OMV Q4 2018 Conference Call – Q&A Transcript

OMV published its results for January–December and Q4 2018 on February 6, 2018. The investor and analyst conference call was broadcast as a live audio- webcast at 09:30 am CET. Below is the transcript of the question and answer session, by topic, edited for readability.

OMV Group

Capital Allocation

Question by **Henri Patricot – UBS**:
I wanted to follow up on the new priorities in terms of capital allocation with dividends above debt reduction because I would expect your gearing to be slightly above the ceiling at some point this year once you close the Achimov transaction. Would you still consider raising the dividend in such a scenario? Or would you just be maintaining the dividend at the EUR 1.75 level?

Answer by **Rainer Seele**:
Henri, an honest word. You haven't changed, my friend. You have always concerns about our dividend. I don't know what I shall do. Since 4 years in a row, we have increased the dividend. We have increased the dividend to above expectations, and now you have concerns about the next dividend, okay. Give me some time to run the business. I can repeat what we have said. We are fully committed to our progressive dividend policy. And the way we discuss it in our Board is not how many acquisitions we have done or how many divestments we have done, it is just the business year. And if we have a successful business year, you should participate as a shareholder from the successful development of our business. And that's the way we are doing it. Coming back to your gearing question with the 30%, well, honestly speaking, we have to wait and see with which number Achimov really is kicking in into our books and when we are going to find that agreement. And then it's also a question how is the cash flow, the operating cash flow, developing during 2019. I know I have so many ifs, but if I look into the numbers which I have seen from Reinhard which he keeps as a real secret, we might surpass the 30% threshold, but this will be only for 1 or 2 quarters maybe. But it's depending really on all the other issues I have mentioned. We don't know the cash flow. We don't know Achimov numbers. So therefore, it's a clear message. 30% is our target. We will work on that target, and we will do our best with our cash flow management that we meet all the targets we have promised to all of you in the financial markets.

Question by **Henri Patricot – UBS**:
Okay, there's not too much concern there. It's just I wasn't expecting to see such a significant increase for this year. So wondering, give me a sense of the interplay between debt reduction and the dividend growth. So yes, that's pretty good.

Answer by **Rainer Seele**:
Henri, with the higher dividend this year, we would like to send a clear signal to the market that the dividend has a high priority now for the Board of OMV.

Petrom Dividend

Question by **Yuriy Kukhtanych – Deutsche Bank**:
The dividend from Petrom. Looking at the context, what happened last year was a huge shift in fiscal terms in Romania from the government. Petrom is increasing dividend by 35% year-on-year. And my question is whether this is an indicator of potentially changing the approach to investments in the countries from OMV, and if you could just talk a bit more on what was behind that decision.

Answer by **Reinhard Florey**:
The dividend of Petrom is a clear consequence of a very good year 2018 and a situation where, again, a positive cash balance has been produced by the company. The company is in an environment which has a certain volatility, and I think Rainer had very clear words around that. But we don't take dividend policy as political statements. Dividend policy is the reward of our shareholders for the performance that we have been able, with the support of the shareholders, to deliver, and this is the way how we are going forward. The dividend policy of Petrom is also the same in its essence as we have in OMV, and this is why we are sticking to it.

CAPEX

Question by **Christopher Kuplent – BoA Merrill Lynch**:
Your EUR 2.3 billion CAPEX guidance for 2019. Does that include a contingency or any element of Neptun already? Or if you do have a positive decision regarding the FID, would that come on top of this organic CAPEX guidance?

Answer by **Rainer Seele**:
We have not budgeted any Neptun investments in our numbers for 2019.

Question by **Mehdi Ennebati – Societe Generale**:
Just a follow-up question on CAPEX. So can you provide us the reason of the CAPEX increase in 2019 versus 2018, so EUR 400 million additional CAPEX? I just wanted to know, where does this come from?

Answer by **Reinhard Florey**:
Regarding your question, where's the difference of the EUR 400 million in our organic CAPEX, the major difference comes in Upstream, of course from Sapura and SARB and Umm Lulu. Those are the biggest single investment differences that we have in Upstream. And of course, in Downstream, we have announced in the western refineries that there will be investments in petrochemical parts, which will also increase on the downstream side the money that we'll spend on organic basis.

IFRS 16

Question by **Michele Della Vigna – Goldman Sachs**:
I just was wondering if you could give us an idea of how IFRS 16 is likely to impact your gearing, given the different accounting for the leases.

Answer by **Reinhard Florey**:
Michele, regarding IFRS 16, as of 2019, IFRS 16 is a reality. So we will have to account for some EUR 700 million in additional debt. The effect of that will be an impact of around 4.5% increase on our gearing. We have taken that into account, but we have not changed our gearing target of 30%.

Debt Strategy

Question by **Jürgen Walter – Raiffeisen Bank International**:
Thanks for taking my question, which is around your debt capital market strategy. Regarding financing the ADNOC Refining transaction, could you please give more color on a potential size and timing of issuing long-term bonds, also considering the 2 senior bond maturities is within a few months starting this November?

Answer by **Reinhard Florey**:
I'm not worried so much about the financing pressure that we would have. We are currently having at the end of the year 2018 a cash on hand of EUR 4 billion. And this then provides the financial means that we have both for the Sapura deal, for the Ghasha deal as well as for the payments for ADNOC. Of course, if we then go into the direction where we have to honor the dividend payments, where we have potential payments for a conclusion of the Achimov deal, then we'll ask ourselves about the financing. We are currently having a very good situation on the bond markets, so I'm not worried about the ability of refinancing for OMV at attractive conditions, and we'll decide that at the stage where this will be relevant.

Gearing

Question by **Jason Gammel – Jefferies**:
What would you say is the appropriate gearing ratio for the company over the longer term, recognizing that the flows around the acquisitions will cause some noise in the near term?

Answer by **Reinhard Florey**:
We think that 30% or below is the appropriate gearing ratio, and this is our target. So we have some air to breathe. We will use this headroom in order to further continue on our road of our strategy, but we will not overstretch in that respect.

Macro Outlook

Question by **Michael Alsford – Citi:**
Just on your targets, you clearly are well on track for delivery of these targets and ran operating profit and cash flow over the medium to longer term. I'm just wondering if you could remind us as to what is the macro, sort of, outlook or assumptions that you've put into that calculation.

Answer by **Reinhard Florey**:
Regarding the macro outlook assumptions that are behind that, more or less these assumptions have not changed a lot to what we had so far. So what we are assuming is that on the long end, we will see an oil price between USD 70/bbl and USD 80/bbl. Take the average of USD 75/bbl on the longer end. We have given the guidance for 2019 of USD 65/bbl, so there will be a gradual increase that we see over the years in our long-term perspective. On the gas prices, we'd rather see a stable development in a range of around 20. And on the refining margin, we would see more or less around, or slightly below the USD 5/bbl so that we have a more or less stable environment in that range as well.

Clean CCS Operating Result Target

Question by **Christopher Kuplent – BoA Merrill Lynch**:
You've achieved EUR 3.6 billion of EBIT in 2018, and I was just wondering whether you could revisit your 2020, not really your 2025, but your 2020 guidance that you established and put that into context how confident you feel now after almost 12 months have gone by since we saw you here in London at that Capital Markets Day when you published that more than EUR 4 billion or at least EUR 4 billion EBITDA for 2020.

Answer by **Rainer Seele**:
Chris, I can reconfirm that the Board is extremely confident that we will deliver on our targets, which we have promised last year in our Capital Markets Day. So you will see at least EUR 4 billion of operating result in 2020. That's what we are targeting, yes? And the reason why I am positive on that issue is because if you look at our numbers, there is a growth story behind OMV. And there is a growth story, especially in 2020, kicking in, in 2 business units. It's not just the 500,000-plus per barrel what Hans has mentioned when he was talking about the production development, it's also the Downstream business with the new acquisitions. So therefore, let's wait and see. I think OMV is well on track to deliver on the targets. What I don't promise to you is that we are going to deliver the 2020 targets earlier. We stick to the 2020 now.

Cash flow target

Question by **Jason Gammel – Jefferies**:
Congratulations on the progress you've made in the strategic plan. I wanted to come back to the USD 5 bn cash flow target over the medium term that you put forward. It's a pretty robust number, and even at the high-end of the CAPEX guidance range, it looks like about a 17% free cash flow yield. So my question really is, what are the factors that have given you the confidence to put forward this type of a target? Is it really just seeing the completion of the deals that you've done and the performance of the underlying assets? Or are there other factors?

Answer by **Reinhard Florey**:
Jason, if we are taking the cash flow targets, we view under the assumptions that we have taken, and we think that the assumptions set that we have is a rather robust one, that this kind of cash flow targets are not only achievable, it is something that has been prepared very well through the portfolio change and portfolio enhancement that we have done already now and will further expand in 2019. So this gives us the confidence that this increase in the cash flows will be reality also expressed by our target on ROACE of 12%. If you take the reality of this ROACE, it means that the capital employed, which we increase significantly by these acquisitions and still we stay with a target of 12%, which gives us a return that, of course, also is reflected in the cash flow. If we are taking this as a basis, then we should be able to deliver on that. And if you're talking what is the appropriate gearing ratio, I think we have been clear with the target that we have seen.

Cost Savings Target

Question by **Josh Stone - Barclays:**
On the cost savings, you've achieved your targets almost 2 years early. Can you talk about the potential for actually for you to see more cost savings from here? Or should we think we hit the floor on that now?

Answer by **Rainer Seele**:
Well, Josh, first of all, I'm impressed that we could make that cost savings much earlier than we have anticipated and announced to the financial markets. What I can say is that the ice is getting thinner. We will have a discussion now within our Board to agree on a new cost-saving target. What I can say is we will set a new target because we would like to address clearly to the financial markets that cost has the highest priority in all our thinking. But it's getting more challenging as we have done already a pretty great job here. Just remind, our operating cost from USD 16.60/boe in 2014 to USD 6.30/boe in the fourth quarter, yes? I think the main work is done and you also can find it in the numbers of profitability.

Upstream

E&A Expenditure

Question by **Mehdi Ennebati – Societe Generale**:
A question regarding the exploration budgets, which is slightly up from EUR 300 million to EUR 350 million. So how many wells do you expect to drill in 2019 versus 2018? And can you tell us also the portion of appraisal wells and the pure exploration wells? And where are you drilling those wells mainly?

Answer by **Johann Pleininger**:
So we're planning to spend EUR 350 million. The increase of EUR 50 million is coming because what we have included is also Sapura. Here we spend roughly the difference from the EUR 300 million, what we had in the recent years. Now excluding Sapura because this needs to be discussed with the management on-site, how many wells we will drill, so I am referring only on the wells which will be drilled in OMV excluding Sapura. So we will drill 11 exploration wells and 2 appraisal wells. Thereof, 3 exploration, 1

appraisal in Romania; 4 exploration and 1 appraisal in Norway; 1 exploration in Austria; and the rest of 3 wells in Libya, Tunisia and New Zealand.

Production Target

Question by **Michele Della Vigna – Goldman Sachs**:
On your long-term target of 600,000 bbl/d of production in 2025, I just wanted to check if you expect all of that to come from your existing resources and from organic CAPEX, or if there was still an element of acquisitions in that.

Answer by **Johann Pleininger**:
So what you see currently, we are aiming for 500,000 already this year. So if you look into our portfolio, what will come on stream or what's next, then I have to say it's organic and one M&A deal which has not been closed, which is the Achimov deal. But if you add the additional production which will come from Southeast Asia, Malaysia, we want to increase the production up to 60,000 barrels. Nawara will come on stream at the end of the year with 10,000 bbl/d. Then we will ramp up our production in UAE beyond 40,000 bbl/d. Rainer mentioned in his speech that Achimov is the only one which is missing, let's say, in this regard where we haven't closed the deal. But what we are aiming for in 2019, we can expect another 80,000. And if you add all this to the 500,000, then we are clearly beyond the 600,000, and we see as an upside even on top of it Neptun, where we said this will bring another 60,000 to 70,000 boe/d. So we are clear on that, that we will achieve the 600,000-barrel organic growth. Mainly in addition is only the M&A, which is outstanding the Achimov IV/V.

Question by **Alwyn Thomas – Exane BNP Paribas**:
Just actually to follow up on Michele's question around the 600,000 target in 2025. I wanted to ask a little bit about whether you think it might be possible to accelerate the developments, particularly at Wisting and Hades & Iris, given the reasonable progress you've made there on resources and whether they could come within the scope of the plan.

Answer by **Johann Pleininger**:
It's not included what I have been mentioning before. So this will come on top. Regarding timing, we said regarding Wisting we want to take Final Investment Decision at around 2020/21. Regarding Hades & Iris, it's almost the same timing. So you can expect that both fields will come on stream rather beyond 2025. But this will come on top of it, which means additional production from these 2 fields.

Question by **Thomas Adolff – Credit Suisse**:
Quickly on Libya. In your outlook statement, you were quite specific when to expect productions to resume. Why March? Is there anything that I've missed there?

Answer by **Rainer Seele**:
Right now it's not in the hands of OMV. NOC is managing to find a solution with the militias so that they secure the situation in our operating fields, will allow us to send back workers into the fields. So we are depending on an agreement, which hopefully will be done as quickly as possible by NOC. Well, what is the reason for March? Well, there is no reason in Libya. But I can explain to you it has to do with math. We wanted to keep the 500,000 bbl/d as a very good number for 2019. And then we have found out we only can keep the 500,000 when the production will start in March. That's how we calculated March. But there is no really backing of information in Libya.

Question by **Peter Low – Redburn**:
Just a follow-up on Libya. Are you able to give us any indication of the financial contribution that came from Libya in 4Q as that was largely dropping out, I guess, in the first quarter?

Answer by **Reinhard Florey**:
We are not, for specific countries, giving indications on that. But the one thing that you have always to take into account is that you have a higher impact on the operating result and a lower impact on the net result as we are dealing with the rather high tax rate in that country. So that is, I think, the indication that you'd probably have to adjust also in your models.

Reserve Replacement Rate

Question by **Peter Low – Redburn**:
And a second on just on reserve replacement, clearly very strong, led by acquisitions. Are you able to share what organic underlying reserve replacement was in the year?

Answer by **Johann Pleininger**:
Peter, regarding reserve replacement rates, so we have achieved in 2017 a yearly reserve replacement rate of 191%; in 2018, 180%. And from this 180%, 130% we achieved through our M&A and 50% was via organic growth, so which shows the extraordinary success in exploration where we have drilled 16 wells. And out of the 16, 11 were successful, leading mainly to this 50% of reserve replacement rate from organic point of view.

Production Cost

Question by **Mehdi Ennebati – Societe Generale**:
Regarding the production costs for the Upstream division, which was particularly low at USD 6.3/boe. With all the acquisitions that you've completed recently and with the start-up and ramp-up of some key fields, should we consider the actual production costs to keep going down in 2019 and 2020, considering Libyan production remains unchanged, or do you think it will be difficult to go further down from the current low level?

Answer by **Johann Pleininger**:
So production cost, as you see, is USD 6.3/boe, quite a very good number, also in the international comparison with other companies. So there are not many companies who can beat this number in average on production costs. We were coming from USD 16.6/boe in 2014, and we are right now at USD 6.3/boe. What you can expect is that we are further optimizing our production costs, also in the new assets, which we have been acquiring just recently. What you can expect is that the costs are not going down to USD 0/boe. That's impossible, but you can expect it will stay between USD 6/boe and USD 7/boe with the current portfolio that we have.

Yuzhno Russkoye

Question by **Mehdi Ennebati – Societe Generale**:
About Yuzhno Russkoye. So can you tell us if the dividend you will receive in 2020, based on 2019 operations, is above or below the midterm $200 million guidance that you provided us when you announced the acquisition? So I am asking this question because natural gas prices have been particularly high in 2019, which is positive. But you have also been impacted by some taxation change in Russia. So just wanted to have some color there.

Answer by **Reinhard Florey**:
Your question on the dividend of Yuzhno Russkoye. We keep to our expectation that we have pronounced that we will have annual dividends in the range of USD 200 million also for 2019. Of course, this has a certain dependency on the exchange rate. So take this on the assumption of similar exchange rate, U.S. dollar to ruble, as we would have had in 2018.

Neptun

Question by **Michael Alsford – Citi:**
Just quickly on Neptun. Clearly, there's been some changes from a regulatory and obviously, price perspective in Romania. I'm just wondering if you can elaborate a little bit more in terms of your comment as why it doesn't fulfill the prerequisites for FID. My understanding was that gas cap was a 3-year cap. Is it more around the climate for investment in Romania, or is it actually more around the changes to the offshore oil and gas law that is causing you to say that the returns are not as high as you need to deliver on the FID?

Answer by **Rainer Seele**:
Let me start with a clear statement. OMV and Petrom is highly committed to the Neptun project, yes? Don't take me wrong with the comment I did. It's more concerning the climate in Romania. What really concerns me is that Romania is moving away from a liberal gas market. It's not the duration of the gas cap, it is the future and the framework in Romania. The fiscal framework has worsened, and the political risk in the country has increased. Therefore, I think investors have to regain confidence into Romania. I'm one of them. I'm struggling with myself. And we have discussed it within our Board. And I also discussed it with Christina Verchere, and she will continue the dialogue with the Romanian government to set up the right framework to go for a positive FID. As I said, right now it's not sufficient. What we need is, of course, a much higher fiscal stability. I don't want to see any upcoming surprises like we have seen on the 29th of December. We need competitive terms. We need a liberalized gas market, and we need, of course, the key infrastructure in Romania to export our volumes because this project is clearly designed for Europe, not purely for Romania. Therefore, any restrictions to export the gas to supply European neighbors, you could see that with some comments from Hungary, which are very much concerned that Neptun development might be delayed because Hungary needs the gas from Romania to diversify their supplies into the country. So I think we should see, of course, a European solidarity, and we need to have the right framework. Then we will decide.

Natural decline Romania

Question by **Thomas Adolff – Credit Suisse**:
On Petrom production. Sequentially, the decline looks fast, so I just wondered whether we should model a similar sequential decline. Or do you expect it to be less, and why?

Answer by **Johann Pleininger**:
Let's say, there are two reasons. So one is the natural decline which you have to take into consideration. The second one is that we're optimizing our portfolio. So we will go ahead. We have been starting already last year that we sell, let's say, minor fields which are not highly economic anymore. So all in all, you can expect a decline per year of roughly 5%.

Achimov 4A/5A

Question by **Robert Pulleyn – Morgan Stanley**:
Could we maybe talk a little bit about Achimov, which I think is obviously expected for this year? Is there any sort of update around the timing or the potential transaction cost now that it looks like the terms of the deal will change given what happened in Norway?

Answer by **Rainer Seele**:
Well, Rob, there's not so much update I can give to you. We were heavily busy to run the deal in Abu Dhabi. So our priorities with the resources were more in Abu Dhabi in the last months. And now we are going to set up more meetings with the Gazprom. The major challenge right now, and this is the most important one, is we have not agreed on the price. We are expecting that we are going to close the deal at summer this year. So something between June and September. Then we will hopefully come out with the number, and we will close the deal. Honestly speaking, I'm not too much in a hurry, Rob, to find now a quick run on an agreement because we are talking about a development project. We are expecting that Achimov will start production in the early 20s. So it doesn't matter whether we are going to close the deal yesterday or tomorrow. So we have to close the deal before production starts so that we are benefiting especially with the cash return with the production profile. The project has taken already FID. All I can hear is that the project is well on track. So there is no strong need that OMV should join the club as early as possible. Gazprom and Wintershall are running their projects extremely professional.

Downstream

Margins

Question by **Alwyn Thomas – Exane BNP Paribas**:
Looking into the first quarter of this year, whether you're able to give an update on where the refining indicator was in January. And any particular trends in the Downstream for the first quarter?

Answer by **Manfred Leitner**:
On Q1 Downstream, a few observations. We have started with lower refining margins. Currently, they are recovering again. We have started with very strong petrochemical margins, which would potentially even overcompensate the lower refining margins. Our utilization is, again, extremely high. So we are running at full capacity. And our retail sales are doing well in addition. So all in all, a mixed picture, if you want in Downstream Oil. But overall, I would expect a pretty attractive first quarter again. In gas, obviously what you see is that the sales could be better if the temperatures would be lower. And this is something which, unfortunately, we cannot manage. If we could, we would have a much stronger winter for much longer. So most probably, sales could be a little bit lower than last year at the same time. But overall, a good quarter.

Question by **Yuriy Kukhtanych – Deutsche Bank**:
What is driving the current petrochemicals trends in your view and in the fourth quarter? And how big is the component of the cheap naphtha in these margins?

Answer by **Manfred Leitner**:
On the petrochemical margins, I would share your observation. Obviously, the low naphtha cracks and the low naphtha value is supporting petrochemical margins. We believe that over the year, these naphtha values will go up again, and that's exactly the reason why we have guided a lower petrochemical margin environment than last year.

M&A Adnoc Refining

Question by **Thomas Adolff – Credit Suisse**:
Related to the ADNOC Refining asset or company that you bought into and more specifically on the dividend. And I remember you saying on the last call that you expect to get a dividend in 2020 for the 2019 earnings, but I wondered whether that dividend is for the full year or only for the period after you closed the deal or just over a quarter.

Answer by **Manfred Leitner**:
The effective date will be at closing. And we expect the closing for the third quarter 2019, and that's the reason why I do not believe that we can account for a full year dividend for 2019.

Question by **Thomas Adolff – Credit Suisse**:
You've obviously flagged the attractive product slate of, I think, 95% white products. But presumably, that's also a function of extremely light crude slate. So I wondered if you can provide us with a bit more detail on the investment programs at ADNOC. At which point can we expect ADNOC refinery to process heavier crude?

Answer by **Manfred Leitner**:
Yes, on ADNOC Refining, your observation is right. Currently, there is predominantly Murban crude, which is a pretty high-quality sweet crude in the crude slate. There is an investment project already FID-ed. It's the so-called Crude Flexibility Project, which then would both at the same time keep the attractive product slate but allows ADNOC Refining to go to more heavier crudes like Upper

Zakum, for instance. And obviously, that's a project that will have to be invested over the next 2, 3 years and will then come on stream and bring a lot of gross margin in addition. Looks like a very stable project with a pretty attractive rate of return.

Question by **Alwyn Thomas – Exane BNP Paribas**:
Just a follow-up from me. Are you going to include the ADNOC Refining margin within your growth indicator or do a separate one? And I guess maybe what gross margin would you expect from the ADNOC Refining business relative to your indicator?

Answer by **Manfred Leitner**:
ADNOC Refining in our financials will be consolidated at equity, we will not change our OMV indicator margin by that. But to give you an indication on the comparative refining margins in Asia, and obviously this is something which very much depends on the configuration of the refinery. If you don't produce any heavy fuel oil, this would have an impact which is in excess potentially of USD 2/bbl already. And if you then see that there is a lot of petrochemical stuff in that refining margin as well indirectly, then you will have potential for another dollar. So, I mean, this is just giving you an indication that in ADNOC Refining, the margin will be pretty much higher than you are seeing in our European indicator margins.

Nord Stream 2

Question by **Josh Stone - Barclays:**
Just on Nord Stream 2, if you could update, some progress on the pipeline there and what still needs to happen for us to see the pipeline start up at the end of the year.

Answer by **Rainer Seele**:
In terms of Nord Stream, well, we can say 600 kilometers of the pipe has already been laid. 600 is also the number we have financed of the project until year-end. So we will continue to catalyze Nord Stream 2 Company to lay that pipe as quickly as possible because the permits are in place. All we have to see is when the permit from Denmark will move on our table. That's determining, I think, the timing until year-end. If everything is according to plan, we are well on track to see first gas end of this year

IMO 2020

Question by **Robert Pulleyn – Morgan Stanley**:
You mentioned IMO 2020, and we share your enthusiasm. When do you think that this will start to become evident in your refining margins? I mean, they recognize the guidance for 2019. Is that a reflection that really this will only kick in once IMO 2020 is live in 2020 and there won't be much of an anticipatory effect in the second half? Or could you maybe add a little bit of color about how you expect the progression to that end point?

Answer by **Manfred Leitner**:
What we would expect is that the impact will start potentially in the fourth quarter 2019 already because you have to prepare your product qualities and specifications in order to stay in business or to actually even increase your business in terms of the maritime sales. Obviously, the biggest impact will be coming in the beginning of the 2020s. And over time, at the same time, I mean, the industry will adapt and invest, and you will then potentially see 2 years later, again, a certain relief. This is how we see the development coming.

Question by **Henri Patricot – UBS**:
I just want to follow up on the topic of IMO 2020.You mentioned that you plan to start using some, a new grade of marine fuel. Can you give us perhaps some sense of the volumes involved? And I know you're going to produce this fuel basically, obviously, without reducing your sulfur content of existing fuel oil production.

Answer by **Manfred Leitner**:
Currently, what we are producing is just only in Schwechat refinery, and the total product yield is less than 2% of heavy side for fuel oil. And this is such a low volume that we will be in a position to go ahead with maritime sales. This is not our main sales channel anyway as in the past. So there will not be any change so we will not have to invest. And it has already been mentioned by Rainer in the in his speech that we are having a big benefit as well because of the sweet crude production on the equity. And that is for Romania and for Austria. This is sulfur free, close to sulfur free. And so therefore, that's a big benefit that we are having in the crude slate. This is something which we believe will be just a big, a new competitive advantage because many of our competing refineries will have to do a lot in order stay there. Just one remark to ADNOC Refining in that respect. In ADNOC Refining, there is nearly no heavy fuel production. So that's close to 0. And that's, again, showing that the quality of the production assets we have bought in there is extremely high.

Question by **Christopher Kuplent – BoA Merrill Lynch**:
Manfred, perhaps if you could remind us what kind of IMO assumptions you have already embedded into that 2020 earnings guidance or, if it's not a guidance, expectations.

Answer by **Manfred Leitner**:

In our planning, we are, I have to say, pretty conservative on that because we do not want to inflate any expectations that we cannot deliver. However, what we clearly see is that the middle distillate cracks will be higher than compared to pre-IMO times. Whether this is now $30, $40 per ton, I mean, it is something which is more a matter of taste. It's very difficult to assess it. There will, however, be a certain impact of costs. And you have seen the $10 per ton is already giving us EUR 70 million per year. So it will potentially go into the 3-digit millions, of course.