OMV Q1 2022 Results Conference Call

April 29, 2022

Alfred Stern

Chairman of the Executive Board and CEO

The spoken word applies

Q1 2022 Results conference call

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Ladies and gentlemen, good morning and thank you for joining us.

The first quarter of 2022 was dominated by Russia's invasion of Ukraine, an event which substantially impacted markets globally and caused extreme volatility. The war in Ukraine produced a major shock to the world both from the humanitarian point of view as well as from the supply point of view. Oil and gas prices rallied to new heights, as the war and the international sanctions against Russia have impacted supply and raised concerns about supply security.

Following the tragic events, we concluded that Russia is no longer a region where we want to be engaged. We will no longer pursue investments in the country, and we are reviewing exit options for our existing share in the Yuzhno Russkoye gas field. We no longer buy Russian crude oil for our refineries. The countersanctions announced by the Russian government at the end of February led to the change of consolidation method applied for our Russian operations. As a consequence, as of March 1, we no longer include Russia's operational contribution in our KPIs, in the operating result, or in our cash flows. Though the Russian volumes represented around 20 percent of our total oil and gas production, the financial contribution was significantly less and rather limited on a Group level.

Let me start with a brief review of the market environment.

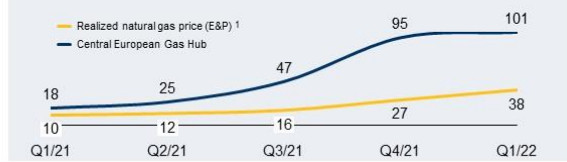
Macro environment

Substantially stronger oil and gas prices, rising refining margins, and healthy chemical margins

Oil prices & refining indicator margin Europe
USD/bbl

Olefin indicator margins Europe [2]
EUR/t

Gas prices
EUR/MWh



Polyolefin indicator margins Europe
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 of 18%

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Slide 3: Macro environment – substantially stronger oil and gas prices, rising refining margins, and healthy chemical margins

Brent prices increased considerably during the quarter, averaging 102 dollars per barrel, which is 67 percent higher year-on-year. The start to the year was strong and by the end of January Brent reached 90 dollars per barrel, a level not seen since 2014. Main drivers were a strong recovery of global demand accompanied by only moderate increases in supply from OPEC+ and the United States. The outbreak of the war in Ukraine led to concerns about supply security, driving Brent prices up further with intraday highs of more than 130 dollars per barrel.

At 101 euros per megawatt hour, Central European gas prices were more than five times higher compared to the previous year's quarter. Despite the easing of prices in January due to strong LNG inflows, the start of the war in Ukraine caused prices to jump considerably and concerns over a potential supply disruption from Russia kept prices highly volatile. Russia's announcement of demands on ruble payments for natural gas supplies further fueled worries of supply disruptions toward the end of the first quarter.

The European refining margin indicator increased from 1.7 in the first quarter of 2021 to 9.8 dollars per barrel in the first quarter of this year. The refining margin indicator skyrocketed in Romania, in particular, as it is based on Urals, which traded at a substantial discount to Brent due to voluntary embargos for Russian crude. The indicator margins for our Western refineries also increased due to improved middle distillate cracks. The cracks reached levels not seen since 2008, primarily driven by worries that Russia, which is a larger exporter of diesel to Europe, would be lost as a supplier in an already tight market.

The European olefin indicator margins increased year-on-year, with ethylene up 6 percent and propylene up 23 percent. Strong demand in Europe made it possible to pass on rising naphtha cost, and propylene continued to see a tight supply/demand balance. The European polyolefin margins were impacted by higher feedstock costs and a more balanced market compared to the first quarter of 2021. The market for polypropylene remained tight, and the polypropylene indicator margin slightly increased year-on-year while the polyethylene indicator margin declined by 20 percent.

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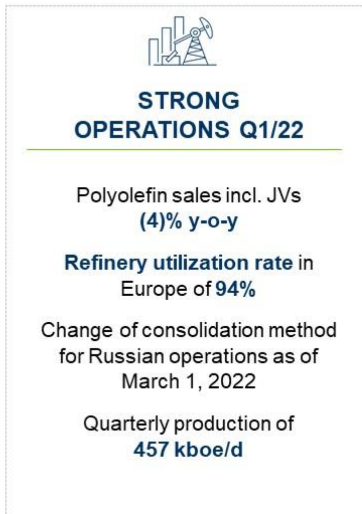
Key messages



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Slide 4: Key messages

We were able to start the year with a strong financial performance. Our clean CCS Operating Result rose sharply to 2.6 billion euros and the cash flow from operating activities – excluding net working capital effects – soared to almost 3.4 billion euros.

Looking at operations in the first quarter, total polyolefin sales volumes of Borealis and Joint Ventures were slightly lower. The utilization rate of our European assets was very strong: our refineries in Europe ran at 94 percent, and the steam cracker utilization rate improved to 96 percent. Our oil and gas production was lower than in the first quarter of 2021, primarily due to the change in the consolidation for our Russian operations as of March this year. As a consequence, these volumes will no longer be included in our reporting.

An important milestone of our growth strategy in Chemicals & Materials was reached in February. Borouge started up successfully the fifth Borstar® polypropylene unit in Ruwais, increasing the total polymer production capacity by 11 percent to 5 million tons per year.

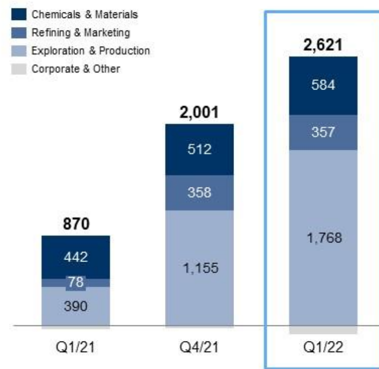
At our Capital Markets Day in March, we communicated our new Strategy 2030, which represents a fundamental shift in the company's history. We aim to transform OMV into a sustainable fuels, chemicals, and materials company with a strong focus on circular economy solutions. And, we want to become a net-zero emissions company for scope 1, 2, and 3 by no later than 2050.

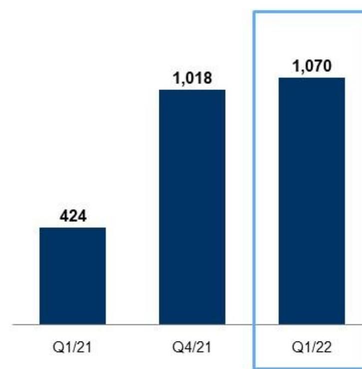
In the framework of our new strategic direction to become a leader in circular economy solutions, we entered into exclusive negotiations with Alba Recycling to jointly build and operate an innovative sorting plant in Germany. The plant will have the capacity to process 200 thousand tons of post-consumer mixed waste per year. The final investment decision will be taken this year.

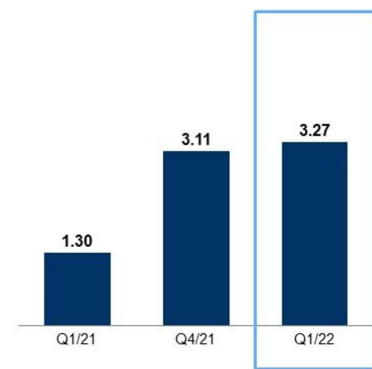
Last, but not least, I would also like to briefly bring to your attention the change of the minority shareholder in Borealis announced this morning: ADNOC acquired Mubadala's 25 percent stake. We are very pleased about our new partner in Borealis. We have a good and longstanding partnership with ADNOC in the areas of Upstream, Refining and Trading and in particular with regard to the Borouge joint venture.

Clean CCS Operating Result

Strong earnings driven primarily by a substantially higher E&P contribution







Note. Starting January 1st, 2022 Gas Marketing Western Europe was transferred from R&M to E&P

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Slide 5: Clean CCS Operating Result – strong earnings driven primarily by a substantially higher E&P contribution

Let's now turn to our financial performance in the first quarter of this year.

Our clean CCS Operating Result rose sharply to 2.6 billion euros, an increase of almost 1.8 billion euros compared with the first quarter of 2021, which was still heavily impacted by the COVID pandemic. All three business segments contributed to this increase, with the largest contribution coming from Exploration & Production.

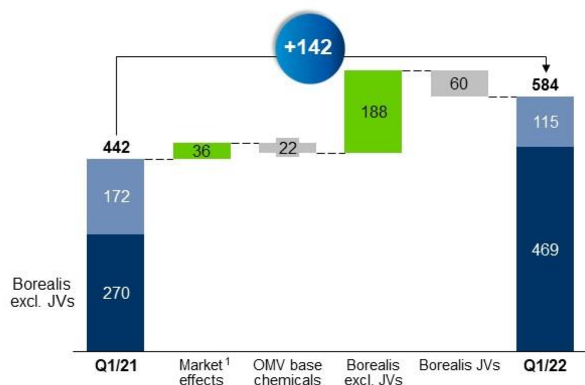
The clean CCS tax rate increased to 46 percent, which was 19 percentage points higher than in the same quarter last year. This was due to a significantly larger earnings contribution from Exploration & Production, especially from high-tax regime countries.

Clean CCS net income attributable to stockholders surged to 1.1 billion euros. Clean CCS Earnings Per Share amounted to 3 euros and 27 cents.

Chemicals & Materials

Strong performance of the nitrogen business and increased realized polyolefin margins

Clean Operating Result
EUR mn



[1] Based on externally published quotations and volumes for main product categories for OMV base chemicals and Borealis excl. JVs; excluding inventory effects; not adjusted for effect from intercompany profit elimination

- Stronger market environment
  - Higher European ethylene and propylene indicator margins (+6%, +23%)
  - Healthy European PE and PP indicator margins (-20%, +6%)
- Higher steam cracker utilization rate (96% vs 89%)
- Lower OMV base chemicals contribution due to higher customer discounts, driven by rising prices, increased feedstock cost, and power and natural gas prices
- Borealis excluding JVs
  - Base chemicals: higher olefin indicator margins and positive inventory valuation effects were to a certain extent offset by higher discounts and lower contribution from the phenol business
  - Polyolefins: substantially higher performance due to stronger realized margins, which were positively impacted by higher feedstock discounts and prices above market indicators for certain product categories
  - Nitro: exceptional performance due to substantially higher fertilizer prices, more than offsetting the natural gas prices
  - Positive inventory valuation effects
- Borealis JVs
  - Decreased performance, mainly following a one-time effect from pension provisions in Borouge
  - Market prices in Asia only slightly increased, despite increase of naphtha prices

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Slide 6: Chemicals & Materials – strong performance of the nitrogen business and increased realized polyolefin margins

Let me now discuss the performance of our business segments.

The clean Operating Result of Chemicals & Materials increased by 32 percent to 584 million euros, driven by a substantially stronger contribution of the nitrogen business, and an increased performance of polyolefins.

The contribution of OMV's base chemicals business was lower. Higher ethylene and propylene indicator margins were more than offset by increased feedstock cost, and rising power and natural gas prices as well as higher customer discounts, which were largely recovered in our polyolefins business.

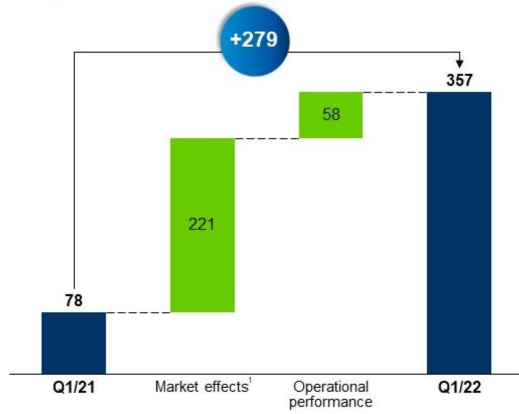
The contribution of Borealis, excluding the Joint Ventures, grew sharply by 73 percent to 469 million euros, supported by a favorable market environment, a strong operational performance, and positive inventory effects. This increase was fueled by all three businesses: base chemicals, polyolefins and nitrogen. The polyolefin business saw a strong increase, despite slightly lower sales volumes mostly in the consumer products segment. In contrast to the market indicator margins, the realized margins for both commodity and specialty polyolefins improved. This was driven on the one hand by lower feedstock cost due to larger discounts related to monomer prices, and on the other hand by stronger price increases for certain product categories. The nitrogen business showed an exceptional performance despite the high natural gas prices. Fertilizer prices saw unprecedented highs due to a tight supply situation impacted by the war in Ukraine.

The contribution of the Borealis JVs declined to 64 million euros, mainly due to a one-time pension provision in Borouge. Despite a significant increase in naphtha prices, the polyolefin prices in Asia rose only slightly, as demand was weaker due to COVID lockdowns in China and start-up of new capacities. Polyethylene sales volumes from the JVs remained relatively flat, as higher sales volumes in Baystar were offset by lower sales volumes in Borouge due to the planned turnaround of Borouge 1. Polypropylene sales volumes increased slightly, benefiting from the recent start-up of the PP5 unit at Borouge.

Refining & Marketing

Substantially stronger refining margins, partly offset by higher utilities and crude cost and lower retail contribution

Clean CCS Operating Result
EUR mn



- Significantly higher refining indicator margin Europe (USD 9.8/bbl vs. USD 1.7/bbl)
- Operational performance
  - Improved refinery utilization rate Europe (94% vs. 81%)
  - Substantially increased crude differentials and higher utilities costs
  - Reduced retail contribution due to considerably lower retail margins and higher costs, only partly offset by demand recovery
  - Slightly higher commercial performance mainly driven by higher jet volumes
  - Lower contribution from refining margin hedges
  - Increased ADNOC Refining and Trading contribution due to higher refining margins and contribution from Trading
  - Significantly higher contribution from the gas business due to higher gas storage margins, partly offset by planned outage in the Brazi power plant

[1] Market effects based on refining indicator margin Europe
Note. Starting January 1st, 2022 Gas Marketing Western Europe was transferred from R&M to E&P

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Slide 7: Refining & Marketing – substantially stronger refining margins, partly offset by higher utilities and crude cost and lower retail contribution

The clean CCS Operating Result in Refining & Marketing increased by 279 million to 357 million euros year-on-year due to substantially higher refining margins, a strong result of Petrom's gas business, and an improved contribution from ADNOC Refining and Trading. The positive impact was partly offset by increased crude differentials, higher utility expenses, a lower retail result, and termination of our margin hedges, which contributed positively in 2021.

Total sales volumes were up 10 percent, primarily due to a significant uptick in jet fuel sales. Despite the increase in volumes, the retail business showed a substantially weaker result due to lower fuel margins, following the rapid rise of crude prices and the introduction of price caps in several countries. The performance of the commercial business rose slightly year-on-year, on account of higher volumes and margins.

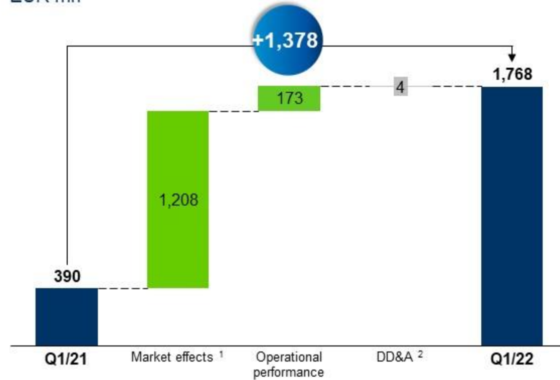
The contribution from ADNOC Refining and Trading improved from minus 25 million euros to plus 20 million euros, mainly due to higher refining margins and a stronger contribution from ADNOC Trading.

As of January this year, Gas Marketing Western Europe was transferred from Refining & Marketing to Exploration & Production in order to extract synergies from the entire end-to-end gas value chain. In Refining & Marketing we are now only reporting the result from Gas & Power Petrom and Turkey. The earnings from this business increased substantially to 148 million euros, driven by higher gas storage margins in Romania, which were partly offset by a lower power result due to a planned shutdown of the Brazi power plant.

Exploration & Production

Significantly stronger oil and gas prices partly offset by realized hedging losses and change of consolidation method for Russia

Clean Operating Result
EUR mn



- Significantly stronger market environment
  - Average realized crude oil price increased by 64%
  - Average realized natural gas price increased by 265%
  - Realized hedging loss of EUR (251) mn in Q1/22
  - Positive FX impact due to stronger USD/EUR
- Production of 457 kboe/d (-38 kboe/d)
  - UAE (+15 kboe/d)
  - Norway (+7 kboe/d)
  - Russia (-26 kboe/d)
  - Romania (-11 kboe/d)
  - Kazakhstan (-6 kboe/d)
  - Malaysia (-5 kboe/d)
- Sales volumes decreased by 6 kboe/d
- Missing contribution from Russia for one month was more than offset by higher sales in UAE and Libya, leading to positive operational performance
- Production costs increased to USD 7.4/boe (+8%) mainly following the change of consolidation for Russian operations

[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, including write-ups

Note. Starting January 1, 2022, Gas Marketing Western Europe was transferred from R&M to E&P

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Slide 8: Exploration & Production – significantly stronger oil and gas prices partly offset by hedging losses and change of consolidation method for Russia

The Clean Operating Result of Exploration & Production rose to almost 1.8 billion euros from 390 million euros in the first quarter of 2021. The driving factors were significantly higher realized oil and gas prices, which were partly offset by the negative hedging impact of around 250 million euros and the change in the consolidation method for the Russian operations.

Compared with the first quarter of 2021, OMV’s realized oil price increased by 64 percent, thus slightly less than Brent. Our overall realized gas price increased nearly quadrupled compared with the prior-year quarter. About 10 percent of our gas production benefitted from the surge in prices. 10 percent of the volumes were hedged at 29 euros per megawatt hour. The remaining 80 percent of our gas portfolio followed more local prices in the respective markets, where we have also seen increases. However, the increase in gas prices in Romania was partly offset by higher gas taxation, which is based on the CEGH price.

Our production volume decreased by 38 to 457 thousand boe per day, primarily due to the fact that Russian production was only included for two months given the previously mentioned change of consolidation method. In Romania, production was also lower following natural decline. The decrease was partially offset by higher production in the UAE, due to revised OPEC restrictions, and in Norway. Production cost increased to 7.4 dollars per barrel, impacted by the change in consolidation method of the Russian operations.

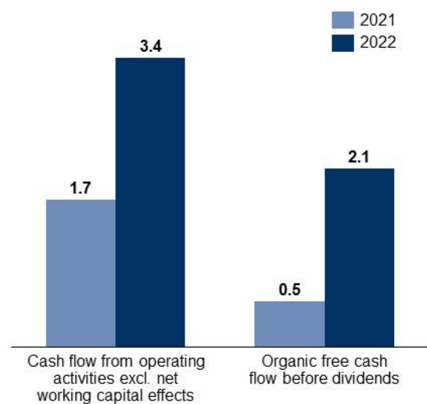
Sales volumes decreased by 6 thousand boe, thus by less than production volumes. The missing contribution from Russia for one month was more than offset by higher sales in the UAE and Libya following the lifting schedule, leading to positive operational performance.

As mentioned before, Gas Marketing Western Europe was transferred from Refining & Marketing to Exploration & Production. In the first quarter, the Gas Marketing West business contributed 56 million euros to the segment result.

Cash Flow

Cash flow from operating activities excluding net working capital effects in Q1/22 doubled

Cash flow Q1/22 vs. Q1/21
EUR bn



- Increase of ~ **EUR 1.6 bn** in cash flow from operating activities excluding net working capital effects
- Net working capital effects of EUR (674) mn (3m/21: EUR (646) mn)
- **Cash flow from operating activities of EUR 2.7 bn** (3m/21: EUR 1.1 bn)
- Organic cash flow from investing activities [1] at EUR (613) mn (3m/21: EUR (533) mn)
- **Organic free cash flow before dividends [2] of EUR 2.1 bn** (3m/21: EUR 0.5 bn)
- Dividends paid to Borealis minorities of EUR (175) mn (3m/21: EUR (38) mn)
- Inorganic cash flow from investing activities of EUR (544) mn

[1] Organic cash flow from investing activities is cash flow from investing activities excluding divestments and material inorganic cash flow components (e.g., acquisitions).
[2] Organic free cash flow before dividends is cash flow from operating activities less organic cash flow from investing activities.

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Slide 9: Cash flow from operating activities excluding net working capital effects in Q1/22 doubled

Turning to cash flow, our first-quarter operating cash flow ─ excluding net working capital effects ─ amounted to 3.4 billion euros, thus almost doubled compared with the previous year’s quarter. This was driven by high commodity prices and good operational performance, including temporary effects from the tax payment schedule in Norway.

Net working capital effects generated a cash outflow similar to previous year’s quarter in the amount of 674 million euros, primarily due to higher oil and gas prices. As a result, our cash flow from operating activities for the quarter amounted to 2.7 billion euros.

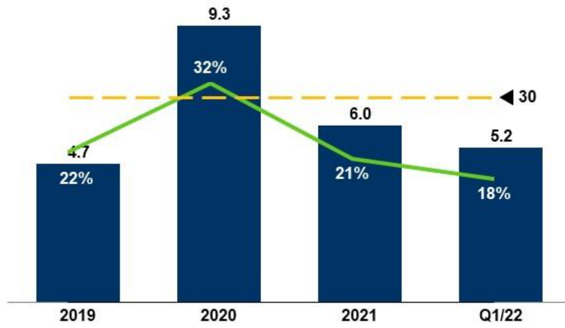
The organic cash outflow from investing activities amounted to around 600 million euros. The organic free cash flow before dividends for the first quarter came in at around 2.1 billion euros.

The inorganic cash outflow from investing activities includes a capital contribution to Borouge 4 of 287 million euros, as well as cash disposed of in the amount of 208 million euros related to the change of consolidation method for the Russian entities.

Strong balance sheet

Leverage ratio comfortably below 30%

Leverage ratio
Net debt in EUR bn



End of March 2022
OMV cash position

EUR 6.0 bn

End of March 2022
OMV undrawn committed credit facilities

EUR 4.5 bn

Note: Leverage ratio is defined as net debt including leases to capital employed.

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Slide 10: Strong balance sheet – leverage ratio comfortably below 30%

Thanks to the excellent free cash flow generation in the first quarter, we were able to reduce net debt by around 800 million to 5.2 billion euros.

In the first quarter, OMV incurred non-cash value adjustments of around 2 billion euros related to the 24.99 percent share in Yuzhno Russkoye and the Nord Stream 2 project. This includes historical currency effects and around 200 million euros of cash disposed due to the change of consolidation method.

Despite the significant value adjustments with an impact of around 2 percentage points, our leverage ratio decreased by 3 percentage points to 18 percent. This is comfortably below our target of maximum 30 percent.

In addition, we expect to close the divestment of the retail stations in Germany and our Slovenian business this year, with an expected deleveraging effect of around 700 million euros in 2022.

At the end of March 2022, OMV had a cash position of 6 billion euros and 4.5 billion euros in undrawn committed credit facilities.

Q1 2022 Results

Updated outlook 2022

	2021	2022
Brent oil price (USD/bbl)	71	**~95** (previous ~75)
Average realized gas price (EUR/MWh)	16.5	**~45** (previous >25)
Europe ethylene indicator margin (EUR/t)	468	**Prior-year level**
Europe propylene indicator margin (EUR/t)	453	**Prior-year level**
Europe polyethylene indicator margin (EUR/t)[2]	582	**~400**
Europe polypropylene indicator margin (EUR/t)[3]	735	**~600**
Borealis sales volumes excluding JVs (in mn t)	3.9	**>3.9**
OMV indicator refining margin Europe (USD/bbl)	3.7	≫**3.7** (previous ~4.5)
Utilization rate European refineries (%)	88	**Prior-year level**
Total hydrocarbon production (kboe/d)	486	**~390**[1] (previous 470)
Organic CAPEX (EUR bn)	2.6	**~3.5**

[1] Starting March 2022, production volumes from Russia are excluded, due to change in the consolidation method. In 2021, Russia contributed 96 kboe/d and in Q1/22 70 kboe/d.
[2] HD BM FD EU Domestic EOM (ICIS low) – Ethylene CP WE (ICIS)
[3] PP Homo FD EU Domestic EOM (ICIS low) – Propylene CP WE (ICIS)

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Slide 11: Updated outlook 2022

Let me conclude with an update of our outlook for this year.

Based on the developments we have seen so far, we now expect an average Brent price around 95 dollars per barrel for 2022. We have also revised our expectation for the average realized gas price to around 45 euros per megawatt hour for the full year, considering the market developments and excluding Russia from March onwards. Please note that our gas hedges ended in March and we do not have any hedges in place: neither for gas nor for oil.

In Chemicals & Materials, we confirm our previous estimates for both margins and volumes.

Given the extreme market volatility for both crude and product prices, it is difficult to estimate the full year level for the refining indicator margin at this point. We currently expect that the level will be substantially above our previous guidance of 4.5 dollars per barrel. We reconfirm the estimate for the refinery utilization rate and would like to remind you that the planned maintenance turnaround at our Schwechat refinery started on April 21 and will last about six weeks.

The previous guidance for the total fuel sales volumes remains unchanged. Commercial margins are expected to be below the level of 2021 and retail margins will be substantially below the level of 2021.

In Exploration & Production, we now expect an average production of around 390 thousand barrels per day in 2022, following the change in consolidation method of the Russian volumes. Russia contributed around 100 thousand barrels per day in 2021 and around 70 in the first quarter of this year. The production forecast assumes that the force majeure in Libya will be lifted soon and we can increase production to the normal levels of 30 to 35 thousand barrels per day.

Looking at cash flow, in April, Baystar partially prepaid the loan to OMV Group in the amount of about 600 million euros. The payment was financed through the issuance of two senior notes, which mature in 2027 and 2032, respectively, and are guaranteed by Borealis.

The clean tax rate for the full year is expected to be in the high forties.

Thank you for your attention. Reinhard and I will now be happy to take your questions.