

# OMV Q4 and full-year 2018 Results Conference Call

February 6, 2019

OMV Aktiengesellschaft



The energy for a better life.  OMV

## Rainer Seele

Chairman of the Executive Board and CEO

The spoken word applies

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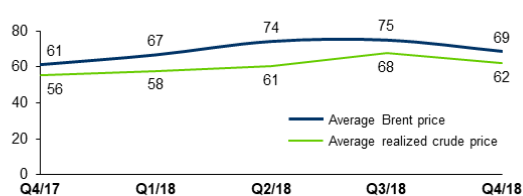
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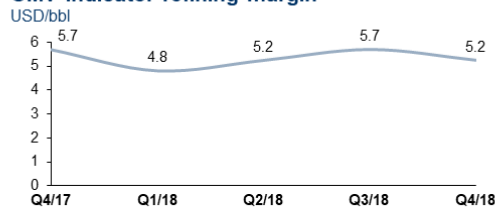


## Macro environment – Higher oil and gas prices, healthy refining margins

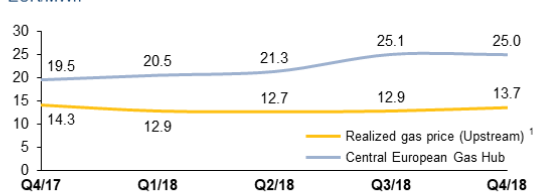
**Oil prices**  
USD/bbl



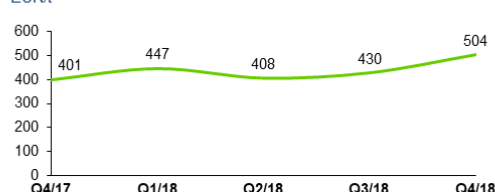
**OMV indicator refining margin**



**Gas prices**  
EUR/MWh



**Ethylene/propylene net margin <sup>2</sup>**



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



Ladies and gentlemen, good morning and thank you for joining us today. 2018 was really an outstanding year for OMV. We were able to deliver a record operational performance and to achieve many of the strategic targets we announced at our Capital Markets Day in London in March last year. Let me start by briefly reviewing the last quarter of 2018 and then I will move on to our strategic progress.

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


The fourth quarter of 2018 was extremely volatile from a macro perspective. Brent peaked in October at 86 Dollars per barrel and then fell to around 50 Dollars per barrel at the end of December, averaging 69 in the quarter. This massive contraction was caused by record production in Saudi Arabia, Russia and the US, softer impact than expected from sanctions on Iran, as well as concerns about slowing global economic growth.

The refining indicator margin was also very volatile. In October we saw the lowest monthly average for the entire year, below 3 Dollars per barrel, and later in the quarter levels above 8 Dollars per barrel. The margin averaged 5.2 Dollars per barrel in the fourth quarter, down 8 percent versus both Q3 2018 and the fourth quarter of 2017.

European gas prices were 28 percent higher than in the same period of 2017, but rather flat compared to the third quarter of 2018. The general trend in the fourth quarter, however, was a moderate decrease compared to the peak of almost 30 Euro per megawatt hour towards end of the third quarter of 2018. This is explained by a solid LNG supply to Europe triggered by weak Asian demand and a warm year-end 2018 in Europe.

On the back of cheap feedstock cost, ethylene and propylene margins were very strong in the fourth quarter of 2018, 17 percent higher than in the previous quarter and 26 percent higher than in the same period last year.

## Key messages Q4 2018

 <b>FINANCIAL PERFORMANCE</b>	 <b>STRONG OPERATIONS</b>	 <b>DELIVERING THE STRATEGY</b>
<p><b>Excellent clean CCS Operating Result</b> of EUR 1.1 bn</p> <p><b>Clean CCS EPS</b> of EUR 1.50</p> <p><b>Operating cash flow</b> of EUR 1.1 bn</p>	<p>Refineries at <b>98% utilization rate</b></p> <p>Record production of <b>447 kboe/d</b></p> <p>Production cost decreased to <b>USD 6.3/boe</b></p> <p><b>Full year cost savings</b> of ≥ EUR 100 mn</p>	<p>Closed <b>New Zealand</b> acquisition</p> <p>Divested part of Upstream <b>Tunisia</b></p> <p>Signed agreement for a <b>5% share</b> in the Ghasha gas field in <b>Abu Dhabi</b></p> <p>Signed acquisition of <b>50% share in Sapura Upstream</b></p> <p>Closed divestment of share in <b>North Sea</b> gas infrastructure</p>

## Slide 4: Key messages Q4 2018

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

OMV delivered a Clean CCS Operating Result of more than one billion Euros for the second quarter in a row.

Clean CCS Earnings per Share increased by one third versus the same quarter last year to 1 Euro and 50 cents.

Our cash generation remained strong with an operating cash flow of 1.1 billion Euros.

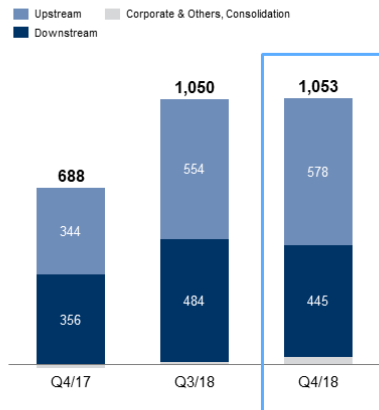
These impressive figures were driven by our strong operations. In Upstream, we reached a record production of 447 thousand barrels per day and continued to reduce our production costs per barrel to 6.3 Dollars. In Downstream, as in the previous quarter, we ran our refineries at an exceptional utilization rate of 98 percent.

We also maintained our focus on cost. Strict cost management measures throughout the entire organization led to savings of more than 100 million Euros in 2018 compared to 2017.

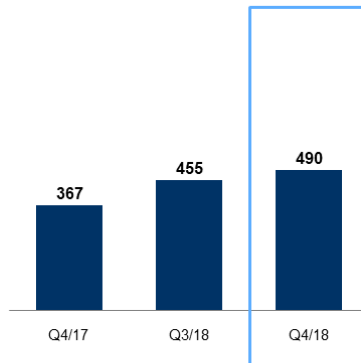
In the last months of 2018, we made progress towards our strategic goals. In November, we signed the acquisition of a 50 percent share in Sapura Upstream and we closed the divestment of our share in the Polarled gas pipeline and the Nyhamna gas processing plant in Norway. In December, we acquired a five percent share in the giant sour gas and condensate field Ghasha, further increasing our footprint in Abu Dhabi. In the same month, we divested part of our Upstream business in Tunisia and closed the acquisition of Shell's Upstream assets in New Zealand, significantly increasing our production in the Asia-Pacific region.

## Another strong quarter – Clean CCS Operating Result of more than EUR 1 bn achieved

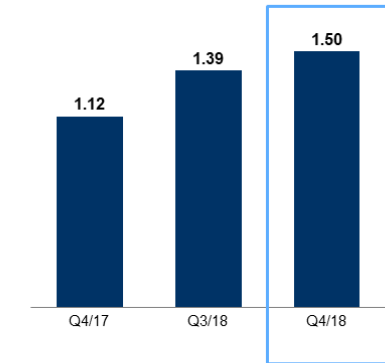
**Clean CCS Operating Result**  
EUR mn



**Clean CCS net income attributable to stockholders**  
EUR mn



**Clean CCS Earnings Per Share**  
EUR



## **Slide 5: Another strong quarter – Clean CCS Operating Result of more than EUR 1 bn achieved**

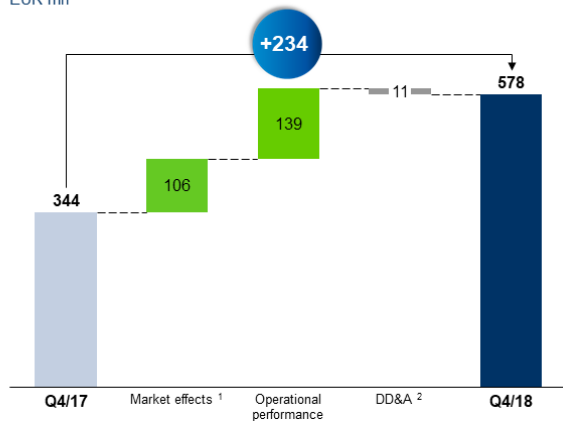
Let's now turn briefly to our financial performance in the fourth quarter of 2018. The clean CCS Operating Result increased by 53 percent, from 688 million Euros in the fourth quarter of 2017 to one billion and 53 million Euros.

The clean tax rate was 36 percent compared to 28 percent in the previous year's quarter, due to a considerably stronger Upstream contribution, particularly from countries with high tax rate fiscal regimes such as Norway and Libya.

Clean CCS net income attributable to stockholders rose by 34 percent to 490 million Euros.

## Upstream – Increased sales volumes and favorable price environment and

### Clean Operating Result EUR mn



<sup>1</sup> Market effects defined as oil and gas prices, foreign exchange impact, price effect on royalties and hedging, selling and distribution costs in Russia

<sup>2</sup> Depreciation, Depletion and Amortization

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### Q4/18 vs. Q4/17

- ▶ Realized oil price increased by 12%
- ▶ Realized gas price decreased by 4% (following acquisition in Russia)
- ▶ Hedging impact in Q4/18 of EUR (58) mn (vs. EUR (27) mn in Q4/17 and EUR (59) mn in Q3/18)
- ▶ Production of 447 kboe/d (up by +70 kboe/d):
  - ▶ Russia (+70 kboe/d)
  - ▶ UAE (+17 kboe/d)
  - ▶ Romania (-8 kboe/d)
  - ▶ Pakistan divestment (-8 kboe/d)
- ▶ Sales volumes increased by 4 mn boe mainly following higher production
- ▶ Production costs reduced to USD 6.3/boe (-29%)
- ▶ Higher depreciation mainly due to Russia and UAE, partially offset by positive reserves revisions and sale of Pakistan





## **Slide 6: Upstream – Increased sales volumes and favorable price environment**

Our Upstream business experienced a strong quarter driven by an improved operational performance and higher oil and gas prices. The Clean Operating Result recorded an impressive increase of 68 percent to 578 million Euros.

Our results were negatively impacted by hedging in the amount of 58 million Euros. We closed our gas hedges in the beginning of this year. Therefore, we have no oil and gas hedges in place for 2019.

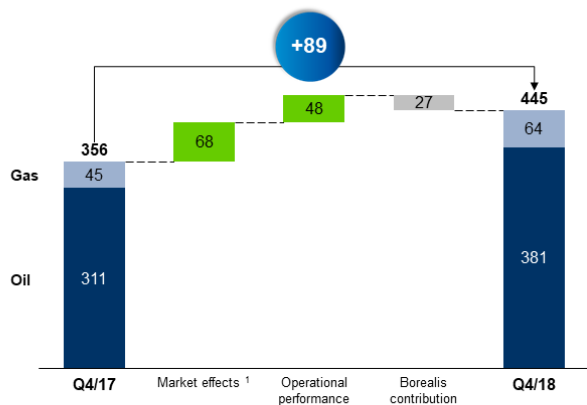
Market effects had a positive impact of 106 million Euros compared to the fourth quarter of 2017. OMV's realized oil price rose by 12 percent, while the realized gas price was down by 4 percent following the inclusion of Yuzhno Russkoye in our portfolio. This is due to the pricing formula for Yuzhno Russkoye, where half of the volumes are sold at Russian prices, which are lower than European prices. As I already mentioned in the previous quarter call, the other half is sold at European prices with a time lag of two months. Therefore, the upward movement in the European gas market from the third quarter is reflected in our realized prices of the fourth quarter.

The improvement in our operations and portfolio had a positive impact of 139 million Euros. Production went up by 70 thousand barrels per day. Yuzhno Russkoye contributed 106 thousand barrels. The production of the SARB and Umm Lulu fields in Abu Dhabi started in the third quarter of last year and increased to 17 thousand barrels per day on average in the fourth quarter of 2018. Aasta Hansteen in Norway started production mid-December 2018. Production in Romania decreased by 8 thousand barrels per day due to natural decline compared to the fourth quarter of 2017.

We were able to reduce our production costs by almost 30 percent to 6.3 Dollars per barrel on the back of higher production, our cost reduction program and favorable currency development.

## Downstream – Strong earnings driven by higher volumes and good margins

### Clean CCS Operating Result EUR mn



<sup>1</sup> Market effects defined as refining indicator margin, petrochemical margins and spark spreads

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### Q4/18 vs. Q4/17

#### Oil

- ▶ Good market environment due to petrochemicals
  - ▶ Refining indicator margin at USD 5.2/bbl (-8%)
  - ▶ Substantially higher ethylene/propylene net margin (+26%)
- ▶ Improved operational performance
  - ▶ Refineries utilization rate at a very high level of 98%
  - ▶ Total refined product sales increased by 6%
  - ▶ Retail: higher margins and slightly higher volumes
  - ▶ Commercial: higher margins and volumes
  - ▶ Petrochemicals: higher volumes (+8%)
- ▶ Lower contribution from Borealis, due to challenging market in polyolefins and fertilizers, as well as a negative inventory effect

#### Gas

- ▶ Slightly higher natural gas sales volumes driven by Germany, partially offset by Romania and Turkey
- ▶ Higher contribution from Gas Connect Austria due to insurance compensation for Baumgarten



## **Slide 7: Downstream – Strong earnings driven by higher volumes and good margins**

In our Downstream business, the clean CCS Operating Result increased to 445 million Euros, up 25 percent.

The Downstream Oil result rose by 22 percent to 381 million Euros.

While refining margins were slightly lower, we experienced a substantially higher ethylene and propylene margin.

Our operational performance was very strong, driven by the exceptional refining utilization rate, higher volumes and good retail and commercial margins. The commercial business in Germany and Austria benefitted from supply disruptions in southern Germany, caused by extremely low levels of the Rhine river and a refinery outage in the region.

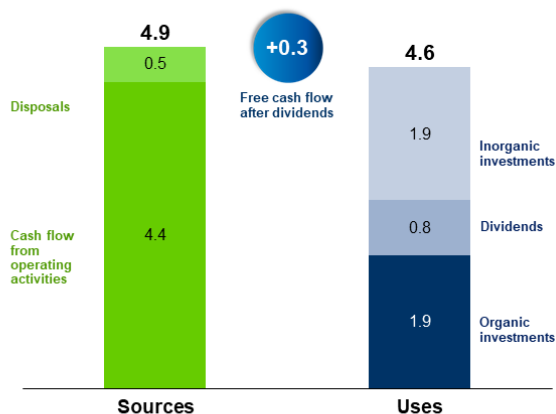
The petrochemicals result more than doubled, from 37 to 78 million Euros, due to the strong margins.

The contribution from Borealis to the clean Operating Result decreased considerably to 67 million Euros, due to negative inventory valuation effects and declining integrated polyolefin margins.

The clean CCS Operating Result in Downstream Gas rose from 45 to 64 million Euros, mainly attributable to a higher power result and an insurance compensation related to the Baumgarten incident. Natural gas sales volumes slightly increased, mainly driven by Germany.

## Free cash flow of EUR 0.3 bn after record dividends and major acquisitions

Sources and uses <sup>1</sup> in 2018  
EUR bn



- ▶ Cash flow from operating activities increased to EUR 4.4 bn (FY/17: EUR 3.4 bn)
- ▶ Cash inflow from disposals of EUR 502 mn mainly due to sale of the Upstream business in Pakistan, part of the Upstream business in Tunisia, Polarled/Nyhamna in Norway as well as the sale of OMV Samsun (FY/17: EUR 1.8 bn)
- ▶ Organic investments of EUR 1.9 bn (FY/17: EUR 1.6 bn)
- ▶ Inorganic investments of EUR 1.9 bn mainly related to the Abu Dhabi acquisition in April (FY/17: EUR 2.0 bn)
- ▶ Organic free cash flow of EUR 2.5 bn <sup>2</sup> (FY/17: EUR 1.9 bn)
- ▶ Free cash flow after dividends of EUR 0.3 bn (FY/17: EUR 1.0 bn)

<sup>1</sup> Excluding financing activities

<sup>2</sup> Organic free cash flow is Cash flow from operating activities less Organic cash flow from investing activities. Organic cash flow from investing activities is Cash flow from investing activities excluding disposals and material inorganic cash flow components (e.g. acquisitions)



## **Slide 8: Free cash flow of EUR 0.3 bn after record dividends and major acquisitions**

Turning to cash flow, the fourth quarter was again strong with an operating cash flow of 1.1 billion Euros.

As a result, we reached a record operating cash flow of 4.4 billion Euros for the full year, a remarkable increase of one billion Euros compared to 2017.

The cash inflow from divestments for the full year 2018 amounted to half a billion Euros, coming from the ongoing optimization of our portfolio.

Organic investments were 1.9 billion Euros, around 300 million Euros higher than previous year, due to higher capital expenditure in Romania, Norway and UAE.

The cash outflow for inorganic investments came in at 1.9 billion Euros, reflecting the acquisitions of our share in the oil fields in Abu Dhabi as well as of Shell's Upstream business in New Zealand.

The organic free cash flow rose by 34 percent to 2.5 billion Euros.

This means, ladies and gentlemen, that we achieved a free cash flow of almost 300 million Euros after the payment of a record dividend and the major acquisitions in 2018.

## OMV Strategy 2025 – In a nutshell

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### Profitable growth

- ▶ Clean CCS Operating Result
  - ▶ ≥EUR 4 bn in 2020 and
  - ▶ ≥EUR 5 bn in 2025
- ▶ ROACE target ≥12% mid- and long-term
- ▶ Positive free cash flow after dividends
- ▶ Long-term gearing ratio target of ≤30%
- ▶ Progressive dividend policy



### Expand integrated portfolio

- ▶ Leverage on proven concept of integration
- ▶ Significantly internationalize Upstream and Downstream
- ▶ Build strong gas market presence in Europe

### Operational excellence

- ▶ Extend record of operational excellence
- ▶ Cost discipline

## Slide 9: OMV Strategy 2025 – In a nutshell

In March of last year we presented our strategy 2025. I would like to briefly remind you what we promised one year ago and then give an overview of our progress.

We set ourselves ambitious financial targets. We strive to increase the Clean CCS Operating Result from the level of 3 billion Euros in 2017 to at least 4 billion Euros in 2020 and at least 5 billion Euros in 2025.

In addition, we committed to a gearing ratio of equal or less than 30 percent and a ROACE target of at least 12 percent in the mid to long-term.

We also aim for a positive free cash flow after dividends and strive to reward our shareholders through our progressive dividend policy.

How did we plan to achieve all this?

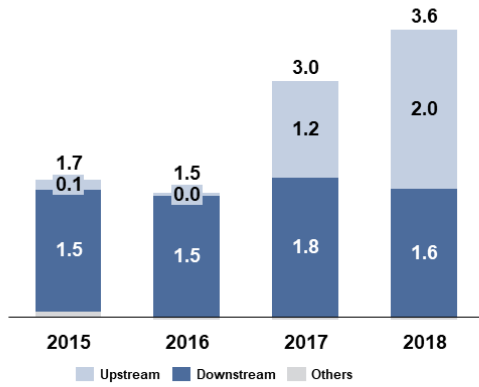
In Upstream, we promised to grow volumes in our core regions and to develop Asia-Pacific into a new core region, while bringing production cost to a level below 8 Dollars per barrel. Furthermore, we promised to double our reserves until 2025, and achieve a reserve replacement rate of more than 100 percent every year.

In Downstream Oil, we are following a twofold strategy. On the one hand, we are upgrading our European refineries more towards petrochemicals and jet fuel, and on the other hand, we want to export our successful European business to growing markets in Asia, by establishing an integrated position in the region.

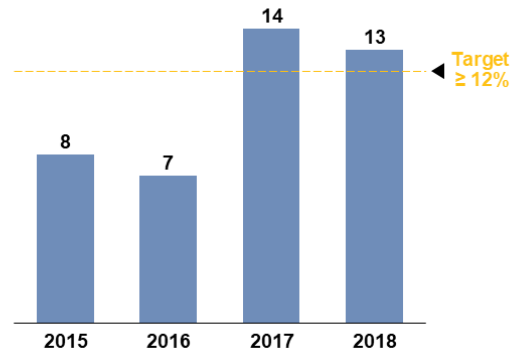
In Downstream Gas, we are striving for a volume growth strategy with a focus on Germany, the largest gas market in Europe.

## 2018 – Record Clean CCS Operating Result in OMV’s history

**Clean CCS Operating Result**  
EUR bn



**Clean CCS ROACE**  
In %





## **Slide 10: 2018 – Record Clean CCS Operating Result in OMV’s history**

Ladies and gentlemen, 2018 was for OMV a year of strong strategy execution. I am extremely pleased how we delivered on our commitments. Let me briefly talk about the highlights of this year.

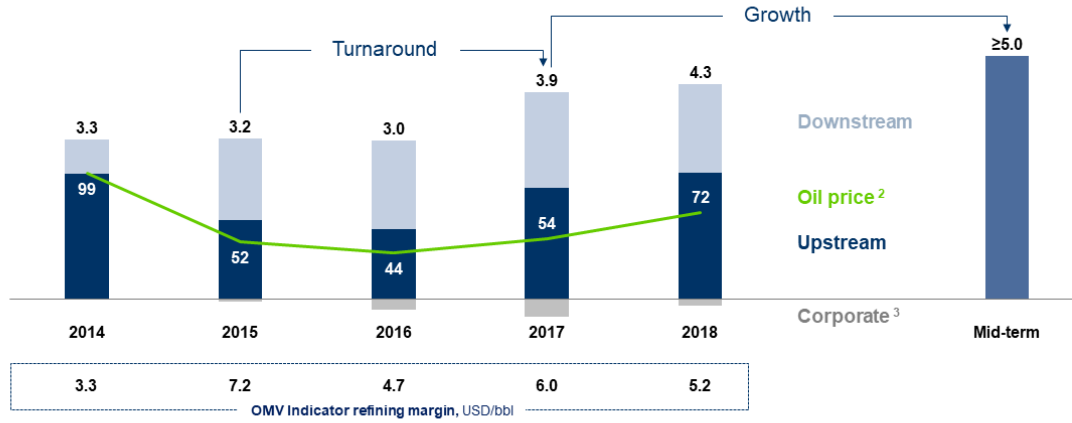
We achieved the highest clean CCS Operating Result in OMV’s history: 3.6 billion Euros. To put this into perspective, we have more than doubled our earnings since 2015 and we are well on track to reach more than 4 billion Euros in 2020, as guided in our strategy.

While Downstream has been a very consistent contributor to earnings over the last years, the profitability of Upstream increased tremendously from around 100 million Euros in 2015 to two billion Euros in 2018.

Higher earnings also translated into higher returns. With a ROACE of 13 percent, we are on track for our mid- and long-term target of at least 12 percent.

## A new level of sustainable cash generation and potential for increase above EUR 5 bn mid-term

Cash generation and oil price development <sup>1</sup>  
Sources of funds, EUR bn



11 | OMV Group, Q4 and full-year 2018 Conference Call, February 6, 2019 <sup>1</sup> Sources of funds: cash flow from operating activities excluding changes in net working capital; <sup>2</sup> in USD/bbl; <sup>3</sup> Corporate and Others



## **Slide 11: A new level of sustainable cash generation and potential for increase above EUR 5 bn mid-term**

Let me now come to the most important KPI for me when managing the company: cash flow. This is how we run the company. I would like to highlight a few things.

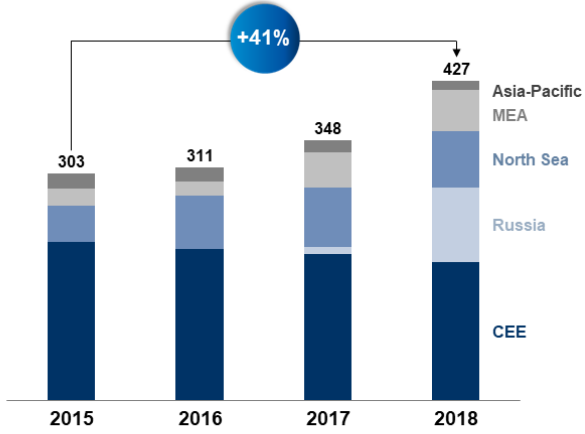
First, OMV is resilient to oil price volatility. The natural hedge provided by our integrated and balanced Upstream and Downstream businesses is key for our ability to generate strong and sustainable cash flows.

Second, with some 4 billion Euros in the last two years, we are on a new level of cash generation.

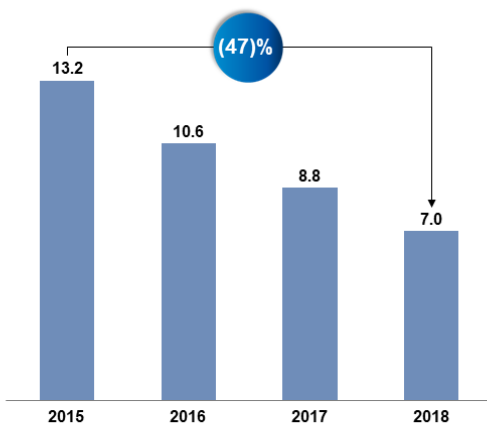
Third, we do not stop here. All our acquisitions were focused on immediate or near-term cash flow generating assets. Hence, going forward, we expect our cash flow to further increase to above 5 billion Euros in the mid-term.

## Upgraded and cost-competitive Upstream portfolio

Production volume  
In Kboe/d



Production cost  
In USD/bbl



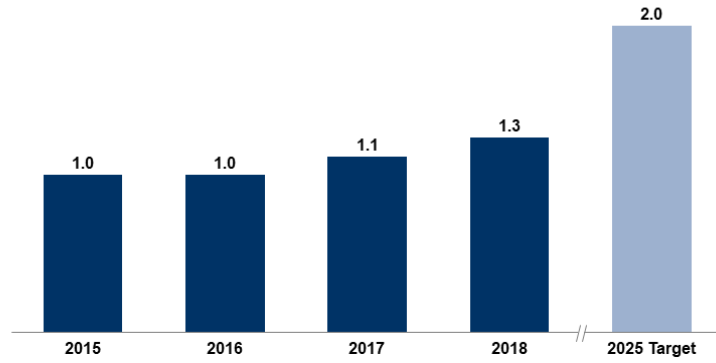
## **Slide 12: Upgraded and cost-competitive Upstream portfolio**

The next slide speaks for itself.

Our portfolio changes and efficiency efforts have boosted the size and competitiveness of the Upstream business. Since 2015, our production has increased by some 40 percent, while cost decreased by almost 50 percent.

## Strengthened reserves base

1P Reserves  
Mn boe



Reserve  
Replacement Rate  
3 years  $\bar{\sigma}$ , %  
**160**  
As of end of 2018

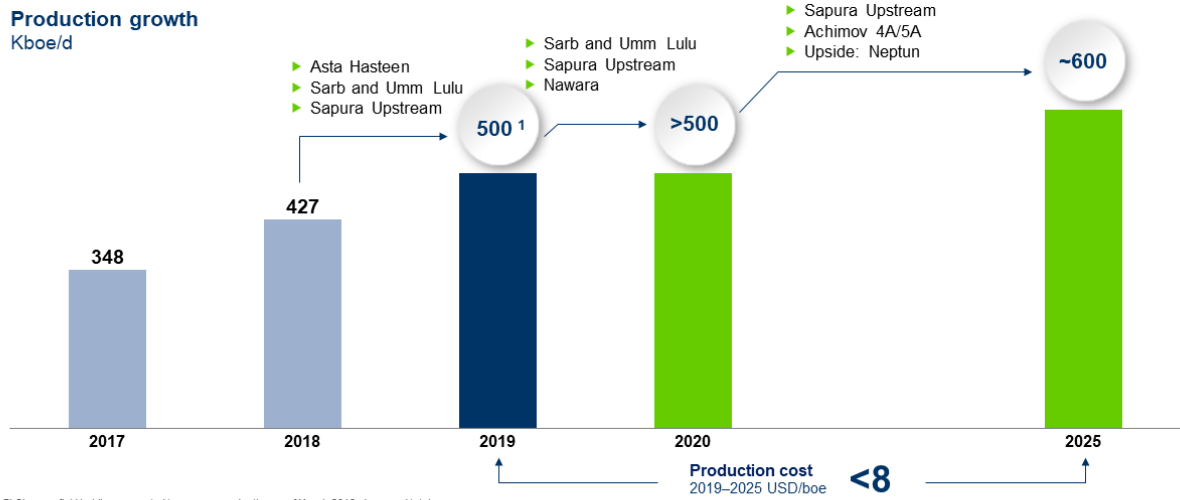
Reserves life  
years  
**8**  
As of end of 2018

## **Slide 13: Strengthened reserves base**

In 2018, we further strengthened our reserve base by adding around 200 million barrels to our reserves. This enabled us to achieve a Reserves Replacement Rate of 160 percent on a three-year average. The main contributors were the acquisition of the SARB and Umm Lulu fields and the successful development of the Turonian reservoir in the Russian gas field Yuzhno Russkoye. Additionally, we made significant positive reserves revisions due to the increase of our shares in New Zealand and the production performance and successful development activities in Norway.

OMV's reserve replacement strategy is focused both on expanding in regions with significant reserves of oil and gas and on exploration and appraisal activities. 2018 was a great year for E&A. 10 out of 16 wells drilled were successful and we made one of the best and largest discoveries in our industry: the gas and condensate fields Hades and Iris in Norway. The preliminary result indicates a discovery size of up to 75 million barrels of reserves. OMV holds a 30 percent interest and operates the fields. Additionally, in Norway we were awarded eleven exploration licenses in the beginning of 2019.

## Strong project pipeline for further production growth



<sup>1</sup> El Sharara field in Libya expected to resume production as of March 2019. Assumed total contribution from Libya of 35 kboe/d until year-end, depending on the security situation.





## Slide 14: Strong project pipeline for further production growth

We are well on track with our growth targets in Upstream. We were extremely active last year, delivering a good pipeline of growth projects that will help us to reach our targets.

The 500 thousand barrels per day target announced for 2020 will be within reach in 2019, one year earlier than promised in our strategy. This, however, depends on the security situation in Libya.

Growth will come from the ramp-up of the oil fields SARB and Umm Lulu, expected to reach more than 40,000 barrels per day by 2023, the ramp-up of the gas field Aasta Hasteen to around 20 thousand barrels in 2019 and the start-up of our Nawara gas project in Tunisia towards the end of 2019.

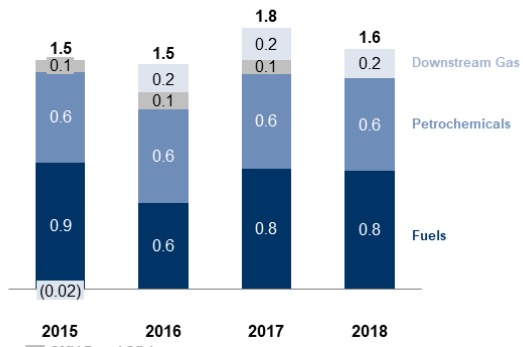
SapuraOMV Upstream Sdn. Bhd will add approximately 10 thousand barrels per day to our portfolio. Its production increases in the near-term, driven by two gas developments. First gas from phase one is anticipated to come on stream in 2020. Phase two is expected to start production in 2023 and will boost production to 60 thousand barrels per day.

We expect to close the transaction with Gazprom for the Achimov 4/5 field in summer this year. Production is estimated to start at the end of 2020 and reach plateau of more than 80 thousand barrels of per day in 2025.

Neptun provides a further upside to our long-term growth. We planned to take the Final Investment Decision last year, but the Romanian government passed the Offshore Law only in mid-November 2018. Additionally, on December 29 the government introduced new measures, which negatively impact the gas market. Thus, the current legislative status does not fulfill all prerequisites to take an FID.

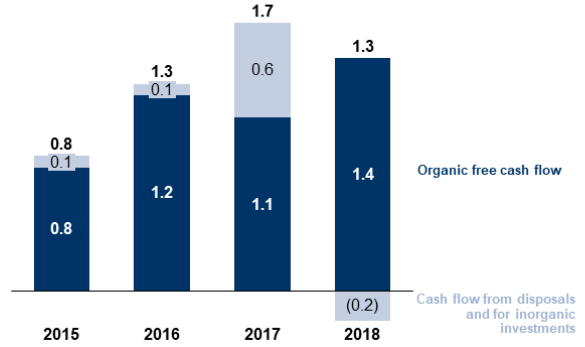
## Downstream – Consistently strong cash generator

**Clean CCS Operating Result**  
EUR bn



Year	2015	2016	2017	2018
Refining Margin, USD/bbl	7.2	4.7	6.0	5.2

**Downstream Free Cash Flow**  
EUR bn



## **Slide 15: Downstream – Consistently strong cash generator**

In Downstream, we remained firmly focused on operational excellence and cost efficiency, generating strong returns and cash flows.

In 2018, excluding Petrol Ofisi, our sales in retail and commercial increased. The average throughput of our filling stations improved from 3.7 to 3.8 million liters.

In the last three years, our Downstream business generated an organic free cash flow of over 1 billion Euros per year, reaching 1.4 billion Euros in 2018, the highest organic free cash flow in a decade.

## Excellentlly positioned for IMO 2020 to capture upside

### No investment required

**No refinery turnaround** in 2019 and 2020

Able to **produce** new grade of **marine fuel oil**

**Balanced sour/sweet** crude slate

**Advantaged** Romanian and Austrian **equity crude**

### Positioned to capture significant upside

Middle distillate yield

**50%**

Heavy fuel oil yield

**2%**

Diesel crack spread +USD 10/t

**+USD 70 mn<sup>1</sup>**

HFO crack spread USD (10)/t

**USD (0.8) mn<sup>1</sup>**



Upside in Upstream

**85% of produced crude is sweet<sup>2</sup>**

<sup>1</sup> Impact in Clean CCS Operating Result, <sup>2</sup> < 0.5% sulfur content

## **Slide 16: Excellently positioned for IMO 2020 to capture upside**

Downstream will continue to be a strong cash generator for OMV and we see further upside through IMO 2020.

OMV runs landlocked refineries and does not sell a lot of maritime fuel. It currently produces fuel oil with high sulfur content only at the Schwechat refinery. With a fuel oil yield of only two percent and a middle distillate yield of 50 percent, our refining business is excellently positioned for IMO 2020.

We will be able to produce the new marine fuel oil with no additional cost, as we benefit from our sweet equity crudes in Romania and Austria. We also do not need to invest in order to adapt to the market.

Just to give you an example of how we could benefit from the expected widening of the spread between fuel oil and distillates. An increase of 10 Dollars in the Diesel crack spread will generate an additional income of 70 million Euros in our operating result, while a decrease of 10 Dollars in the fuel oil crack would be only a small loss of 0.8 million Euros. The expected widening differentials between sweet and sour crude will provide further upside in Upstream, as 85 percent of our produced crude is sweet.

## OMV and ADNOC form a strategic downstream partnership – Decisive step to deliver OMV Strategy 2025



<sup>1</sup> subject to customary closing adjustments

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- ▶ OMV acquires a 15% interest in ADNOC Refining and in a to-be-established Trading Joint Venture (ADNOC 65%, ENI 20%)
- ▶ OMV becomes a strategic partner in the 4<sup>th</sup> largest refinery in the world, integrated into petrochemicals (total capacity: 922 kbbl/d)
- ▶ Trading Joint Venture follows same successfully integrated Downstream Oil business model as OMV in Europe – with access to attractive markets
- ▶ Estimated purchase price of ~USD 2.5 bn based on estimated 2018 year-end net debt; final value dependent on net debt at closing and working capital adjustments
  - ▶ Enterprise value of ~USD 2.9 bn <sup>1</sup> for 15%
- ▶ Closing of the transaction is expected in Q3 2019
- ▶ Transaction will be financed from cash and through long-term senior bonds; the share will be consolidated at-equity



## **Slide 17: OMV and ADNOC form a strategic downstream partnership – Decisive step to deliver OMV Strategy 2025**

Ladies and gentlemen, just few days ago, OMV signed a landmark strategic partnership with ADNOC for a 15 percent stake in ADNOC Refining and a to-be established Trading Joint Venture.

Through this transaction, OMV becomes a strategic partner in the fourth largest refinery in the world, which is forward integrated into petrochemicals. ADNOC Refining includes the Ruwais refineries East and West as well as the Abu Dhabi refinery and has a total capacity of 922 thousand barrels per day.

As outlined in our strategy last year, OMV aims at growing its Downstream Oil business by exporting its successful refining and petrochemicals business model to international growth markets. With this transaction, we take a decisive step to deliver on our strategy. With a 15 percent stake in ADNOC Refining and the future Trading Joint Venture, we follow the same integrated business model of Downstream Oil that defines our success in Europe – at the doorstep of attractive growth markets such as Asia-Pacific.

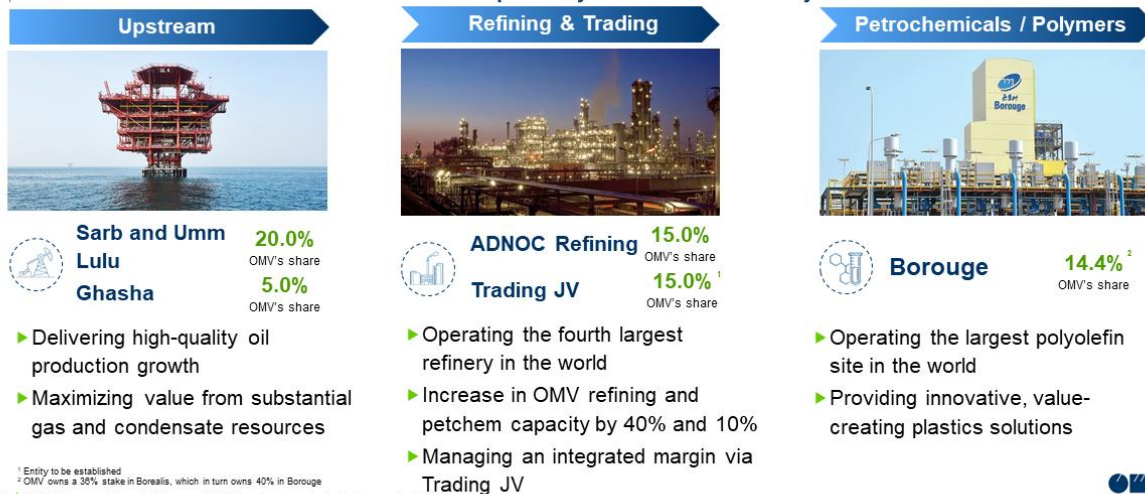
The estimated purchase price, thus the cash out, is roughly 2.5 billion Dollars based on 2018 year-end net debt. The final value is dependent on the net debt as of closing and certain working capital adjustments. The enterprise value for our 15 percent share amounts to approximately 2.9 billion Dollars.

Closing of this transaction is expected in the third quarter of 2019. Our stake in ADNOC Refining and the Trading JV will be consolidated at-equity in OMV's financial statements. The partners have agreed on an attractive dividend policy.

Based on the current scope of the assets and on the business plan, we expect to receive dividends already in 2020 for the financial year 2019. In the medium term, we are anticipating a dividend yield in excess of 10 percent per year, based on the purchase price. Last, but not least, the transaction will be accretive to OMV's Earnings per Share from the first year onwards.

## Benefitting from an integrated position in Abu Dhabi – One of the world’s major oil and gas centers

OMV’s integrated value chain in Abu Dhabi enhances profitability, increases optionality and reduces volatility



<sup>1</sup> Entity to be established

<sup>2</sup> OMV owns a 35% stake in Borealis, which in turn owns 40% in Borouge



## **Slide 18: Benefitting from an integrated position in Abu Dhabi – One of the world's major oil and gas centers**

With this transaction, OMV is building an integrated value chain in Abu Dhabi, similar to our successful business model in Europe. This allows us to enhance profitability, increase optionality and reduce volatility.

OMV has both oil, and gas concessions in Abu Dhabi, with already producing high quality oil from SARB and Umm Lulu and a substantial gas and condensate potential from the Ghasha field.

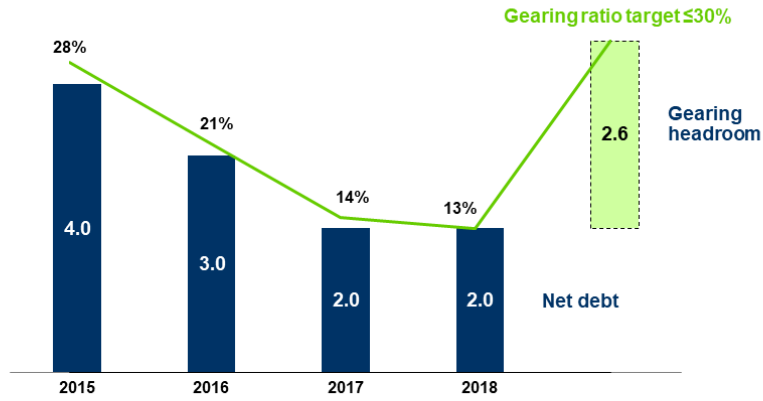
With the newly acquired stake in ADNOC Refining and the Trading Joint Venture, we continue to diversify down the value chain and manage the best integrated margin. Accordingly, OMV's refining and petrochemical capacities increase by 40 percent and 10 percent, respectively.

The Ruwais site is well integrated into petrochemicals, with Borouge, the largest polyolefins site in the world. Borouge is jointly owned by Borealis and ADNOC, which allows for synergies along the value chain.

In Abu Dhabi, OMV benefits from a stable and reliable framework for investments while having access to low cost and long life oil and gas reserves. With the integrated material position in Abu Dhabi, OMV now sits at the heart of the global supply and demand for petroleum and chemicals products.

## Healthy balance sheet with substantial gearing headroom

Net debt and gearing ratio  
EUR bn



Cash position  
EUR bn <sup>1</sup>  
**4.0**

Undrawn revolving  
credit facilities  
EUR bn <sup>1</sup>  
**3.5**

<sup>1</sup> As of end of 2018

## **Slide 19: Healthy balance sheet with substantial gearing headroom**

OMV's balance sheet remained very healthy and showed strong liquidity with a cash position of 4 billion Euros at the end of 2018.

Net debt amounted to 2 billion Euros and the gearing ratio stood at 13 percent, and that is after acquisitions of 1.7 billion Euros last year.

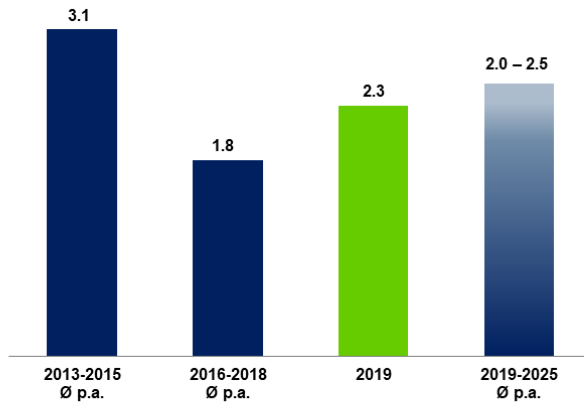
Based on a 30 percent gearing ratio, we have a headroom of 2.6 billion Euros.

Both rating agencies Moody's and Fitch confirmed our strong investment grade rating after the recent announcement of the transaction with ADNOC Refining.

## Focus on disciplined organic investments

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Organic CAPEX  
EUR bn



► Increase in 2019 organic Capex guidance reflects a strong pipeline of growth projects

## **Slide 20: Focused disciplined organic investments**

Let me now come to our organic investments.

We have substantially reduced the level of the organic investments from an average of 3.1 billion Euros in the years 2013 to 2015 to an average of 1.8 billion Euros in the last three years.

Going forward, the guided level of 2 to 2.5 billion Euros per year until 2025 is sufficient to maintain our new portfolio and finance our growth projects.

## Shift in capital allocation priorities

Previous priorities	>>>	New priorities
Organic Capex	1	Organic Capex
Acquisitions	2	Dividends
Dividends	3	Debt reduction
Debt reduction	4	Acquisitions



ROACE TARGET

≥12%

Mid- and long-term

## Slide 21: Shift in capital allocation priorities

Ladies and gentlemen, we have worked hard since we communicated our 2025 strategy last year. We were able to close major deals significantly faster than anticipated. We have committed about 60 percent of our eight-year acquisition budget, but we have executed the vast majority of our 2025 strategy, generating significant growth in Upstream and a clear path of growth for Downstream. As promised, the acquisitions focused on short and mid-term cash flow generating assets, enabling us to transform OMV into a stronger and more profitable company.

In 2019, we will focus on cash flows and on consolidating our new businesses. In the short and mid-term, there are no further big acquisitions planned, apart from the ones communicated.

As a consequence, we will make a shift in our capital allocation priorities.

First, we will continue to develop our projects and grow the company organically.

Secondly, after executing the announced transactions, we will have a clear focus on dividends and delivering on our progressive dividend policy.

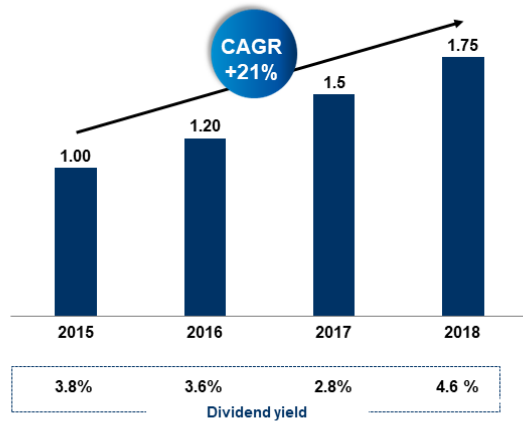
The third priority is debt reduction.

Fourth is acquisitions.

And, we are reconfirming the mid- and long-term target of minimum 12 percent ROACE.

## Delivering on our progressive dividend policy – Record dividends in 2018

Dividend per share  
EUR



- ▶ **Record dividend of EUR 1.75** per share for 2018 proposed (+17% vs. 2017)
- ▶ We are committed to delivering an **attractive and predictable shareholder return** through the business cycle
- ▶ Progressive dividend policy: **OMV aims to increase the dividend or at least maintain it at the previous year's level**

22 | OMV Group, Q4 and full-year 2018 Conference Call, February 6, 2019





## **Slide 22: Delivering on our progressive dividend policy – Record dividends in 2018**

Last year we introduced a new dividend policy: we committed ourselves to increase the dividend every year or at least maintain it at the respective previous year's level.

In line with our promises, we propose to the Annual General Meeting a dividend of 1 Euro and 75 cents per share for 2018. This is an increase of 17 percent compared to the previous year and marks a new record in OMV's history.

Since 2015 we have increased our dividends at an average rate of 21 percent per year.

We herewith reconfirm our progressive dividend policy.

## Outlook 2019

	2018	Outlook 2019
Brent oil price (USD/bbl)	71	65
NCG gas price (EUR/MWh)	23	<23
Total hydrocarbon production (kboe/d)	427	500 <sup>1</sup>
OMV indicator refining margin (USD/bbl)	5.2	~5.0
Ethylene/propylene net margin (EUR/t)	448	<448
Utilization rate refineries (%)	92	>92
Organic Capex (EUR bn)	1.9	2.3
E&A expenditures (EUR mn)	300	350

23 | OMV Group, Q4 and full-year 2018 Conference Call, February 6, 2019

<sup>1</sup> El Sharara field in Libya expected to resume production as of March 2019. Assumed total contribution from Libya of 35 kboe/d until year-end, depending on the security situation.



## Slide 23: Outlook 2019

Let me conclude with the outlook for 2019. For the full year, we are forecasting an average oil price of 65 Dollars per barrel and European gas spot prices lower than in 2018.

- Organic capex is projected to come in at around 2.3 billion Euros, thereof 1.5 billion Euros in Upstream, including development capex for Sapura OMV Upstream.
- Production is expected to be 500 thousand barrels per day, but depends on the security situation in Libya. The production at El Sharara is currently suspended. The field is expected to resume production as of March 2019, after which we assume a total contribution from Libya of 35 thousand barrels per day until year-end.
- Therefore, in the first quarter of 2019 we are expecting a decline of around 80 percent in sales volumes in Libya compared to the fourth quarter of last year. In addition, production in New Zealand at the Pohokura offshore field will be stopped due to planned maintenance activities for around 30 days starting February 2019
- Exploration and appraisal expenditures are expected to be 350 million Euros.
- Refining margins are projected to be around 5 Dollars per barrel.
- Petrochemical margins are estimated to be a bit lower than in 2018.
- The utilization rate of the refineries is expected to be above 92 percent, as there is no planned turnaround.
- Total product sales will be on a similar level compared to 2018. Retail and commercial margins will also similar compared to 2018.
- Natural gas sales volumes are projected to be higher than in 2018, but margins are forecasted to be lower.
- The new regulations in Romania set a gas price cap and a regulated price for household electricity until February 2022, as well as a 2 percent financial contribution on turnover from gas and electricity activities. Our preliminary assessment accounts for mid double-digit million Euros impact on the Petrom's Operating Result, based on 2018 figures.
- We expect the clean tax rate for the year 2019 to be around 40 percent.

Thank you for your attention. Now my colleagues and I will be happy to take your questions.