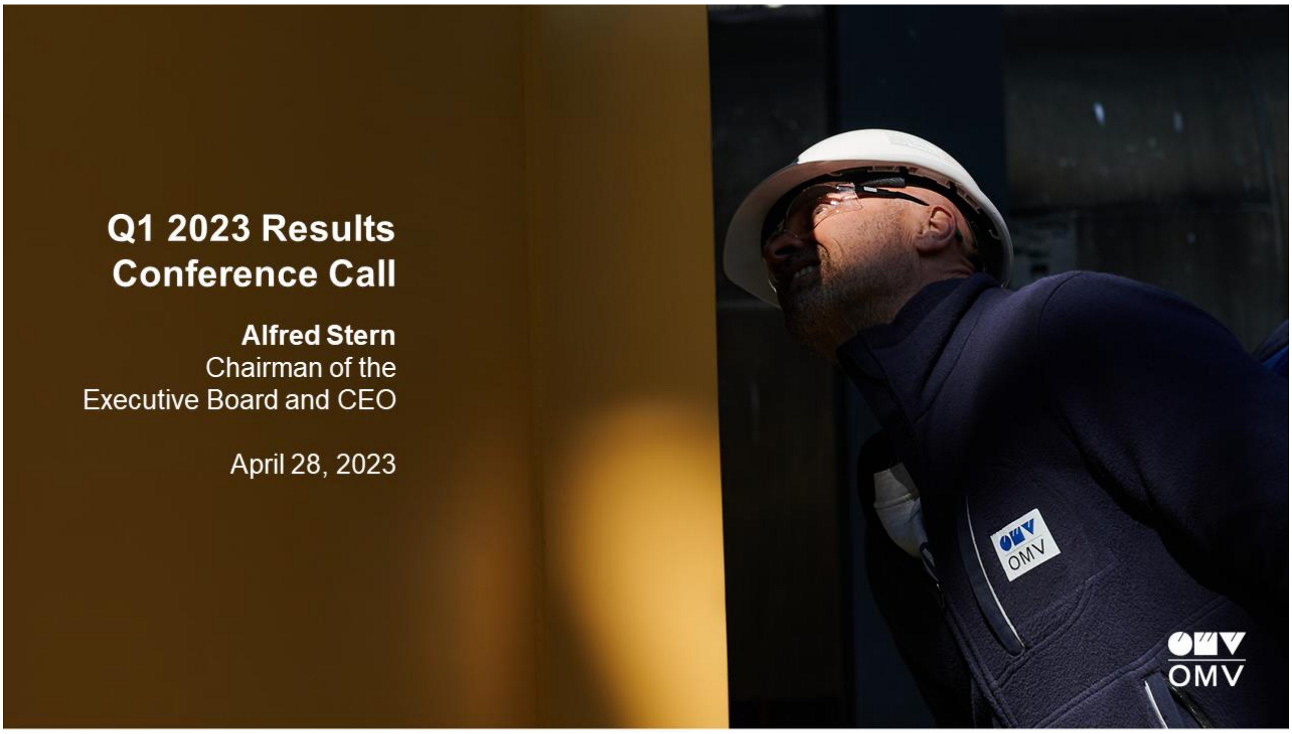
# OMV Q1 2023 Results Conference Call
April 28, 2023




## Alfred Stern
Chairman of the Executive Board and CEO

The spoken word applies

Q1 2023 Results conference call

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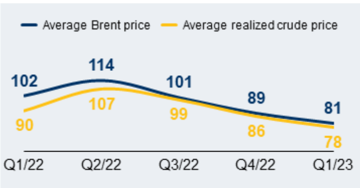
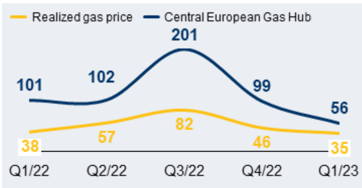
Macro environment

## Declining oil and gas prices, strong refining margins and weak chemical market environment

**Oil prices**
USD/bbl

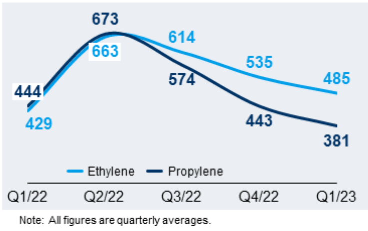



**Gas prices**
EUR/MWh

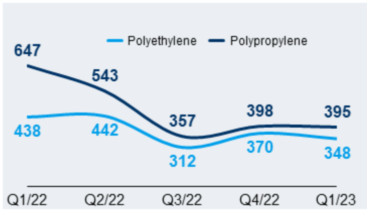



**Refining indicator margin Europe**
USD/bbl


**Olefin indicator margins Europe**
EUR/t




**Polyolefin indicator margins Europe**
EUR/t




Note: All figures are quarterly averages.

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## Slide 3: Macro environment – Declining oil and gas prices, strong refining margins and weak chemical market environment

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

The first quarter of 2023 was characterized by declining oil and gas prices, a weaker chemical market environment, and strong refining margins. Brent crude oil prices fell to 81 dollars per barrel on average for the quarter, and European gas prices dropped by 44 percent on the back of high storage levels and a warmer than expected winter in Europe and the US. Refining margins more than doubled compared with the level of the first quarter of 2022, but they declined from the exceptional level seen in the previous quarter.

The olefin margins in Europe decreased compared to the previous quarter, driven by an increase in naphtha prices, as a result of more gasoline blending and lower imports following sanctions on Russian refined products. Compared to the prior-year quarter, the ethylene indicator margin was higher, while the propylene margin decreased, due to lower demand and import pressure.

Polyolefin margins held up better: compared to the previous quarter, the polypropylene indicator margin was flat, while the polyethylene margin declined slightly. However, margins were substantially below the strong prior-year quarter, when imports to the European market were constrained due to shipping bottlenecks.

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## Key messages

### FINANCIAL PERFORMANCE Q1/23

Clean CCS Operating Result of
**EUR 2.1 bn**
**(21)% y-o-y**

Cash flow from operating activities of
**EUR 2.7 bn**
**+0.4% y-o-y**

### OPERATIONS Q1/23

Polyolefin sales incl. JVs
**(4)% y-o-y**

Total fuel sales and others
**+1% y-o-y**

Cracker utilization rate Europe
**92%**

Refinery utilization rate Europe
**93%**

Total hydrocarbon production
**(18)% y-o-y**

### DELIVERING THE STRATEGY

Aker BP and OMV awarded **license for $CO_2$ storage**

Wien Energie and OMV join forces to **develop deep geothermal energy** in the Vienna region

Decision to start the **divestment process for E&P assets in the Asia-Pacific region**

## Slide 4: Key messages

At around 2.1 billion euros, our clean CCS Operating Result was strong, at a similar level to the previous quarter, but declined compared with the exceptional prior-year quarter. Our cash flow from operating activities rose by 87 percent to 2.7 billion euros compared to the previous quarter, supported by a significant release of working capital.

Looking at operations, polyolefin sales volumes went down slightly year-on-year, while fuel sales volumes were marginally up. The utilization rate of the European crackers and refineries is back to a high level at above 90 percent. Oil and gas production was significantly lower year-on-year primarily due to the exclusion of Russian volumes.

We continued to execute our strategy and further advanced with the transformation of our company.

In March, we formed a joint venture with Wien Energie, who operates Vienna's large district heating network, to develop and utilize deep geothermal energy in the Greater Vienna area instead of fossil energy. We had already worked together to explore the geothermal potential of the Eastern Vienna basin and have gathered comprehensive data. Based on further exploration and exploitation of the existing potential in the Vienna basin, we aim to develop deep geothermal plants, with the first one starting up in 2026.

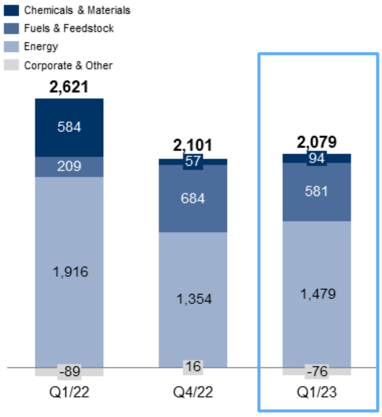
In April, we partnered with Aker BP and were awarded a license for $CO_2$ storage in the Norwegian North Sea. The license will be operated by Aker BP and comes with a work program, which includes a 3D seismic acquisition and a drill or drop decision by 2025. The project could potentially provide storage of more than 5 million tons of $CO_2$ per year, with the intention to inject $CO_2$ captured from industrial companies in Northwest Europe, including Borealis. According to the latest news received from the Norwegian Petroleum Directorate, OMV was awarded a 50 percent share in this license.

In line with our Strategy 2030, we decided to initiate the sales process for our E&P assets in Malaysia and New Zealand. The region has attractive gas growth projects, but the assets are very remote and thus are minimally integrated into our core business. We are now working on preparing the necessary documents to be able to officially start the divestment process next month.

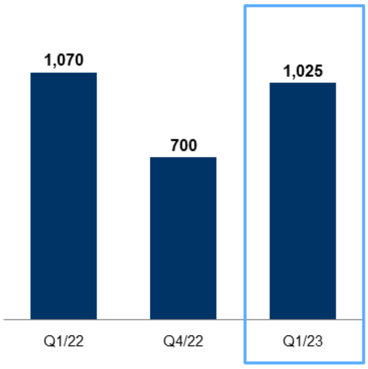
## Clean CCS Earnings

# Continued strong performance

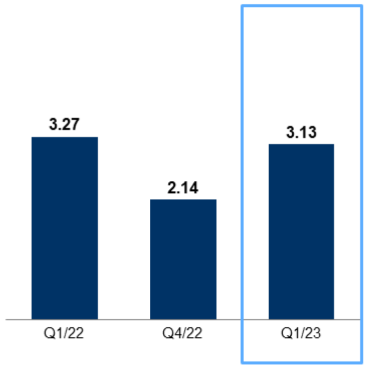
**Clean CCS Operating Result**
EUR mn




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




**Clean CCS Earnings Per Share**
EUR




Note: As of January 1, 2023, Gas & Power Eastern Europe is included in the Energy business segment. Results for previous periods are depicted on a comparable basis.

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## Slide 5: Clean CCS Earnings – Continued strong performance

Let’s now turn to our financial performance in the first quarter of 2023.

Our clean CCS Operating Result came in strong once again at 2.1 billion euros, stable quarter-on-quarter and 21 percent lower year-on-year. This was mainly driven by a drop of oil prices and chemical margins, partially offset by significantly stronger refining margins.

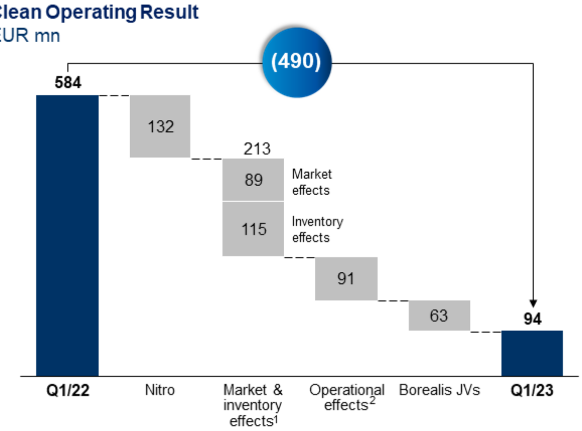
The clean CCS tax rate decreased to 39 percent, which was 7 percentage points lower than in the same quarter of the previous year due to a lower contribution from countries with high tax regimes in the Group profits.

As a result, the clean CCS net income attributable to stockholders declined slightly by 4 percent to 1 billion euros. Clean CCS Earnings Per Share amounted to 3 euros and 13 cents.

Chemicals & Materials

# Materially lower Nitro results, weaker market environment, lower sales and margins, as well as decreased contribution from JVs

**Clean Operating Result**
EUR mn




[1] Based on externally published sensitivities for OMV base chemicals and Borealis excl. JVs; includes inventory effects of Borealis excl. JVs and excl. Nitro; not adjusted to account for effect of intercompany profit elimination

[2] Includes the contribution from OMV base chemicals, Borealis excl. JVs, the effect of intercompany profit elimination, and other effects

**Nitro:** significant decrease due to significantly lower inventory effects, lower sales volumes and margins

**Olefins & Polyolefins Europe**

- Market environment
  - Ethylene indicator margin +13%, propylene indicator margin -14%
  - Significantly lower PE and PP indicator margins (-20%, -39%)
  - Lower inventory valuation effects of EUR 115 mn
- Operational effects
  - Base chemicals: slightly lower cracker utilization rate (92% vs. 96%) due to demand
  - Polyolefins: decreased sales volumes
- Specialty business continued to perform strong: sales volumes decreased, but the margins improved slightly

**Borealis JVs**

- Borouge: weaker market environment, decreased sales volumes due to turnaround and lower OMV participation share mostly offset by the negative effect of the pension provision booked in Q1/22
- Baystar: weak market environment and low utilization rate of the cracker, result burdened by depreciation costs and interest expenses

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## Slide 6: Chemicals & Materials – Materially lower Nitro results, weaker market environment, lower sales and margins, as well as decreased contribution from JVs

Let's now discuss the performance of our business segments.

Compared to the first quarter of 2022, the clean Operating Result of Chemicals & Materials dropped sharply to 94 million euros. The result was impacted by a materially lower performance from the Nitro business, a slowdown of the chemical sector, reflected in weaker margins, volumes and substantial negative inventory valuation effects, as well as lower contribution from the Joint Ventures.

The contribution from the Nitro business fell sharply by around 130 million euros from the exceptional high level of the prior-year quarter, as a result of substantial negative inventory effects following the gas price development, lower sales volumes and margins.

The ethylene indicator margin improved by 13 percent and the propylene indicator margin went down by 14 percent. The polyolefin indicator margins came down from the extraordinary levels of the first quarter of 2022. The polyethylene indicator margin declined by 20 percent, while the polypropylene indicator margin decreased substantially by 39 percent. As a consequence, in our European olefins and polyolefins businesses, we recorded a negative market impact of around 90 million euros compared to the first quarter of 2022 and inventory valuation effects of around 115 million euros.

The operational performance in our olefins and polyolefins business decreased as well, impacted by lower steam cracker utilization rate and reduced polyolefin sales volumes. As a result of increasing economic pressure in Europe, polypropylene sales volumes decreased by 7 percent, while polyethylene sales were flat. The decline in demand was seen mainly in the Consumer Products and Infrastructure segments, while volumes in Mobility and Energy increased.

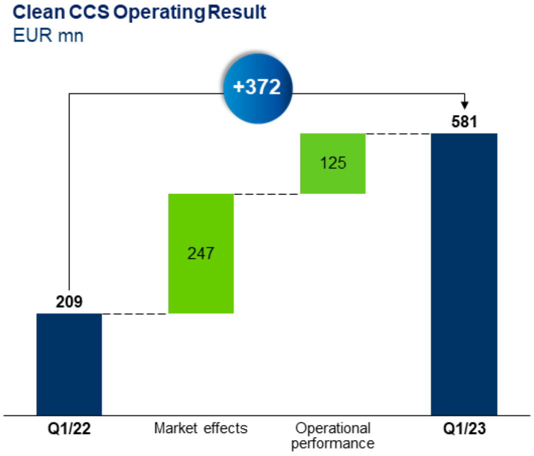
The specialty business continued to perform strongly: while sales volumes decreased, the margins improved slightly.

The performance of the JVs dropped to 1 million euros driven by a negative contribution from Baystar and a lower contribution from Borouge. The Borouge result declined, driven by industry-wide pricing pressure, a lower share of OMV in the JV following the listing of the company in June 2022, and decreased sales volumes. The planned turnaround at Borouge 2, which was completed in March, led to reduced sales volumes, which were only partially compensated for by the full ramp-up of the PP5 unit. Although we have seen polyolefin prices in Asia increasing compared to the previous quarter, the prices remained below the level of the first quarter of 2022, due to new production capacities and lower demand.

At Baystar, the cracker recorded a low utilization rate due to the shutdown triggered by the hard freeze in December and operational challenges. The results continued to be burdened by depreciation and interest expenses, amid a weak market environment.

Fuels & Feedstock

## Significantly higher refining margins, improved margins in Marketing, and stronger contribution from ADNOC Refining




- Significantly higher refining indicator margin Europe (USD 14.8/bbl vs. 6.8/bbl)
- Operational performance
  - Stable refinery utilization rate Europe (93% vs. 94%)
  - Higher retail contribution due to higher margins partially offset by lower fuel volumes, missing contribution from Germany, and higher fixed and utilities costs
  - Improved commercial performance due to higher margins and sales volumes
  - Significantly higher ADNOC Refining and Trading contribution due to stronger refining margins

Note: As of January 1, 2023, Gas & Power Eastern Europe is included in the Energy business segment. Results for previous periods are depicted on a comparable basis.

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## Slide 7: Fuels & Feedstock – Significantly higher refining margins, improved margins in Marketing, and stronger contribution from ADNOC Refining

The clean CCS Operating Result in Fuels & Feedstock almost tripled to 581 million euros due to very strong refining indicator margins, improved margins in retail and commercial, and a substantially higher contribution from ADNOC Refining and Trading.

OMV's refining indicator margin soared to 14.8 dollars per barrel, resulting in a positive market impact of around 250 million euros compared to the first quarter of 2022. Significantly higher cracks for jet fuel, diesel, and gasoline, were only partly offset by lower heavy fuel oil and naphtha cracks.

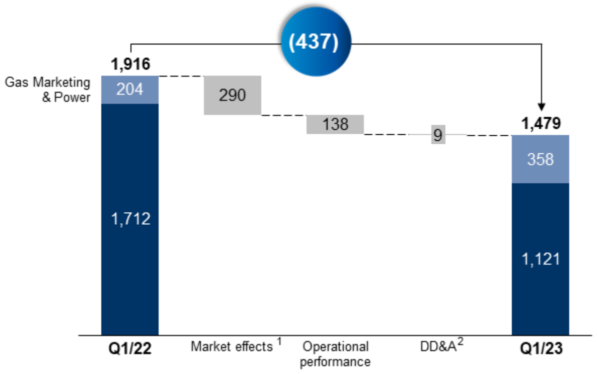
Total sales volumes were slightly higher than in the first quarter of 2022. We have seen a very good development in the commercial business, where the removal of market price regulations had a positive impact on sales volumes and margins. The performance of the retail business improved as well, due to higher margins and a better non-fuel business, partially offset by higher costs and the divestment of the German retail network. In addition, the prior-year quarter benefitted from customers stockpiling fuel volumes in anticipation of fast-rising pump prices.

The contribution from ADNOC Refining and Trading rose sharply from 20 to 108 million euros, driven by higher refining margins.

Energy

## Lower oil and gas prices, exclusion of Russia, partially offset by stronger Gas Marketing & Power result

**Clean Operating Result**
EUR mn




[1] Market effects defined as oil and gas prices, foreign exchange impact, price effect on royalties, and hedging
[2] Depreciation, Depletion, and Amortization, including write-ups

Note: As of January 1, 2023, Gas & Power Eastern Europe is included in the Energy business segment. Results for previous periods are depicted on a comparable basis.

- Market environment
  - Average realized crude oil price decreased by 14%
  - Average realized natural gas price declined by 7%
  - Realized hedging loss in Q1/22 of EUR 251 mn
  - Positive FX impact due to stronger USD/EUR
- Production of 376 kboe/d (-80 kboe/d)
  - Russia (-70 kboe/d), following the change in the consolidation method as of March 1, 2022
  - Norway (-8 kboe/d)
  - Romania (-5 kboe/d)
  - UAE (+5 kboe/d)
- Sales volumes decreased by 91 kboe/d in line with production decline
- Production cost increased to USD 9.3/boe (+25%), mainly because of the change in the consolidation method for Russian operations and global cost pressure
- Gas West: significantly higher contribution, mainly driven by higher storage result, inclusion of LNG result, partially offset by losses due to the volatility of natural gas supply from Russia during January 2023
- Gas East: broadly flat performance, supported by strong margins from storage gas and power transactions outside Romania

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## Slide 8: Energy – Lower oil and gas prices, exclusion of Russia, partially offset by stronger Gas Marketing & Power result

The clean Operating Result of Energy declined by 23 percent to 1.5 billion euros, on the back of lower realized commodity prices, decreased sales volumes primarily due to the exclusion of Russia, and higher operational costs. The negative effects were partially compensated for by a stronger dollar and a considerable contribution from Gas Marketing & Power, which was 76 percent higher than in the first quarter of 2022. Starting from the first quarter of this year, both gas businesses, West and East, are now included in the Energy segment.

Compared with the first quarter of 2022, OMV's realized oil price decreased by 14 percent and thus less than Brent, supported by the change of the transfer price in Romania from Urals to Brent in the second quarter of 2022. While the European gas hub prices dropped by 44 percent compared with the prior-year quarter, our realized gas price declined only by 7 percent. The realized gas price in the first quarter of 2022 included hedged volumes at a lower price and around 70 thousand boe per day of Russian gas, half of which sold at very low domestic prices. Today, around 30 percent of our gas portfolio – namely the volumes in Norway and Austria – is exposed directly to the European hub prices. In Romania, the realized gas price was lower year-on-year, as most of the equity volumes were regulated.

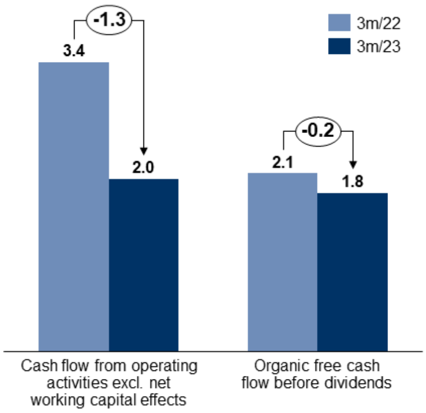
Production volumes decreased by 80 thousand to 376 thousand boe per day, primarily due to the change in the consolidation method of Russian operations as well as natural decline in Norway and Romania. Production increased in the United Arab Emirates after a revision of OPEC restrictions. Production cost rose by 25 percent to 9.3 dollars per barrel, impacted by the exclusion of the low-cost Russian gas volumes and global cost pressure. Sales volumes declined by 91 thousand boe per day in line with production.

The Gas Marketing & Power business increased by 155 million euros to 358 million euros, driven by a strong increase in the Gas West business.  The result was supported by a very strong seasonal storage performance due to higher captured summer-winter spreads and the contribution from our LNG business, which has been included in our results since the previous quarter. These were offset by some losses caused by the volatility of the natural gas supply from Russia during January. OMV Petrom also had a very good performance, similar to the previous-year quarter result, supported by strong margins from gas storage and power transactions outside Romania.

Cash Flow

## Strong organic free cash flow at EUR 1.8 bn

**Cash flow 3m/23 vs. 3m/22**
EUR bn




- Decrease of ~**EUR 1.3 bn** in cash flow from operating activities excluding net working capital effects vs. Q1/22
- Net working capital effects of EUR 0.7 bn (3m/22: EUR (0.7) bn)
- **Cash flow from operating activities of EUR 2.7 bn** (3m/22: EUR 2.7 bn)
- Organic cash flow from investing activities[1] of EUR (0.8) bn (3m/22: EUR (0.6) bn)
- **Organic free cash flow before dividends[2] of EUR 1.8 bn** (3m/22: EUR 2.1 bn)
- No dividends paid in Q1 2023
- **Inorganic cash flow from investing activities of EUR (0.1) bn**

[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 organic cash flow from operating activities minus organic cash flow from investing activities.

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## Slide 9: Strong organic free cash flow at EUR 1.8 bn

Turning to cash flow, our first-quarter operating cash flow – excluding net working capital effects – was 2 billion euros, 40 percent lower than in the first quarter of 2022. In the prior-year quarter, besides the very supportive macro environment, we temporarily benefitted from the tax payment schedule in Norway, and we still had Russia consolidated for two months in our cash flow. This year we received dividends from Borouge in the amount of 224 million euros, similar to the prior-year quarter, and, in addition, the majority of the insurance compensation related to the Schwechat incident.

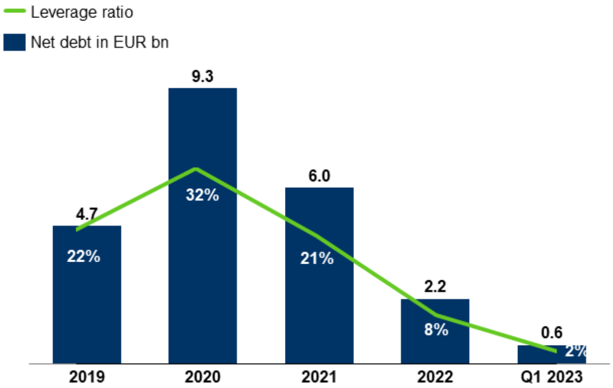
While in the first quarter of 2022 the net working capital effects generated a tremendously high cash outflow of around 700 million euros, in the first quarter this year these effects reversed, generating a positive cash inflow of a similar size, triggered by a lower price environment, gas storage withdrawals, and lower storage injections. As a result, cash flow from operating activities for the first quarter was around 2.7 billion euros and thus at the level of the prior-year quarter.

The organic cash flow from investing activities generated an outflow of around 850 million euros. This included the ReOil® demo plant, the PDH plant in Belgium, the co-processing unit in Schwechat, maintenance of European refineries, and E&P projects in Romania, New Zealand, and the UAE.

As a result, the organic free cash flow before dividends for the first quarter came in at 1.8 billion euros.

Strong balance sheet

## Leverage ratio at 2%, reflecting the strong underlying cash generation




End of March 2023
OMV cash position[1]

**EUR 9.7 bn**

End of March 2023
OMV undrawn committed credit facilities

**EUR 5.2 bn**

[1] includes cash from assets held for sale

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

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## Slide 10: Strong balance sheet – Leverage ratio at 2%, reflecting the strong underlying cash generation

Moving on to the balance sheet, since the end of last year we have been able to further reduce net debt by around 1.6 billion euros to 639 million euros. As a result, our leverage ratio decreased to 2 percent.

At the end of March 2023, OMV had a cash position of 9.7 billion euros and 5.2 billion euros in undrawn committed credit facilities.

Q1 2023 Results

## Updated outlook 2023

| | 2022 | 2023 |
|---|---|---|
| Brent oil price (USD/bbl) | 101 | >80 |
| Average realized gas price (EUR/MWh) | 54 | ~35 |
| Europe ethylene indicator margin (EUR/t) | 560 | ~530 |
| Europe propylene indicator margin (EUR/t) | 534 | ~480 |
| Europe polyethylene indicator margin (EUR/t)[1] | 390 | ~350 |
| Europe polypropylene indicator margin (EUR/t)[2] | 486 | ~400 |
| Borealis polyolefin sales volumes excluding JVs (mn t) | 3.53 | ~3.8 |
| Utilization rate steam crackers Europe (%) | 74 | ~90 |
| OMV refining indicator margin Europe (USD/bbl) | 14.7 | ~10–15 |
| Utilization rate European refineries (%) | 73 | ~95 |
| Total hydrocarbon production (kboe/d) | 392 | ~360 |
| Organic CAPEX (EUR bn) | 3.7 | **3.8** (previously 3.7) |

[1] HD BM FD EU Domestic EOM (ICIS low) – Ethylene CP WE (ICIS)
[2] PP Homo FD EU Domestic EOM (ICIS low) – Propylene CP WE (ICIS)

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## Slide 11: Updated outlook 2023

Let me conclude with the outlook for this year, which remains largely unchanged.

Based on the developments we have seen so far, our estimate for the Brent oil price for full year remains above 80 dollars per barrel.

Looking at the gas situation, the storages in Europe exited March more than half full, well above the five-year average and with double the volumes compared to March 2022. Our storages in Austria are currently around 70 percent full. If we look at the current gas indicators, the THE price for the full year has a downside potential compared to our estimated range of 60 to 70 euros per megawatt hour. However, given the volatility of the market, we consider it is too early to change our guidance now. We maintain our average realized gas price forecast for the full year of around 35 euros per megawatt hour.

In Chemicals & Materials, our guidance for margins and volumes is unchanged. We expect to see some improvement in the olefin margins in the next quarter, as industrial activity in Europe is picking up after a weaker macro-outlook and outages at French refineries in the first three months of this year. For the full year, we continue to expect the ethylene indicator margin to be around 530 euros per ton, and the propylene indicator margin around 480. Our polyolefin margin guidance is also unchanged. We forecast the polyethylene indicator margin to be around 350 and the polypropylene indicator margin around 400 euros per ton.

The utilization rate of our European steam crackers is unchanged, at around 90 percent. We have a planned turnaround at the Schwechat cracker starting end of May for six weeks.

At Baystar, the new Borstar polyethylene plant with a capacity of 625 thousand tons per year is mechanically completed and is expected to start-up this quarter.

In Belgium, we finalized the re-tendering of the construction works for the Kallo PDH project, following the termination of all contracts with IREM Group, previously the main contractor, as of August last year. It is now estimated that the plant will start up in the first half of 2025, and the updated project plan provides for a substantial increase in costs. Borealis is claiming compensation from the IREM companies to recover part of the additional costs incurred.

In Fuels & Feedstock, the refining indicator margin compressed recently, as diesel supply is plentiful due to the re-routing of Russian volumes, additional refinery capacities, and sluggish demand. Hence, from today's point of view we see the refining indicator margin more toward the lower end of the previously communicated range of 10 to 15 dollars per barrel for this year. The guidance for sales volumes is unchanged. Petrobrazi refinery started a planned six-week turnaround on April 21st with a total impact of around 40 million euros, including OPEX and estimated margin loss.

In Energy, the guidance for the average production of around 360 thousand barrels per day is unchanged. Total production in the second quarter is expected to be below the level seen in the first quarter, as there are planned maintenance works in Norway, Malaysia and Romania.

The planned turnaround for the power plant in Romania started at the beginning of March and has been extended until the end of June, because some additional parts need to be replaced. The results from the OMV Gas Marketing & Power business in the next quarters will reflect the extended downtime of the power plant in Romania and the usual seasonal gas injection period.

Let me give you an update on the Neptun Deep project. In March, we signed a contract for the delivery of natural gas from the Black Sea to the Romanian National Transport System with Transgaz. Assuming all key prerequisites are in place, we estimate the FID for the Neptun project in mid-2023.

The organic CAPEX for full-year will rise slightly from 3.7 to 3.8 billion euros due to an increase in C&M related to the Kallo project and the later-than-estimated closing of the Nitro divestment.

Looking at cash flow, I would like to mention that our remaining 2022 tax liabilities in Norway amount to around 1.3 billion euros and are expected to be paid in the second quarter. In addition, in June we will pay our record-high dividends to OMV shareholders and minority shareholders amounting to around 2 billion euros.

With regards to cash inflows, we expect to receive dividends from Borouge of at least 468 million dollars for 2023 in two tranches: one to be paid in the third quarter of 2023 and the remainder in 2024. The divestment of the Nitro business has reached a very important milestone: the European Commission approved the deal. We are now waiting for clearance from the French authorities, and we are confident that we will close the transaction until end of June. Regarding the divestment of the Slovenian Marketing business, a further milestone has been reached. In March, the buyer signed an agreement to sell some existing filling stations as a pre-requisite for obtaining the EU Commission clearance, and closing is expected until end of the second quarter. We expect a cash inflow of more than 1 billion euros upon closing the two deals.

The clean tax rate for the full year is now expected to be in the mid-forties due a stronger Fuels & Feedstock contribution than anticipated.

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