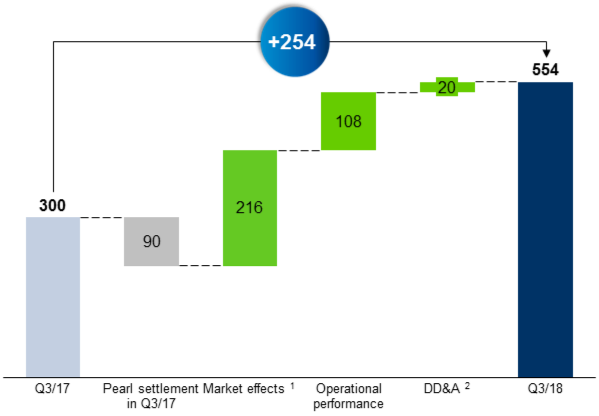
Let’s now turn to our financial performance in the third quarter of 2018. The clean CCS Operating Result increased to one billion and 50 million Euros from 804 million Euros in the third quarter of last year. Both business segments contributed with their strong operations to this excellent result. Just to remind you: the prior year’s quarter included a positive one-time effect of 90 million Euros regarding the Pearl settlement in the Kurdistan Region of Iraq. Excluding this one-off item, the Clean CCS Operating Result has increased by almost 50 percent.

As guided in August, the hedging impact was halved to 59 million Euros compared to the previous quarter. This includes both oil and gas hedges, with the majority coming from oil. OMV’s hedging strategy aims to secure the company’s financial resilience by establishing a downside protection against lower prices and, thus ensures cash flows for our growth strategy. In Q4, our hedging position for both oil and gas is unchanged compared to the third quarter.

The clean tax rate was 38 percent compared to 19 percent in the previous year’s quarter, mainly driven by an increased contribution from the higher taxed Upstream countries in a higher oil price environment. In Q3 2017, the clean tax rate was positively influenced by the one-time effect related to the mentioned Pearl settlement, which was consolidated at equity as after tax result. In Q3 2018, clean CCS net income attributable to stockholders slightly decreased to 455 million Euros due to the higher tax rate. Excluding the one-time effect related to Pearl, the clean CCS net income attributable to stockholders has increased by almost 20 percent compared to the previous year’s quarter. Clean CCS Earnings Per Share amounted to 1.39 Euros in Q3 2018.

# Upstream – Benefitting from higher oil prices and an improved operational performance

**Clean Operating Result**
EUR mn




[1] Market effects defined as oil and gas prices, foreign exchange impact, price effect on royalties and hedging, selling and distribution costs in Russia
[2] Depreciation, Depletion and Amortization

**Q3/18 vs. Q3/17**

- Realized oil price increased by 43%, realized gas price in EUR/MWh came down by 11% due to portfolio mix
- Hedging impact in Q3/18 of EUR -59 mn (vs. EUR +10 mn in Q3/17 and EUR -124 mn in Q2/18)
- Production of 406 kboe/d (up by +65 kboe/d):
  - Russia (+89 kboe/d)
  - Norway (-12 kboe/d)
  - Pakistan divestment (-7 kboe/d)
- Sales volumes increased by 7 mn boe mainly following higher production
- Q3/17 included positive one time effect of EUR 90 mn related to the Pearl settlement agreement
- Production costs reduced to USD 6.8/boe (-22%)
- Lower depreciation mainly due to positive reserves revisions and sale of Upstream business in Pakistan partly offset by Russia and Abu Dhabi production start

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## Slide 7: Upstream – Benefitting from higher oil prices and an improved operational performance

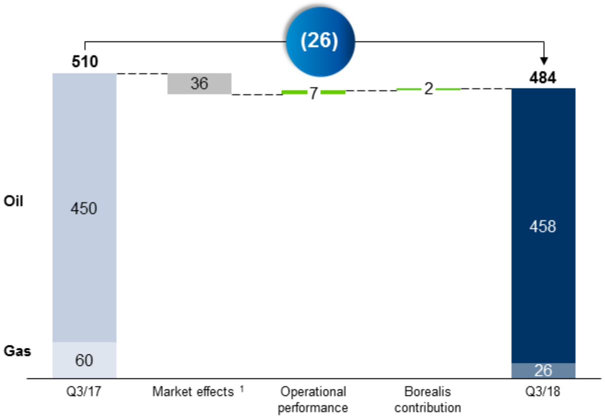
Let me now come to the performance of our two business segments. Upstream experienced a strong quarter driven by higher prices and an improved operational performance due to lower costs and changes in the portfolio. The Upstream clean Operating Result substantially increased to 554 million Euros compared to 300 million Euros in Q3 2017.

Market effects had a positive impact of 216 million Euros compared to Q3 2017. OMV's realized oil price rose by 43 percent while the realized gas price was down by 11 percent following the inclusion of Yuzhno Russkoye in our portfolio. This is due to the pricing formula for Yuzhno Russkoye, where 50 percent of the volumes are sold at Russian prices, which are lower than European prices. The other half is sold at European prices with a time lag of two months. Therefore, the recent upward movement in the European gas market has not been fully reflected yet in our realized prices of Q3.

Compared to the same quarter last year, the improvement in our operations and portfolio had a positive impact of 108 million Euros. Hydrocarbon production went up by 65 thousand barrels, reaching a level of 406 thousand barrels per day. Yuzhno Russkoye contributed 89 thousand barrels, which is slightly less than in the first half of 2018, mainly due to the planned annual maintenance works in Q3. Production in Romania and Austria decreased compared to Q3 2017 due to natural decline while the production in Norway was lower due to maintenance activities. We were able to reduce our production costs by more than 20 percent to 6.8 Dollars per barrel on the back of our cost reduction program and our active portfolio management.

# Downstream – Strong earnings despite higher oil price environment

**Clean CCS Operating Result**
EUR mn




[1] Market effects defined as refining indicator margin, petrochemical margins and spark spreads

**Q3/18 vs. Q3/17**

**Oil**

- Market environment weakened compared to strong Q3/17
  - Refining margins at USD 5.7/bbl (-19%)
  - Flat ethylene/propylene net margins
- Strong operational performance
  - Refineries utilization rate at a very high level of 98%
  - Retail business had a strong contribution with higher margins
  - Total refined product sales slightly increased by 2%
  - Stable contribution from Borealis

**Gas**

- Natural gas sales volumes slightly declined primarily due to Romania and Turkey, partly offset by higher sales in Germany
- Decreased contribution from Gas Connect Austria and temporary negative valuation effects in the storage business
- Lower result in the power business

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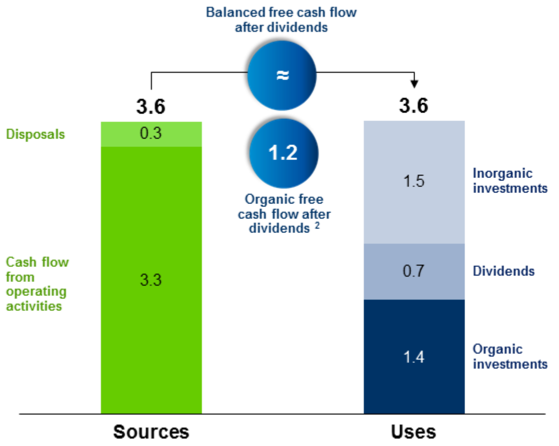
## Slide 8: Downstream – Strong earnings despite higher oil price environment

OMV's Downstream Oil result came in at 458 million Euros, slightly higher than in the previous year's quarter. Despite the continued high oil price environment, OMV's refining indicator margin averaged at a healthy level of 5.7 Dollars per barrel. However, refining margins came down by almost 20 percent compared to the exceptionally high level of seven US Dollars last year. The decrease was more than offset by the strong operational performance of our Downstream operations mainly driven by the very high utilization rate of our refineries as well as the good margin development in our retail business. The petrochemicals result decreased from 84 million Euros to 74 million Euros. Borealis contributed 101 million Euros compared to 98 million Euros in the third quarter of the last year.

The clean CCS Operating Result in Downstream Gas declined to 26 million Euros from the very high result of 60 million Euros last year, which included higher insurance revenues related to the Brazi power plant. The decrease was also attributable to a lower power result, temporary negative storage valuation effects and a lower contribution from Gas Connect Austria. Natural gas sales volumes slightly declined, mainly driven by Romania and Turkey, partly offset by higher sales in Germany.

# Strong cash generation – Balanced free cash flow despite record dividends and Abu Dhabi acquisition

**Sources and uses [1] in 9m/18**
EUR bn




- Cash flow from operating activities increased to EUR 3.3 bn (9m/17: EUR 2.7 bn)
  - Interim dividends from Borealis of EUR 108 mn
- Cash inflow from disposals of EUR 304 mn mainly due to the divestments of Pakistan and Samsun power plant (9m/17: EUR 1.8 bn)
- Payment of EUR 207 mn to Nord Stream 2 AG, thereof EUR 66 mn in Q3/18
- Organic investments of EUR 1.4 bn (9m/17: EUR 1.1 bn); inorganic investments of EUR 1.5 bn mainly related to the Abu Dhabi acquisition (9m/17: EUR 0.3 bn)
- Organic free cash flow after dividends of EUR 1.2 bn [2] (9m/17: EUR 1.0 bn)
- Balanced free cash flow after dividends (9m/17: EUR 2.5 bn)

[1] Excluding financing activities

[2] Organic free cash flow after dividends is Cash flow from operating activities less Organic cash flow from investing activities and dividends paid. Organic cash flow from investing activities is Cash flow from investing activities excluding disposals and material inorganic cash flow components (e.g. acquisitions)

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## Slide 9: Strong cash generation – Balanced free cash flow despite record dividends and Abu Dhabi acquisition

Let’s now continue with cash flow.

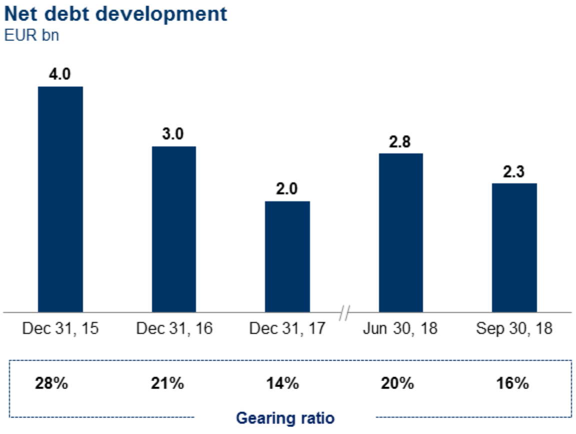
In the first nine months of this year, cash flow from operating activities increased to 3.3 billion Euros, an increase of more than 20 percent compared to the last year period. The third quarter contributed with 970 million Euros, despite negative net working capital effects of 272 million Euros.

The operating cash flow includes a dividend payment from Borealis of 108 million Euros. This year, Borealis decided to pay interim dividends starting with the fiscal year 2018. Thus, from now on, OMV will receive dividends twice a year. The remaining dividend for the fiscal year 2018 will come in the first half of 2019.

Organic investments amounted to 1.4 billion Euros. The cash outflow for inorganic investments came in at 1.5 billion Euros mainly reflecting the acquisition in Abu Dhabi. Drawdowns under the financing agreements for the Nord Stream 2 pipeline project added up to 207 million Euros.

The organic free cash flow after dividends rose by almost 20 percent to 1.2 billion Euros compared to the same period last year. As a result, we reached an almost neutral free cash flow after dividends despite the acquisition in Abu Dhabi and the record dividend. For the full year of 2018, we are striving for a positive free cash flow after dividends including the expected closing of the New Zealand acquisition.

# Healthy balance sheet with cash position of EUR 3.4 bn




- Strong cash position of EUR 3.4 bn
- Net debt down to EUR 2.3 bn
- Gearing ratio at 16%, comfortably below the long-term target of ≤30%

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## Slide 10: Healthy balance sheet with cash position of EUR 3.4 bn

OMV's balance sheet remained very healthy and showed strong liquidity with a cash position of 3.4 billion Euros. At the end of the quarter, net debt amounted to 2.3 billion Euros. The gearing ratio stood at 16 percent, comfortably below the long-term target of equal or below 30 percent.

## Updated Outlook 2018

| | 2017 | Outlook 2018 |
|---|---|---|
| Brent oil price (USD/bbl) | 54 | 74 (previously 70) |
| CEGH gas price (EUR/MWh) | 18 | >22 (previously >18) |
| Total hydrocarbon production (kboe/d) | 348 | >420 |
| OMV indicator refining margin (USD/bbl) | 6 | <6 |
| Ethylene/propylene net margin (EUR/t) | 427 | 425 |
| Utilization rate refineries (%) | 90 | >90 |
| Organic Capex (EUR bn) | 1.6 | 1.9 |
| E&A expenditures (EUR mn) | 230 | 300 |

## Slide 11: Updated Outlook 2018

Let me conclude with the updated outlook.

Over the last months, we have seen a substantial increase in oil prices with Brent peaking above 85 Dollars. Based on this, we have updated the oil price forecast to 74 Dollars for the full year 2018. In addition, given the high prices in European gas markets, we now expect gas prices to be considerably higher than in 2017.

As a result, we now anticipate the clean tax rate for 2018 to be in the high thirties.

For the full year, we continue to expect production to average above 420 thousand barrels per day. OMV's production in Q4 is expected to be strong, slightly higher than in the first quarter of this year. This will be driven by the production of the two fields in Abu Dhabi and of Aasta Hansteen in Norway. Compared to the first quarter of 2018, the production volumes will be partly offset by the divestment of the Pakistan upstream business. The acquisition in New Zealand is expected to be closed at the end of December 2018.

Organic CAPEX is expected to come in at 1.9 billion Euros including the CAPEX requirements stemming from the project development in Abu Dhabi.

Before coming to your questions, I would like to give you an update on Neptun. The Romanian Offshore Law was approved by the Chamber of Deputies and awaits promulgation by the Romanian President. We are currently assessing the impact on our offshore operations and investment decisions. Given the timeframe, we do not see a Neptun Deep final investment decision in the fourth quarter of 2018.

Thank you for your attention. We are happy now to take your questions.

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# BACKUP

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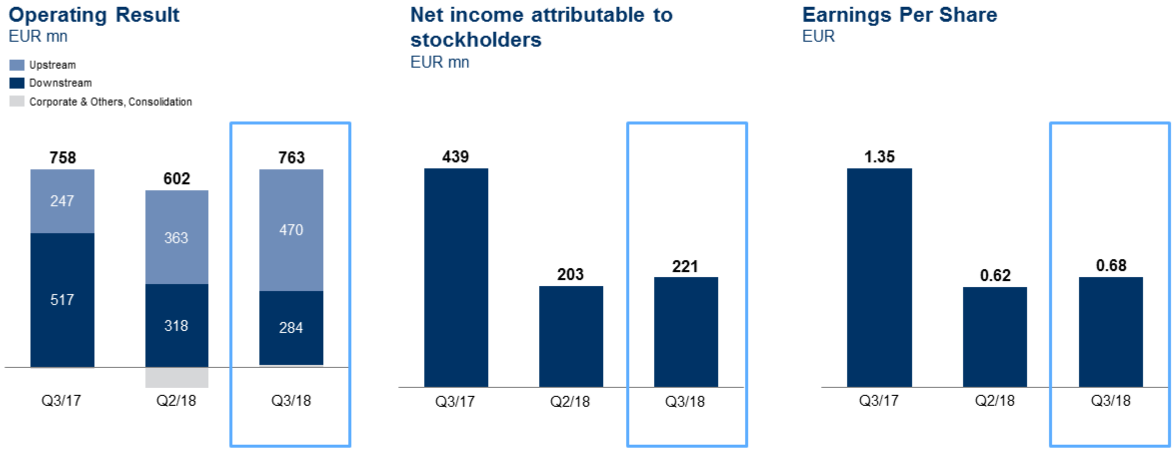
The energy for a better life.

## Strong operating result despite recycling of FX losses following divestment of Samsun power plant

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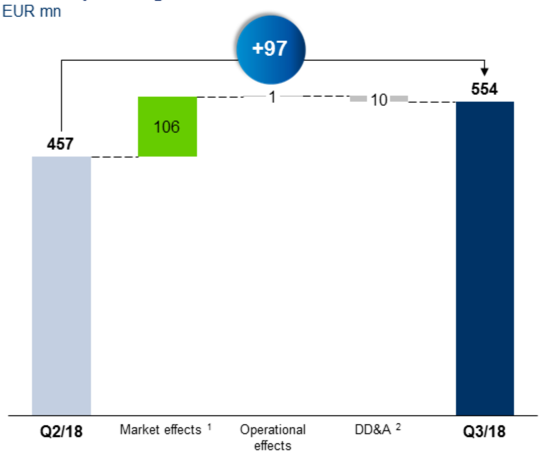
## Upstream – Result supported by higher realized prices

**Clean Operating Result**
EUR mn




**Q3/18 vs. Q2/18**

- Realized oil price increased by 12%
- Realized gas price increased by 1%
- Lower hedging impact in Q3/18 of EUR -59 mn (Q2/18: EUR -124 mn)
- Positive FX impact due to stronger USD/EUR
- Production of 406 kboe/d (-13 kboe/d)
  - Russia (-8 kboe/d)
  - Pakistan (-7 kboe/d)
- Lower sales in Q3/18 mainly following production development
- Production costs decreased to USD 6.8/boe (-10%)
- Higher depreciation mainly following production start-up in Abu Dhabi

[1] Market effects defined as oil and gas prices, foreign exchange impact, price effect on royalties and hedging, selling and distribution costs in Russia
[2] Depreciation, Depletion and Amortization

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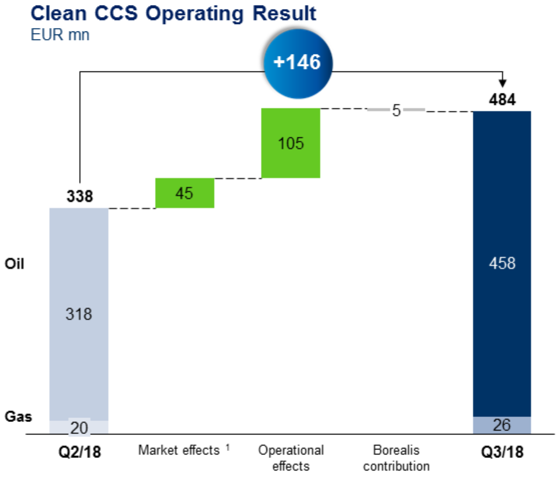
# Downstream – Improved operational performance and higher refining margins




### Q3/18 vs. Q2/18

**Oil**

- Higher refining margin (+9%)
- Improved ethylene/propylene net margins (+5%)
- Very high utilization rate (98%); utilization rate in Q2/18 negatively impacted by the planned Petrobrazi refinery turnaround
- Higher total refined product sales
- Seasonally higher retail sales and margins

**Gas**

- Seasonally lower storage result additionally negatively impacted by temporary valuation effects
- Higher power result following the maintenance activities in Q2/18

[1] Market effects defined as refining indicator margin, petrochemical margins and spark spreads

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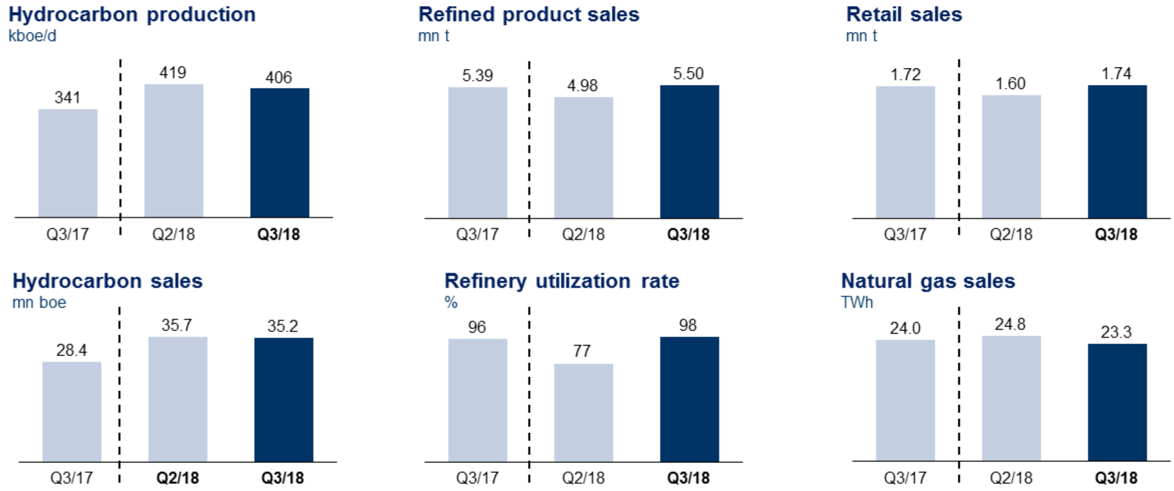
## Operational KPIs

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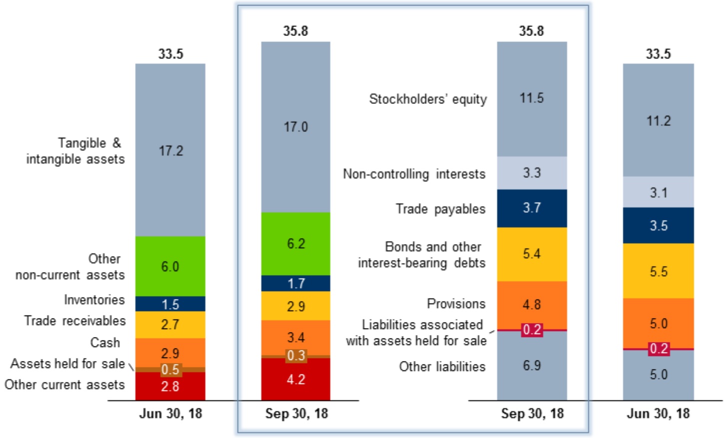
# Strong balance sheet

**Balance Sheet Sep 30, 2018 vs. Jun 30, 2018**
EUR bn




## Highlights

### Assets

- Cash position increased to EUR 3.4 bn reflecting OMV's strong organic cash generation
- Other current assets increased to EUR 4.2 bn driven by higher derivatives positions

### Equity and liabilities

- Other liabilities increased to EUR 6.9 bn significantly impacted by higher derivatives positions



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## Sensitivities of OMV Group in 2018

| Annual impact [1]<br>in EUR mn | Clean CCS Operating Result [2] | Operating cash flow |
|---|---|---|
| Brent oil price (USD +1/bbl) | +45 | +30 |
| OMV realized gas price (EUR +1/MWh) | +125 | +95 |
| CEGH/NCG gas price [3] (EUR +1/MWh) | +40 | +35 |
| OMV indicator refining margin (USD +1/bbl) | +105 | +80 |
| Ethylene/propylene net margin (EUR +10/t) | +15 | +10 |
| EUR-USD (USD appreciates by USD 0.01) | +20 | +15 |

[1] Excluding hedging
[2] Excluding at-equity accounted investments
[3] CEGH/NCG sensitivity derived from sales in Austria, Norway and Russia (to the extent that sales prices are not linked to domestic Russian gas price)
Materially different Brent and FX levels (vs. current levels) would lead to different sensitivity results.

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