

# OMV Conference Call

November 9, 2018



The energy for a better life.  **OMV**

## Rainer Seele

Chairman of the Executive Board and CEO

The spoken word applies

## Disclaimer

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## OMV expands its Australasia footprint



- ▶ OMV acquires 50% of Sapura Upstream
- ▶ Major independent Malaysian oil and gas company, part of the Sapura Energy Group
- ▶ Purchase price of USD 540 mn
  - ▶ Additional contingency payment of up to USD 85 mn
- ▶ Sapura Upstream total debt position of USD 350 mn (100%), at closing
- ▶ Total cumulative production estimated at around 260 mn boe <sup>1</sup> (100%)
- ▶ OMV establishes Australasia as new core region
- ▶ Closing expected in Q1 2019

<sup>1</sup> Gross figure representing 100% of Sapura Upstream, which OMV intends to fully consolidate in its statements

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Ladies and gentlemen, good morning and thank you for joining us on such short notice.

### **Slide 3: OMV expands its Australasia footprint**

I am delighted to announce that OMV signed the agreement to acquire a 50 percent share in Sapura Upstream, a major independent Malaysian oil and gas company.

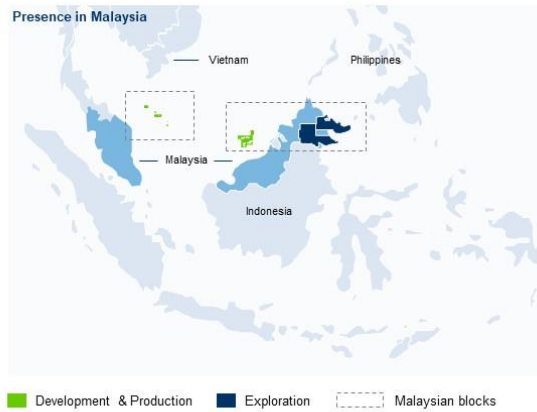
We will partner with a highly esteemed local company, Sapura Energy, who will continue to own a 50 percent share in Sapura Upstream.

The purchase price for our 50 percent stake amounts to 540 million US Dollars. We also agreed to contingent payments of up to 85 million US Dollars. The majority of these contingent payments are conditional upon taking the final investment decision and on certain commercial volumes from the license in Mexico. The new company, Sapura Upstream, has a total debt position of 350 million US Dollars. That is for 100 percent, not for the OMV share. The transaction will be effective as of January 1st, 2019. Closing is envisaged in Q1 2019 and is subject to relevant approvals.

OMV intends to fully consolidate Sapura Upstream in its financial statements.

Sapura Upstream will add attractive reserves to our portfolio. The total cumulative production is estimated at around 260 million barrels, mostly gas. With this transaction OMV is establishing Australasia as a new core region. The oil and gas demand in this region is expected to increase significantly in the long term. OMV will get access to growing markets and rising LNG demand in Asia Pacific.

## Sapura Upstream overview



- ▶ Production and development assets are located in shallow waters, offshore Malaysia
- ▶ Five oil fields and one gas field producing
- ▶ Current production at ~10 kboe/d <sup>1</sup>, mostly liquids
- ▶ High-upside potential from the operated gas development projects in Sarawak basin: SK408 and SK310-B14
- ▶ Significant remaining exploration growth potential

<sup>1</sup> Entitlement production, gross figure representing 100% of Sapura Upstream which OMV intends to fully consolidated in its statements

## Slide 4: Sapura Upstream overview

Let me now briefly give you an overview of Sapura Upstream.

The company has been the exploration and production business segment of Sapura Energy, an integrated oil and gas services group based in Malaysia. OMV is thus partnering with a local operator, which is an advantage for business development.

Sapura Upstream has production and development assets located in shallow waters, offshore Malaysia. Petronas, Malaysia's fully integrated oil and gas multinational is a joint venture partner in all domestic assets of Sapura Upstream.

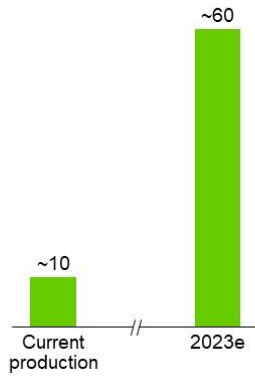
The company currently produces approximately 10 thousand barrels per day, mostly liquids. The five producing oil fields have been in operation since the early 2000's and are located close to the Peninsula Malaysia. Gas production started in 2018 and is located in the Sarawak fields.

The company has several attractive gas development and exploration assets offshore and onshore Malaysia. The highest upside is coming from the gas development projects in the Sarawak basin, SK408 and SK310.

Moreover, the transaction will add to our portfolio exploration licenses in the Gulf of Mexico and Australia once the recent farm-in agreements have been closed. This can potentially bring additional growth in the long term, which is not reflected in our current view.

## Near-term production growth and low CAPEX

Sapura Upstream production <sup>1</sup>  
Kboe/d



- ▶ Near-term production growth
- ▶ Plateau production of ~60 kboe/d <sup>1, 2</sup> (100%)
- ▶ Production split: ~90% gas and ~10% oil
- ▶ Majority of gas is transported to Bintulu LNG complex, operated by Petronas; LNG exported to Asian markets
- ▶ Oil production quality similar to Tapis, sold at Brent price plus premium
- ▶ Total CAPEX <sup>2</sup> required for the first 5 years: EUR ~0.5 bn (100%)

<sup>1</sup> Entitlement production; <sup>2</sup> Gross figure representing 100% of Sapura Upstream, which OMV intends to fully consolidate in its statements

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## Slide 5: Near-term production growth and low CAPEX

This transaction is a further important step in the execution of our strategy: we are focusing on producing fields and advanced development projects, which are close to production start-up. We target assets with near-term cash contribution and low CAPEX requirements.

Sapura Upstream's production portfolio increases in the near-term, driven by the gas developments in SK408 and SK310.

SK408 is a Production Sharing Contract where Sapura Upstream is the operator with a 40 percent stake, and its partners are Petronas and Shell, each owning a 30 percent share, respectively. This project will be developed in two phases. Phase one of the project comprises of the fields Bakong, Larak and Gorek. The Final Investment Decision for this Phase was taken in the first half of 2018. The development will consist of un-manned well-head platforms on each of the fields tied-back to a nearby facility. First gas from Phase one is anticipated to come on stream in 2020.



Phase two includes the Jerun field, the largest discovery within this block. Phase two is expected to start production in 2023 and will boost production to 60 thousand barrels per day. About 90 percent will be gas.

OMV's financially solid position and strong skills in operating shallow water projects, will support bringing these developments on stream.

The majority of the gas production is transported to the Bintulu LNG complex, the third largest in the world. This LNG complex is majority-owned and operated by Petronas. The LNG is exported to neighboring growing Asian markets. Asia is the highest priced global gas region due to strong demand and typically oil indexed long term contracts. The oil produced in Malaysia has crude qualities similar to Tapis and it is typically sold at a premium compared to the Brent price.

There is already existing infrastructure near to our fields and only small additional investments are needed to tie-in the new developments. Thus, the total gross capital expenditure commitments required in the first five years amount to 500 million euros. This represents the total 100 percent interest.

## Strategic rationale

	<p><b>Access to a growing market</b></p>	<ul style="list-style-type: none"> <li>▶ Gas demand expected to increase by 50% in Asia Pacific until 2030</li> <li>▶ OMV capitalizes on the increase of LNG demand and growing Asian markets</li> <li>▶ Australasia becomes a new core region</li> </ul>
	<p><b>Adding 260 mn <sup>1</sup> boe cumulative production</b></p>	<ul style="list-style-type: none"> <li>▶ Immediately increases OMV's reserve and resources base</li> <li>▶ Upside potential from exploration blocks</li> </ul>
	<p><b>Significant near-term increase in production</b></p>	<ul style="list-style-type: none"> <li>▶ Plateau production of ~60 kboe/d (100%) expected by 2023</li> <li>▶ Total CAPEX <sup>1</sup> of EUR 0.5 bn in the first 5 years (100%)</li> </ul>
	<p><b>Free cash flow accretive</b></p>	<ul style="list-style-type: none"> <li>▶ Transaction expected to be free cash flow positive in 2020</li> <li>▶ Production cost in line with OMV's target</li> </ul>

<sup>1</sup> Gross figure representing 100% of Sapura Upstream, which OMV intends to fully consolidated in its statements



## Slide 6: Strategic rationale

Ladies and gentlemen, this acquisition is a great strategic fit for OMV.

The transaction will provide OMV access to growing Asian markets. Gas and LNG demand in Asia Pacific is anticipated to grow substantially by 50 percent until 2030. OMV takes the opportunity to capitalize on this growing market and on the increasing supply gap in LNG. We will be part of the Asia Pacific market, which is the long lasting backbone for LNG trading and demand.

This acquisition supports our target of a reserve replacement ratio above 100 percent. Sapura Upstream brings a total cumulative production of approximately 260 million barrels, mostly gas. We see potential upside to this figure from the exploration portfolio on the long term.

The transaction will be timely cash flow accretive. In 2020, we expect the transaction to be already free cash flow positive. As production volumes ramp-up, production costs for these assets will be in line with our target.

As Asia Pacific is an attractive growing market, Sapura Upstream will represent OMV's platform for further regional growth.

Thank you ladies and gentlemen and now I am happy to take your questions.




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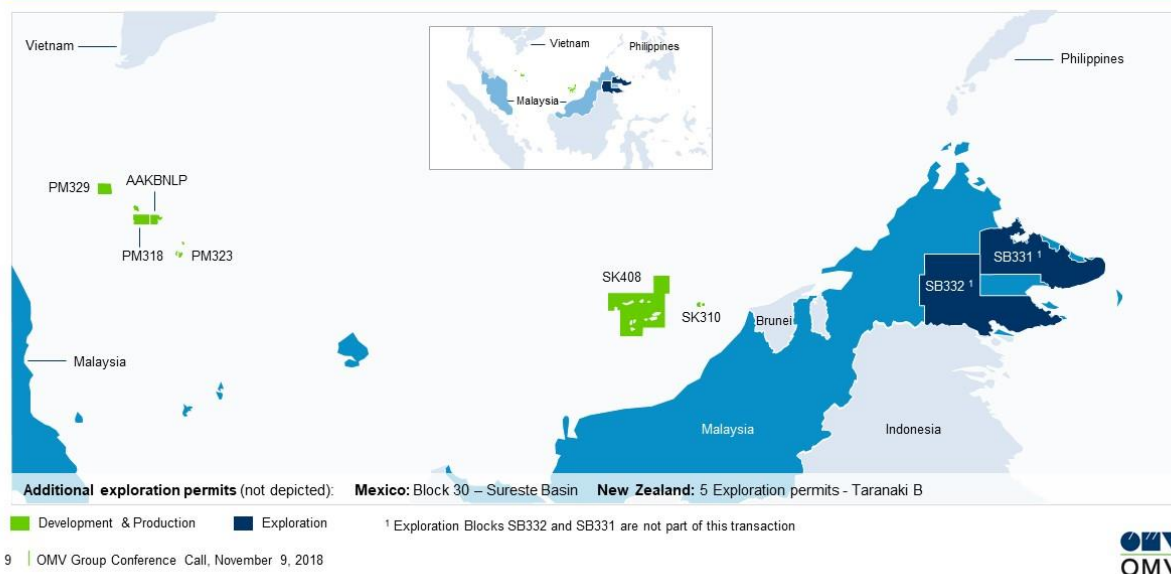


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## Sapura Upstream: blocks overview



## Summary of Sapura Upstream Assets

Producing assets	Malay Basin, Block	Type primary	Production start year	Working interest %	Partner	Operated
	PM318		Oil	2008	50	PETRONAS Carigali
PM323		Oil	2008	60	PETRONAS Carigali	by Sapura
PM329		Oil	2011	70	PETRONAS Carigali	by Sapura
AAKBNLP		Oil	2004	50	PETRONAS Carigali	by Petronas
SK310-B15		Gas	2018	30	Petronas, Mitsubishi	by Sapura

Development assets	Sarawak Basin, Block	Type primary	Production start year	Working interest %	Partner	Operated
	SK408		Gas	2020 Phase I; 2023 Phase II	40	PETRONAS, Shell
SK310-B14		Gas	-	30	Petronas, Mitsubishi	by Sapura

**Exploration assets:** New Zealand Taranaki Basin, Mexico Sureste basin (Block 30) <sup>1</sup>

<sup>1</sup> Exploration Blocks SB332 and SB331 are not part of this transaction

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