# OMV Strategy 2025 – Capital Markets Day

March 13, 2018


## Contents



The energy for a better life. OMV

## Disclaimer

This presentation contains forward looking statements. Forward looking statements usually may be identified by the use of terms such as “outlook”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “target”, “objective”, “estimate”, “goal”, “may”, “will” and similar terms, or by their context.
These forward looking statements are based on beliefs, estimates and assumptions currently held by and information currently available to OMV. By their nature, forward looking statements are subject to risks and uncertainties, both known and unknown, because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of OMV. Consequently, the actual results may differ materially from those expressed or implied by the forward looking statements.
Therefore, recipients of this report are cautioned not to place undue reliance on these forward looking statements. Neither OMV nor any other person assumes responsibility for the accuracy and completeness of any of the forward looking statements contained in this presentation. OMV disclaims any obligation and does not intend to update these forward looking statements to reflect actual results, revised assumptions and expectations and future developments and events. This presentation does not contain any recommendation or invitation to buy or sell securities in OMV.

2 | Capital Markets Day, March 13, 2018

OMV



OMV


## Rainer Seele

**Chief Executive Officer and Chariman of the Executive Board**

Good afternoon, ladies and gentlemen, and a very warm welcome on behalf of the entire Board to the Capital Markets Day. Thank you for your strong interest. I really appreciate to share the new chapter of our OMV strategy with you. Why do I say new chapter? I think it's not a new strategy we are presenting to you today. It is the next step.

Let's remind what we have promised to all of you two years ago. First, we wanted to gain back our competitiveness, because we realised that our cost basis is too high. We started a cost-cutting programme, reduced our cost by EUR 330 million in 2017. We have reduced our operating cost from USD16.6 per barrel to 8.8. Then we have said that we would like to strengthen our balance sheet, so we have reduced our debt by EUR 2 billion. We have a gearing ratio now of 14%.

Then we have said we would like to optimise our portfolio. The major idea for the strategy was let's move into low-cost areas where we produce competitive our oil and gas, so we have divested some assets with a high investment need and a high production cost, like over here in the UK. We have started new projects in Russia with very low production cost in Yuzhno Russkoye. Then we have divested non-core assets. Just one big example was divesting our Downstream retail business in Turkey, for example, or just recently our activities in Pakistan.

At the end of the day, we also have said we would like to implement a new reserve replenishment strategy. We said, okay, we are not the top performers in exploration, especially in greenfield exploration. Therefore, let's change and switch into an M&A model and brownfield exploration. We could show up now, the second year in a row, that we have a reserve replenishment rate of more than 100%, which we couldn't show up the last decade before. Then we have reduced our E&A budget from a level of EUR 700 million to a sum of EUR 300 million and it's sufficient.

Last but not least, we have said we would like to improve the profitability of OMV. Given the fact that we have published record earnings in 2017 in the last five years, I think OMV is well on track.

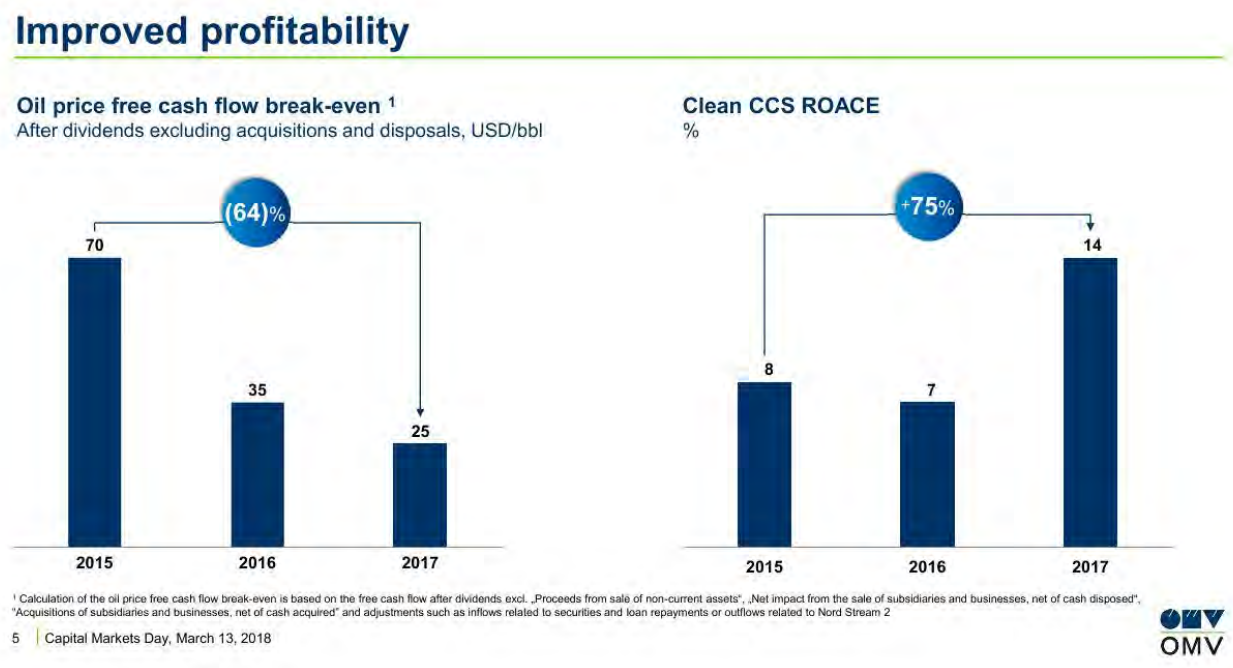
## Created a more focused, higher performing OMV

- **Focused on cash and costs** – drastically reduced free cash flow break-even, outperformed cost reduction target
- Transformed **Upstream into a sustainable business** with >100% Reserve Replacement Rate
- **Restructured Downstream Gas** into a lean organization with improved profitability
- Further **strengthened competitiveness of Downstream Oil** as the Group cash engine


4 | Capital Markets Day, March 13, 2018

If we look on the first chart, you don't have to read it. It tells you, one sentence, OMV delivered. We delivered faster and - sorry, we also have over-delivered what we have promised two years ago. I don't know whether we can repeat it, but we will do our utmost that we also deliver on the new chapter of our strategy today.

The bars are going to show you that we really improved the profitability of the Company. If you compare 2015 with 2017, while we had nearly comparable oil price of USD 52 and USD 54 per barrel, you will find out that we have, within that two years, doubled the performance and the profitability of OMV as a Company at all.

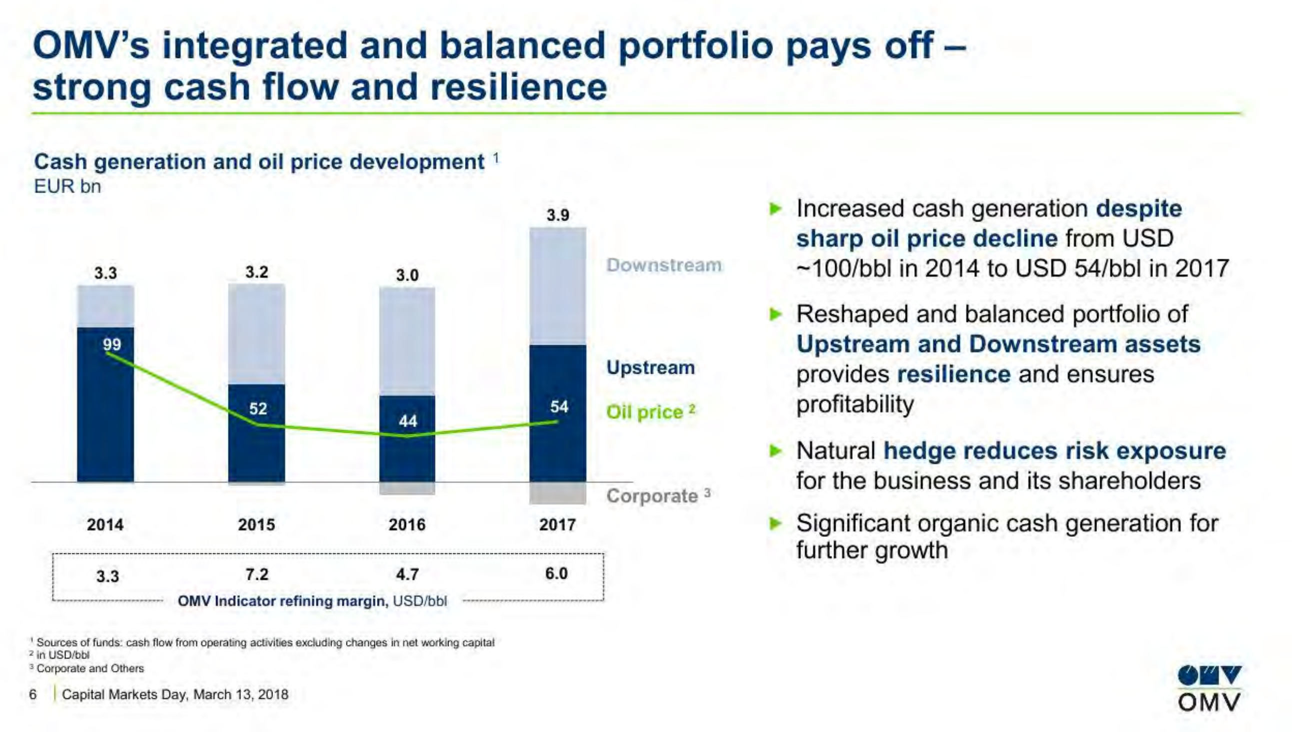



The next chart is showing you that also other KPIs are kicking in with impressive numbers. Very impressive is the oil price free cash flow break-even which we could reduce from a level of USD 70 per barrel to USD 25 per barrel last year. I think we are in the leading group of our peers that can show up such a low oil price break-even.

What is the reason for that? First, I think it's the integrated structure of OMV. That's one of my headlines today. I want to keep the integrated structure of OMV, because Downstream business was performing and contributing on a higher level, especially 2017 and 2016, than in years when we have seen the high oil price. This was really giving us the backwind.

We have implemented, I think, a very professional cash flow management. All the promises we have done on cash flow and the increase of the cash flow I will show you later really kicks in nicely for OMV. Given that, we have reduced our CAPEX spending. We have reduced our E&A spending. We have implemented a cost-cutting programme of EUR 330 million. All this was supporting the number we can show up of the USD 25 per barrel. An oil price, we need to come up with a positive free cash flow after dividends.

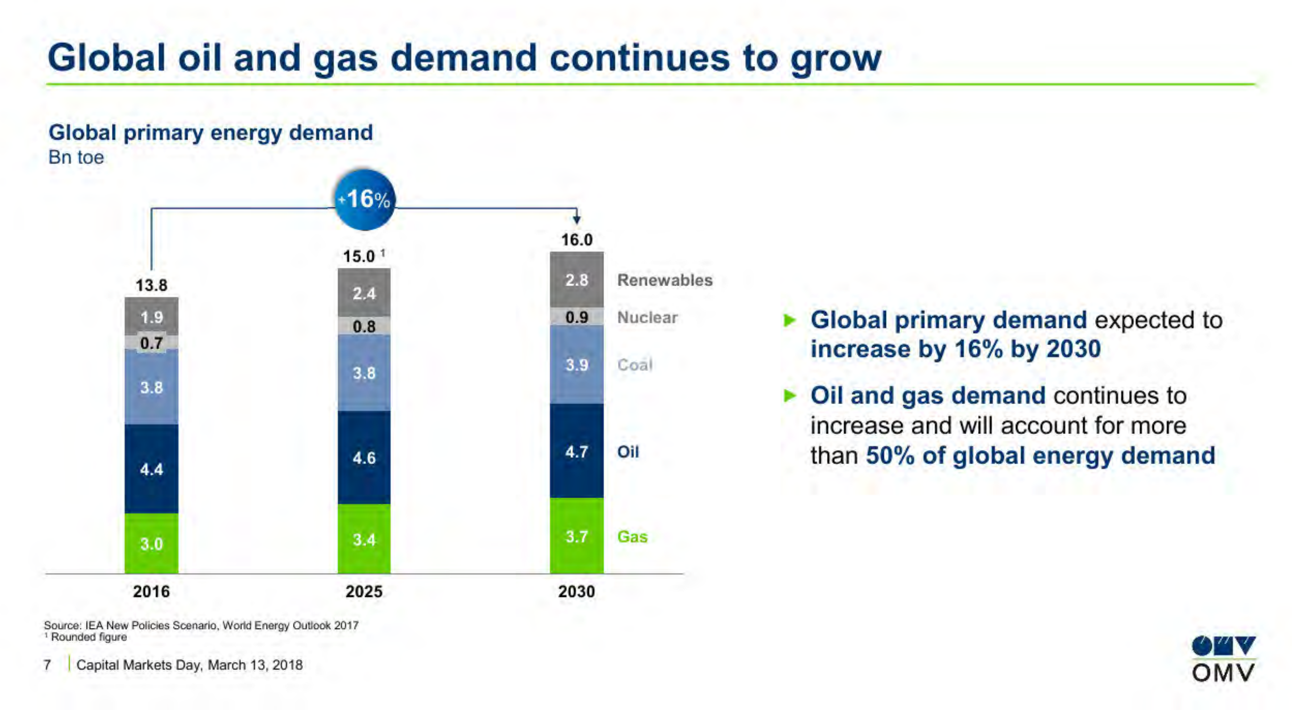
What is also showing a little bit of good track record as an after-tax number is the ROACE which we could nearly double from the year 2015 to 2017 to an impressive ROACE of 14% last year.




This chart is explaining why I am so hungry for the integrated corporate structure. This is the real value of integration. If you look at it, it doesn't matter what oil price we have seen. It's the USD 100 or the USD 40. We always can show up a cash generation of EUR 3 billion plus. It doesn't matter. In times of a high oil price, there was a higher contribution from Upstream. Low price, higher contribution from Downstream. That's the natural hedge. What I'm going to tell you is I would like to keep that hedge in place but just on a higher level.

What we also can see is that especially from the year 2016 to 2017, look, the oil price has recovered by USD 10 per barrel, but we see that the cash generation in OMV Group really has reached a higher level of EUR 3.9 billion. This is a cash generation which is even higher than the good old times when we have seen a triple-digit number like in 2014. We have done, I think, a proper job to turn OMV into a cash machine. The higher cash flow we are generating we would like to use in OMV to be reinvested into growing the Company.

There is a very small mathematics behind it. Until 2020, you will see OMV doubled the size, like today, like last year. This is more or less what we are targeting. We would like to double Upstream as well as Downstream and I will come back to that.

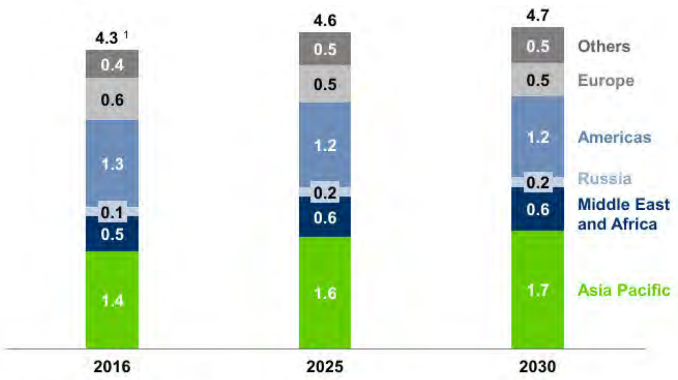



Before I'm going to discuss with you the strategy, the new chapter we would like to open today, I would like to have a short look on the development of our key markets.

The first message I have here when we talk about the oil and gas markets, we are in a healthy business. When we look to the primary energy demand, there's one clear storyline. It's good days for renewable energies. The highest relative growth in the primary energy sector is coming with renewables. But the chart is also telling you that in 2030 more than 50% of the primary energy demand will be supplied by oil and gas. This chart I think has not really reflected the pressure we are going to see in the coal market, because I think that especially the environmental pressure coming from politicians is bringing pressure on coal consumption, especially over here in Europe but as well in China.

## Global oil demand growth will support new investments

**Global oil demand**
Bn tons

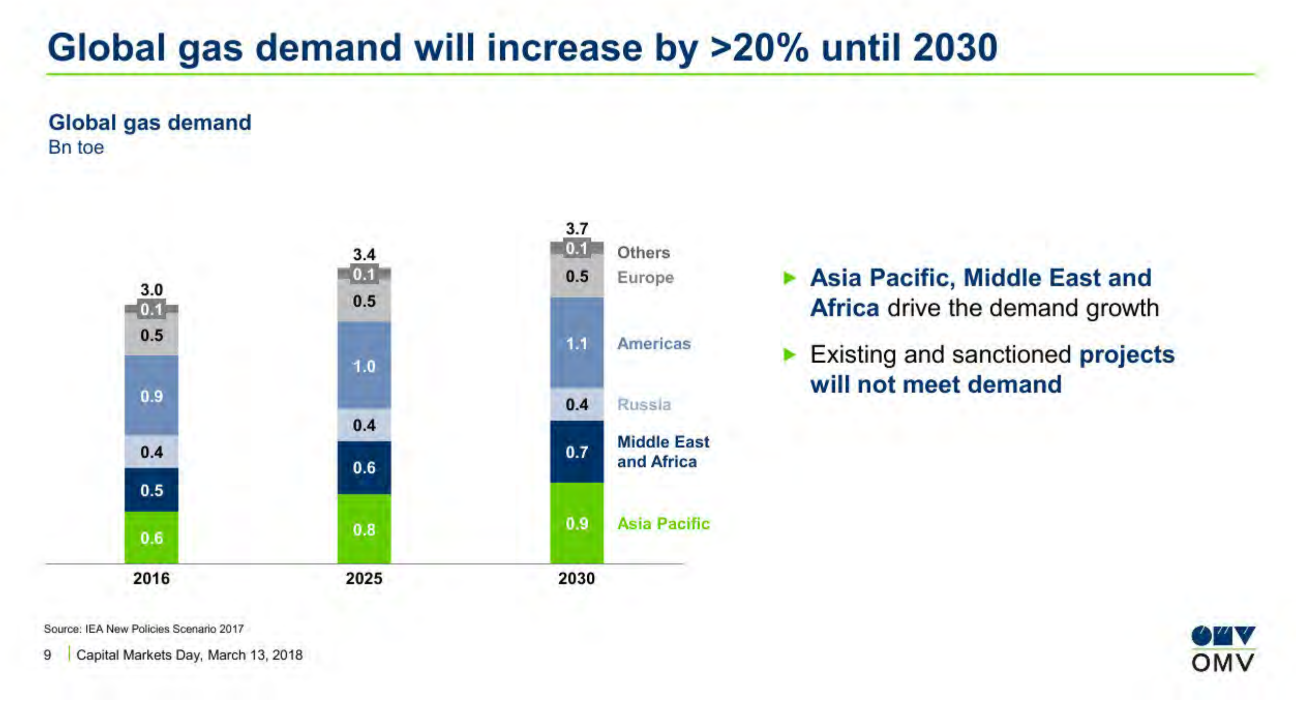



- Global **oil demand** will continue to **increase**
- **Asia Pacific, Middle East, Africa and Russia** demand to grow and account for >50% of the global consumption by 2030

Source: IEA New Policies Scenario 2017
[1] Rounded figure

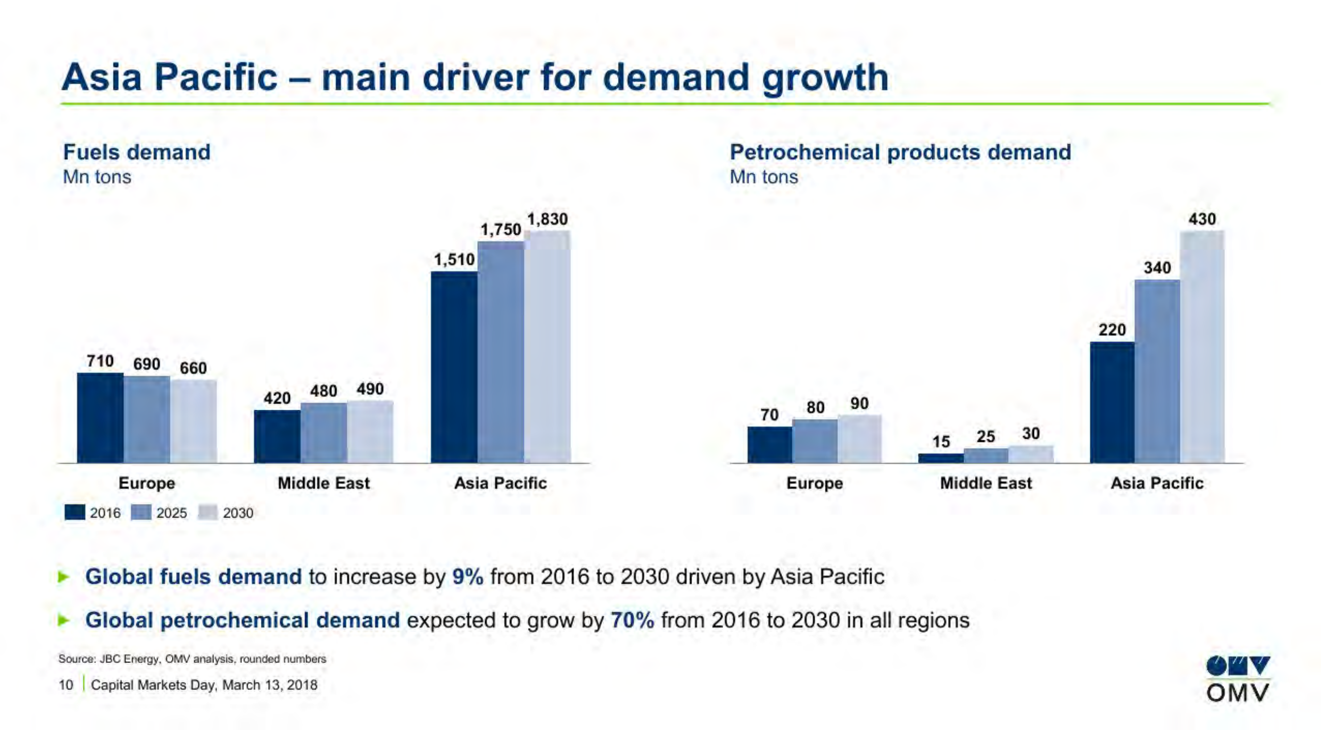
8 | Capital Markets Day, March 13, 2018

The development in the oil and gas market we see in OMV a little bit different. In the oil market, we do see only a moderate growth in consumption. There is a little bit of growth, but the main growth and the driver for growth is going to be the Asia and Pacific region. Whereas, let's say, our home market is going to see challenging times, because oil consumption is forecasted long term will decline in Europe which is the base market. The only recipe I can find for OMV is keep your competitive cost position in place. There will be consolidation of our industry and others have to shut down capacities.




The storyline in natural gas is a more positive one. We do see a much higher growth in the global markets by 20% and more than 20% until 2030, but the growth will be in all continental markets. There will be also growth in our home market in Europe. We have changed our view on the European gas market, because I think it's not a question if; it's only a question when Europe is going to step out from coal and on what level for power generation. This is the huge potential to meet the CO2 targets and therefore I think there is a big chance for gas in Europe and especially as OMV as a producer.

The indigenous production in Europe is declining much faster, especially on short term given the fact that we are going to see some earthquakes in the Netherlands, and therefore the production will be shut in. But the real fine-tuned Mozart music you find in Asia. Again, a huge growth of natural gas consumption is in the Asia Pacific region. That's the reason why OMV should think about what are we going to do with the different markets.




The third comment I would like to make on fuels and petchem market outlook. The same story, in fuels even more drastic. The only growth we are going to see in the fuels market is in Asia-Pacific region, very, very healthy. But, look, Europe - a little, slightly moderate growth in the Middle East, but look to Europe. It's my storyline, what I have said also in oil. We are going to see challenging times, especially in the fuel markets, knocking at the door in Europe. That's why I think we should also look into the Asia-Pacific.

The petchem market, a bright story. Everybody has realised in our industry. Strong growth all over - growth in Europe, growth in Middle East, extremely growth in the Asia-Pacific region. That's the headline. If I take all these market developments into my head and thinking and what is the conclusion for our strategy as OMV? What is the message?

First of all, there's a brighter future for gas. Therefore, OMV should have a stronger interest in gas production. Second the European gas market is becoming more attractive, so the natural gas Downstream business from a more growing market in the future. Third we should invest into the value chain. The strongest growth we do see in the value chain is the growth in petchem. There is a strong growth especially in fuels, petchem and natural gas and in oil in the Asia and Pacific market. Therefore, the story is why don't we target the growing markets which are obviously in our forecasting, clear message, the Middle East and the Asia-Pacific region.

## Market assumptions

| | Medium term | Long term |
|---|---|---|
| **Brent oil price** USD/bbl | 70 | 70 – 80 |
| **Central European Gas Hub price** EUR/MWh | 20 | 20 – 22 |
| **OMV indicator refining margin** USD/bbl | 5 | ≤ 5 |
| **FX EUR/USD rate** | 1.20 | 1.15 – 1.20 |



Let's talk about the strategy now. No, before I do that, first a market assumption, but that's guideline for you. How do we see the oil price in mid and long term? It's something in the USD 70s. What is the gas price, especially in Europe? It's something in the low USD 20s. What is the indicator refining margins? It's something around USD 5 per barrel. The exchange rate for the dollar is something between USD 1.15 and USD 1.20. USD 1.20 is more in the midterm.

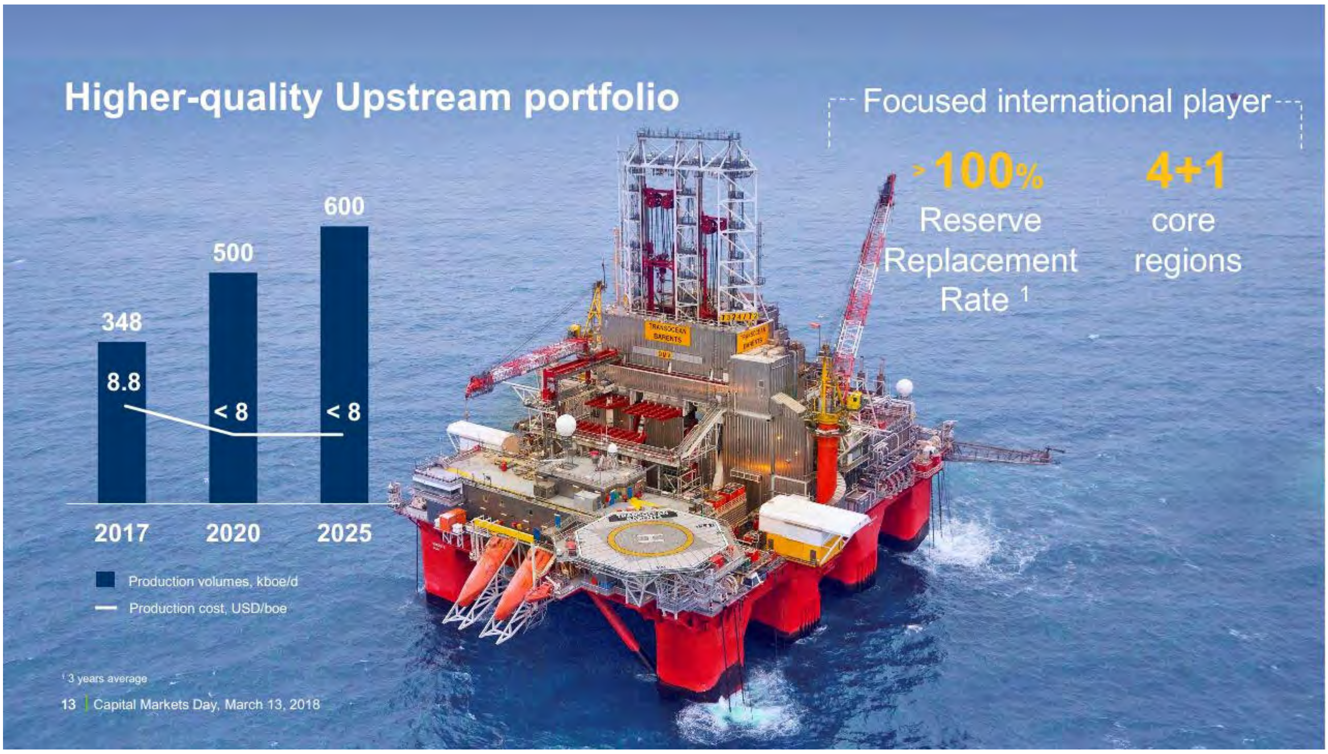

Now talk about our strategy. What is the headline of OMV's next chapter of the strategy? What is that key message? OMV is striving for value-added growth, nothing else. It's going to be an integrated growth waiting for you, so we are growing Upstream as well as Downstream. That's new. Two years ago, we haven't talked about a growth story in Downstream. Now we are telling you we would like to keep our natural hedge and we bring both business units on a higher level. We will grow in Upstream and in Downstream.

The growth will be also an international growth. In Upstream it's a broadening of our operations. We will go into new core area, Asia-Pacific, in the long term. We will invest into the existing core areas to bring the production up.

In Downstream it's a twofold strategy. On the first hand, as I said, as a message from the market, OMV will invest into the value chain, especially in Europe, so we will catch the higher yield of the products in the value chain. OMV is moving a little more towards petchem and jet fuel products and reduce middle distillates.

The message in Downstream also is that we are going to export our successful business model from Europe towards the growing market. If we are top refiner in Europe, if we are a petchem specialist in Europe who survived this heavy competition which we are used to in decades, why shouldn't we be an attractive partner in other regions? I think we can contribute a lot. It would make sense for OMV to be also a growing partner for the Downstream business in other regions.

The last comment in Europe, what is the strategy in Europe? It's a volume growth strategy. We will catch market share very aggressively. We need to catch this captive gas market because we are growing our production, especially in the surrounding of the European gas market. It's the North Sea and Russia as well. If we are going to execute this strategy, we will drive our operating result and the cash generation.




What is the growth story in Upstream? It's a production growth. We would like to nearly double the production from a level of 300,000 plus last year to a level of 600,000 in 2025. This is not a fantasy story. I'm now talking about the existing pipeline we do see as a Board in our Company. We are well on track when we talk about the growth story. Already this year, we are committing to a 400,000 barrel plus production. I am more than confirming that we are going to reach our target also in 2020 where we are going to show up a 500,000 barrels-per-day production.

What we also would like to have is a combination of the production growth. It should be value added, so therefore we should have a look on our cost level. We want to keep the production cost on a level below USD 8 per barrel. We will move and grow our production in low-cost regions. It will be a focused growth. The story has changed from two years ago. Two years ago, I said three plus one, three core areas and another one. The plus one was Russia. Now we have Russia, so I'm going to tell you four plus one. We will grow in the four core regions with that focus.

We will prepare the next chapter of our Company, which is a chapter of telling you that OMV is more driving for the market in the Asian Pacific region. It will be a sustainable growth, so we will not just lift our reserves in 2000 metres depth and just show the production. We will also double our reserve base. We will continue to convince you that OMV is a good sustainable investment, because the reserve replacement rate will be at least 100% and more.

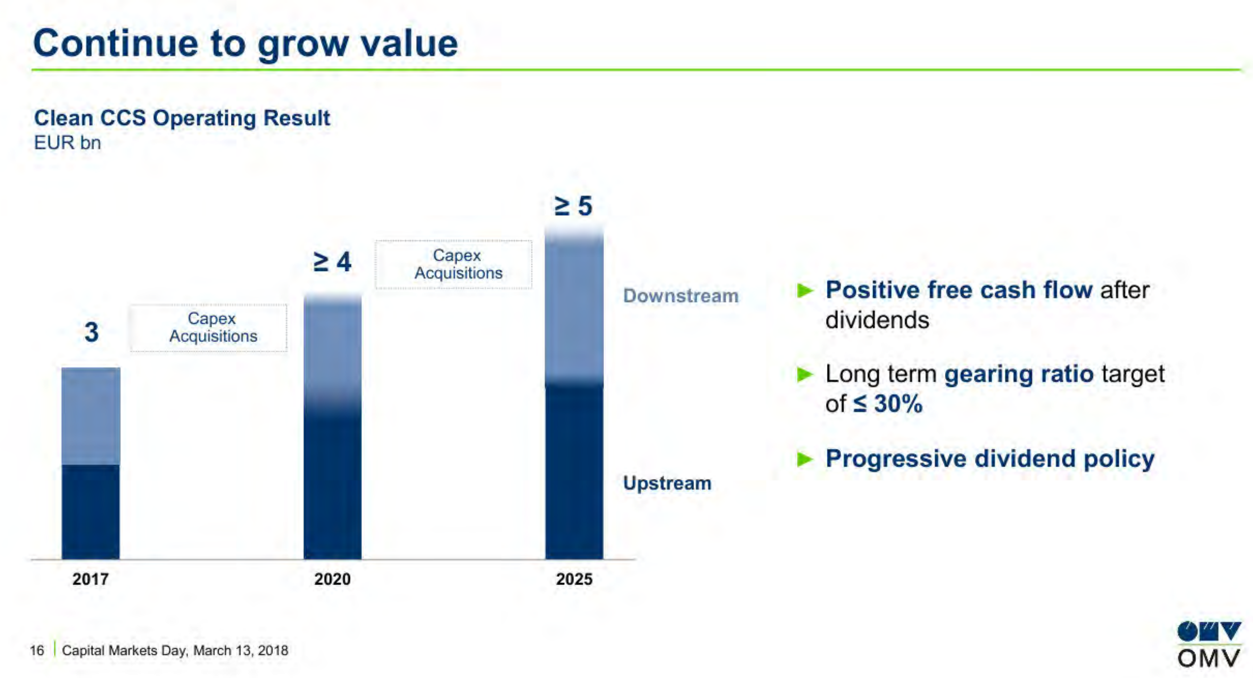

What is the growth story in Downstream Oil? Well, it's summarised in the headline. We will further strengthen our European position and grow internationally. We are going to invest to grow into the value chain in Europe. We will invest to produce more high-value products, especially in Europe. Manfred will elaborate on this a little bit more. We do have good chances to go for an FID into our refineries to upgrade the output.

We will then target an increase of the captive sales behind our products of more than 50%. We would like to export the successful business model we have run over the years here, reducing costs in our refineries, into growing markets as I have mentioned earlier. On a long-term basis - which means until 2025 - OMV is targeting to double the capacities in petchem and refining.


The growth story in natural gas in market driven, volumes. We have to catch the market. We will double our sales of natural gas to 20 bcm in Europe. We would like to monetise our equity production on a higher level. All we have to do is catch the market, catch the market. This is what we did since two years. Manfred will give you later on a little bit more numbers on that.

But what he also successfully did, he monetised our sleeping LNG re-gas capacities in Rotterdam. This was a big cost pressure on us. We couldn't market it, because we were missing the customers. Now we catch the customers and now we can monetise it. That's one of the main reasons why we have improved the profitability also in natural gas. Two years ago, there was no positive black number. Now we are talking about a triple-digit million euros contribution to the overall performance of OMV. Well done and we will continue with that.

We will also improve our transportation business. The key project behind is Nord Stream 2. OMV stays committed with Nord Stream 2. We will finance the project. We are highly committed that we can make this pipeline a success, because it's of strategically high importance for OMV.

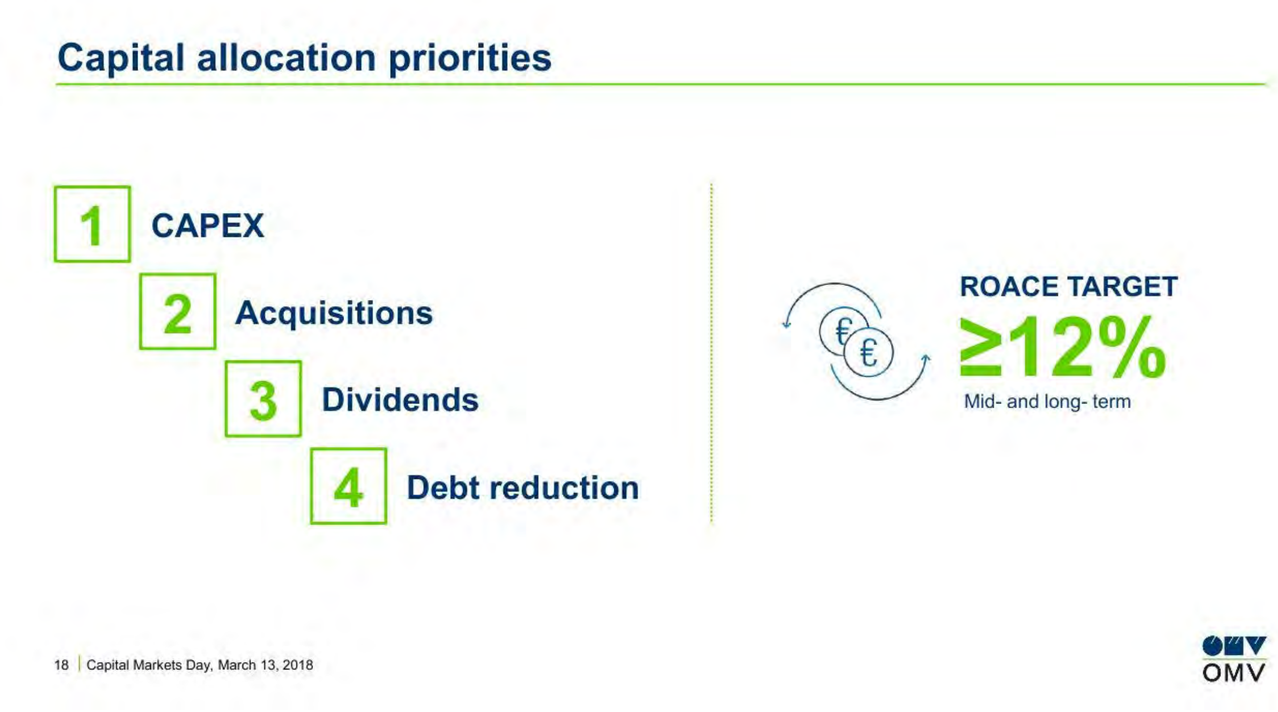



When we grow our strategy, we are growing also our financial targets. KPIs will grow in line. What you can see over here is that we are going to increase our clean CCS Operating Results in our plans from a level of EUR 3 billion last year to a level of more than EUR 4 billion already in 2020. We will have at minimum another EUR 1 billion on top in the long term in 2025.

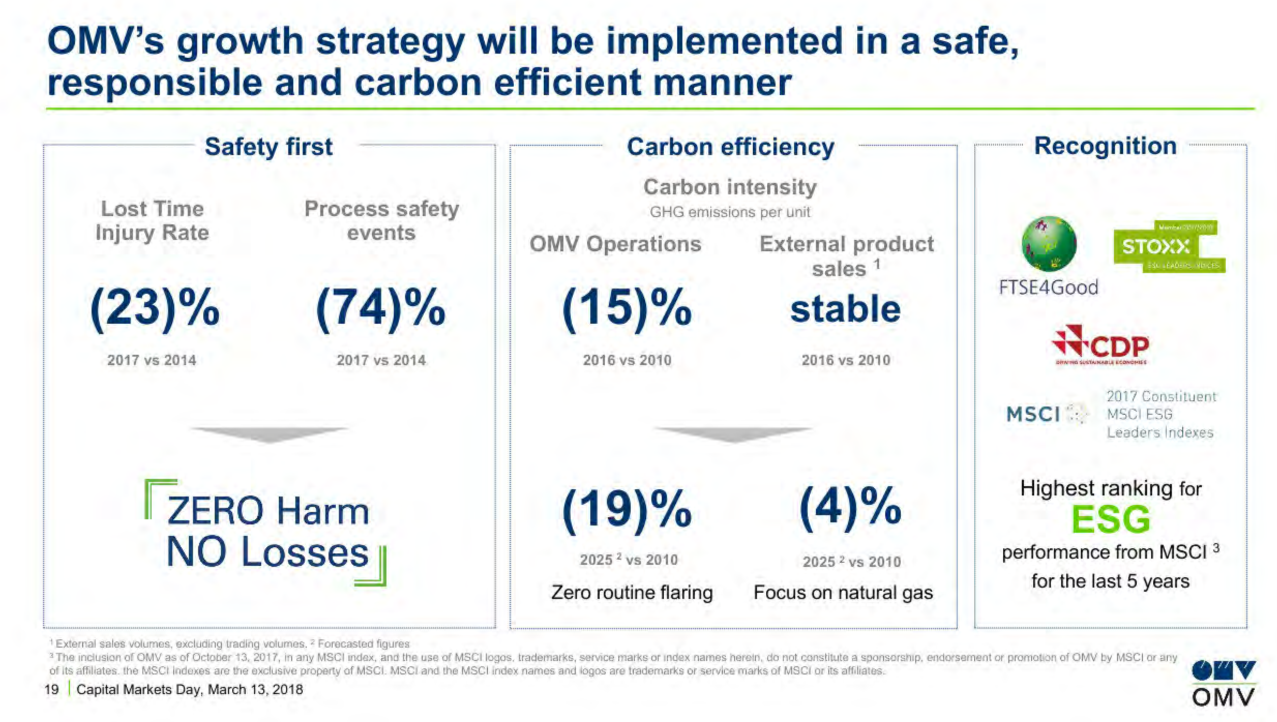
What you can see is also that the contribution from Upstream midterm is a bit higher than long term where we're going to see an equal contribution from both business units to the overall performance. In the overall performance, we are generating the growth story in line with our financial framework which is defined by the right, and which is nothing new to you because this is something we have committed to years ago in our strategy when we have said we would like to have a positive free cash flow after dividends. We are not increasing debt to pay dividends, we would like to have a long-term gearing ratio target which is below or at 30% and we would like to continue with our progressive dividend policy. Which means we would like to grow the dividend year by year or keep it at least on the previous year level.


What do we have to do to finance our growth story? What you see on this chart is that this is not an investment-driven growth strategy. We are sufficient with the investment level we have seen in the last years, which was an average EUR 2.1 billion and what we have in our plans to finance growth, we think it's a sufficient level of EUR 2 billion to 2.5 billion in average until 2025. So the growth story will more and more also driven by an acquisition plan we have in mind.

We have increased our budget for acquisitions, you can see the last three years it was EUR 1.8 billion, and we have now foreseen for the years up to 2025 a EUR 10 billion acquisition budget and it goes equally, equally in Upstream and Downstream. So the growth in Upstream, as well as in Downstream, will be financed by acquisitions and by investments. Why acquisitions? It's accelerating the growth, because OMV has a preference to farm into producing fields and that's the reason why I think we can show up also impressive cash flow numbers.




What are the capital allocation priorities of OMV? First of all, we have to reinvest the money we are generating into our business. Now even more we have to invest it into growth of OMV to make the company bigger for you. And it means that the first priority has CAPEX and acquisitions, to reinvest and to keep our business running and growing. The second priority is growing the dividends with the new policy I have mentioned and the third is debt reduction. But ladies and gentlemen, although we are growing the company, the OMV board is committed to a ROACE target of at least 12% in average.




This chart is explaining that the growth strategy will be implemented in a safe, responsible and carbon efficient manner. This is an important chart, it's telling you also numbers, but behind the philosophy of this chart is OMV's licence to operate. If we don't follow the philosophy behind this chart, that we take care of the environment, that we take care of the safety and security of the people working in OMV, we have a huge risk in our company. And the commitment is there, and we can prove that OMV has the sustainability strategy which kicks in nicely.

If we look into the safety track record, you can see that over the years from 2014 to 2017 we have reduced our LTIR rate by 23%. The process safety events, even on a higher level in the timeframe from 2014 to 2017, we have reduced by 74%. And then going forward there is a clear commitment of OMV to our new HSSE strategy, which says zero harm, no losses, that's the clear target.

The same accounts to the carbon intensity, which is defined that these are the greenhouse gas emissions per unit and we have to differentiate which are internal targets and external targets. The internal target is how much of the greenhouse gas emissions have reduced in our operations, well we have reduced it from 2010 to 2016 by 15% and the outlook is that we can reduce it by another 19% until 2025, especially by implementing our zero routine flaring and no venting activities. And we have committed already in the World Bank initiative two years ago as OMV and that's why I think the target is well on track. The external product sales, we could keep it stable in the timeframe of 2016 to 2020, but we think that we can reduce it by 4% by especially focusing on natural gas as a growing product in our portfolio and the ecological benefits of natural gas, especially in the energy supply, is well known to all of us.


So let me summarise by explaining to you why I think OMV is a very good investment. We are well positioned for profitable growth in OMV. We have managed a strong cash flow, we have a very high financial flexibility in the company and we can grow the company by further efficient production and by acquisitions, as well as investments. So the financial power is not only in my body; it's in the company and we are going to strive cash flow generation. OMV, we have changed. Remember the chart that we have grown the cash generation to EUR 3.9 billion, I think we are well on track to further professionally manage cash flow and OMV will have a solid base for growth in dividends, because of the high cash flow generation.

We will keep the success, the secret of success in place, the integrated structure. When we're growing the company, we will grow both units, Upstream as well as Downstream. And of course, that's also most important for all of you, we are driving an attractive shareholder returns so that the investment really kicks out with a good return for all of you.

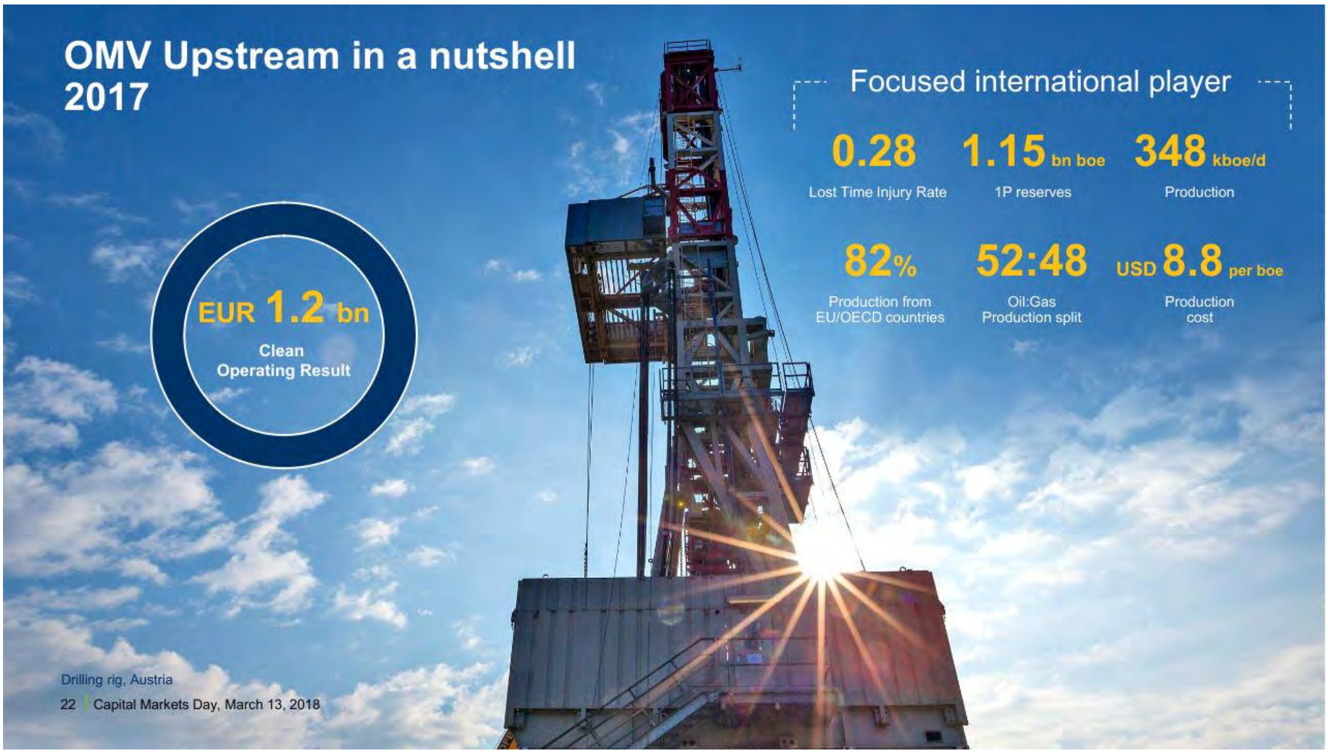
Now I would like to hand over to my colleague, Johann Pleininger, who will explain to you a little bit more what is awaiting us in Upstream.


## Johann Pleininger

**Deputy Chairman of the Executive Board and Executive Board Member Upstream**

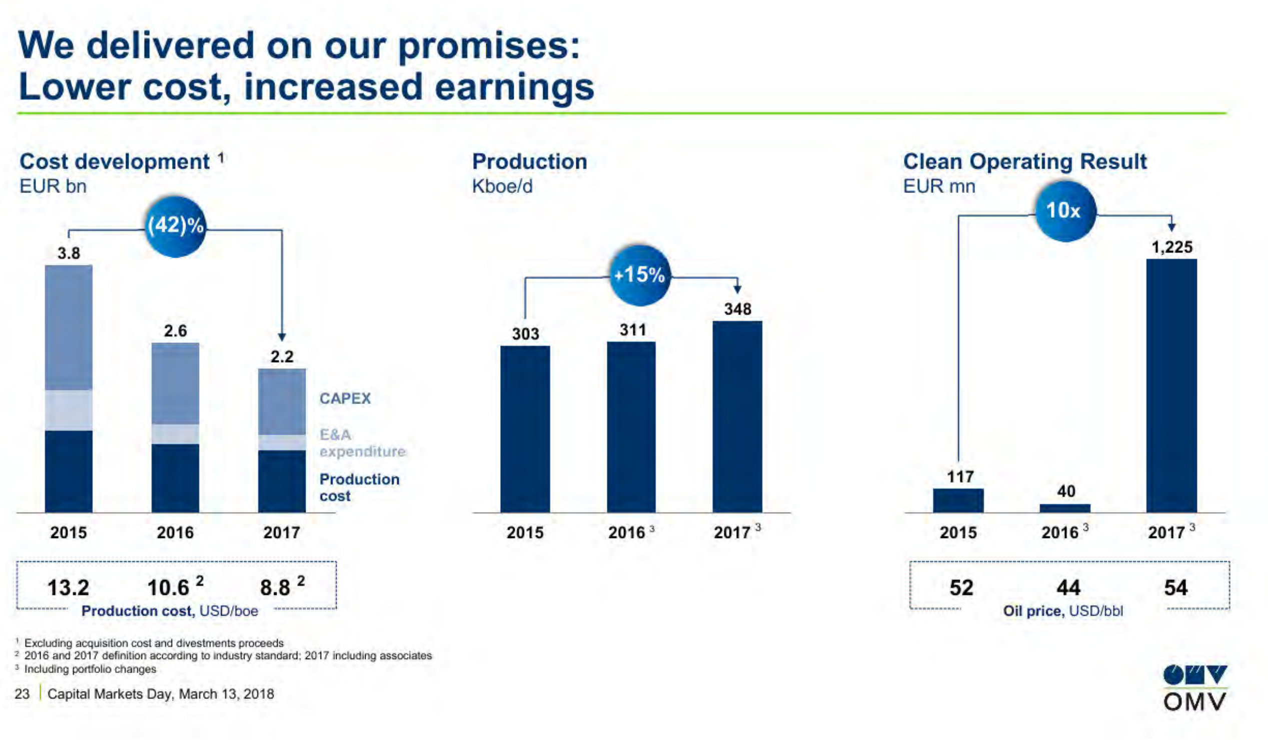
So good afternoon, ladies and gentlemen. A very warm welcome also from my side. My name is Johann Pleininger and I'm the Executive Board for the Upstream business. I'm already more than 40 years with OMV, so I am contributing more than 40% of the 100 years of experience in our board.

Since we have announced our strategy some two years ago, we have not only reshaped our Upstream organisation, we have also reshaped our portfolio, resulting in lower costs, more reserves, higher production and stronger cash flow generation from Upstream.




Looking at Upstream at a glance, we have a strong track record on HSSE and safety. We had no fatality in 2017 and an LTI rate, incident rate per one million working hours well below the European benchmark. Especially proud I am of the record high of our production in 2017, so close to 350,000 barrels per day we produced in 2017. We had also a record high on a quarterly basis in Q4 2017, with 377,000 BOE per day and we had also a record high on the monthly basis in January, as well as in February, we produced beyond 400,000 barrels per day.

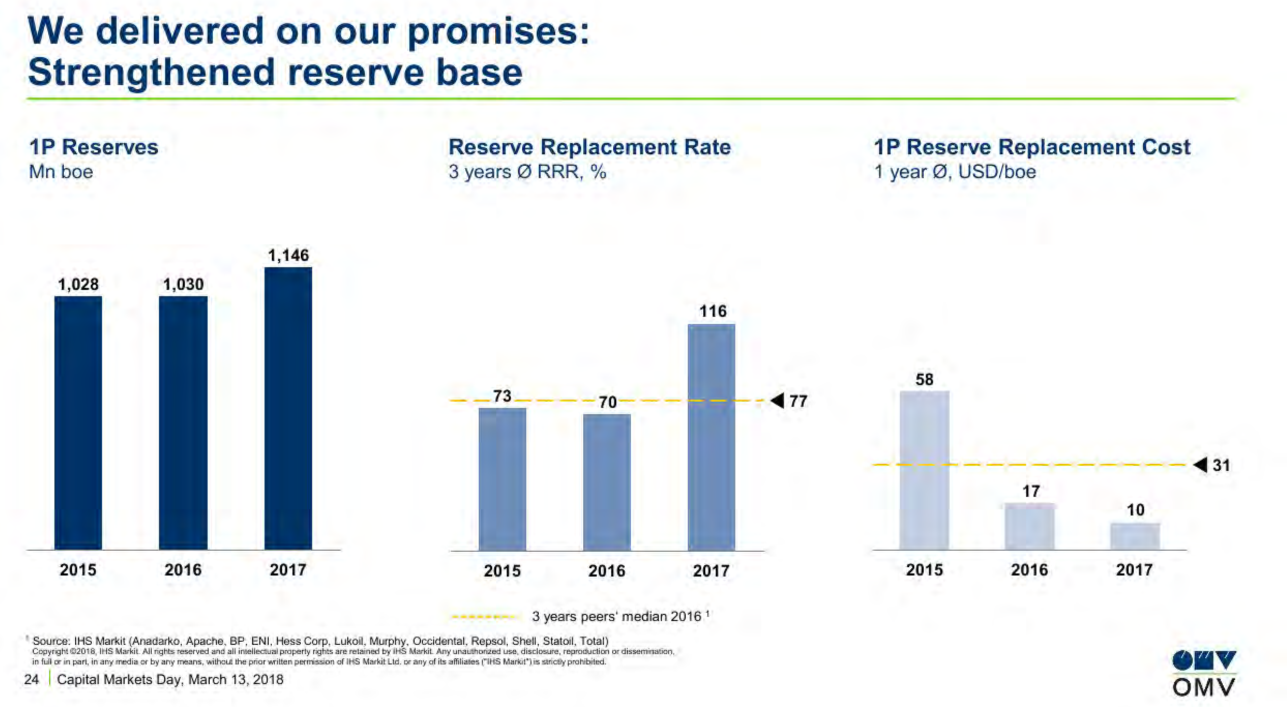
Very proud we are also of our production costs. When I took over in 2015, I started with production costs at USD 16.6 per boe, so we almost halved our production costs and we brought it down to USD 8.8 per boe. In 2018 you can even expect lower production costs, so we are aiming for costs below USD 8 per boe. We are producing more than 80% of our production is coming from Europe or from OECD countries.




As Rainer said already, OMV delivered what we have been promising in 2016. If you look at the cost development, we brought our costs substantially down, we cut it by more than 40% compared to 2015. And if you compare with 2014, when we took over, it's even more than 50%. So we cut our CAPEX down to around EUR 1 billion, E&A we cut it down from EUR 700 million in 2014 to below EUR 300 million in 2017. And production costs, when I took over we had EUR 1.33 billion in absolute amounts, production costs and 2017 we finished the year with EUR 940 million of production costs.

At the same time, we increased our production from around 300,000 barrels per day to almost 350,000 barrels per day.

Even more impressive figures we can show on the clean operating result, if you compare 2015 we had around EUR 100 million and we increased it by more than EUR 1 billion, 10 times bigger at similar oil prices, once you compare with USD 52 in 2015 and USD 54 average oil price in 2017.



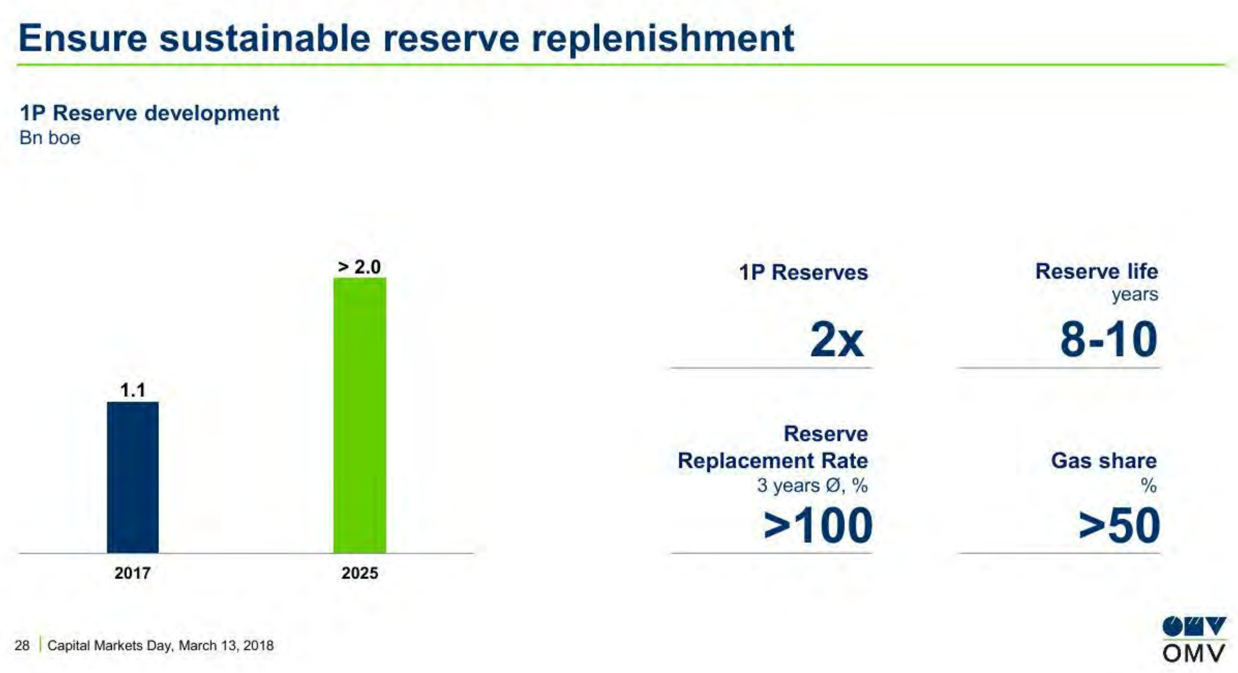

Reserves replenishment was also one of our clear key targets, as we presented our strategy in 2016. We strengthened our reserve space, we increased our reserves by more than 100 million boe since 2015. Regarding reserve replacement rate, we are outperforming our peers, as you can see. The mean of our peers stays at 77% preserve replacement rate, OMV achieved 116% on the three years average. Reserve replacement rate costs we brought down from roughly USD 60 to USD 10 per boe, also around one-third compared with our peers.


We are more focused than ever, as you can see. We divested from the high cost areas in UK, west of Shetland, west of Britain. We started to increase and to improve the profitability in Romania. We sold the first bunch of marginal fields, we sold 19 fields out of 200 fields where we are operating in Romania. We sold our high cost asset in Tunisia, Ashtart and we divested from the Sub-Saharan Africa region, Gabon, Namibia and Madagascar. Just recently we announced that we divested from Pakistan and we strengthened our position in Libya, with the acquisition of the Oxy assets end of 2016. And I would say in a record time we developed Russia from a development area into a core area within two years, we are producing already more than 100,000 boe out of Russia.


Looking ahead, going forward, what are we targeting? We further want to renew and improve the quality of our asset base. We want to double the reserves until 2025. This is the basis for our production growth from 300,000 to 600,000 barrels per day. We further continue and push forward our operational excellence, which is one of our core strengths in the Upstream business and we will further increase the cash generation in Upstream.

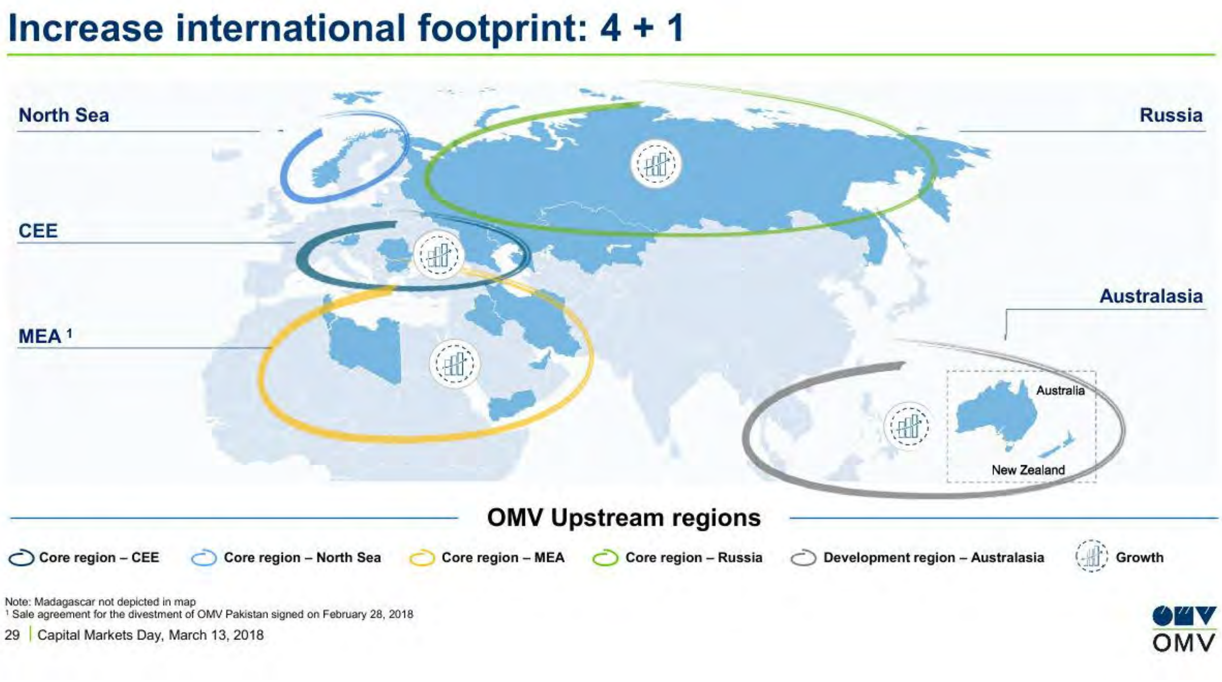

Coming to production, almost 350,000 in 2017. We are aiming for 420,000 in 2018. You see also clear targets set for 2020 and 2025, so 500,000 and then aiming to produce 600,000 barrels in 2025. You see also where it should come from. So the organic growth will come from our key projects, which we have already in our pipeline. It's not fantasy, as Rainer said; it's what we have already in our pipeline.

So in the near term it should come from Aasta Hansteen, going on-stream end of this year, Nawara going on-stream next year. Midterm, Neptun and long term, Wisting. Also, acquisition will play an important role also in the future to ramp up our production to 600,000 barrels per day and we want to keep the costs low, below USD 8 per boe, also for the upcoming years.



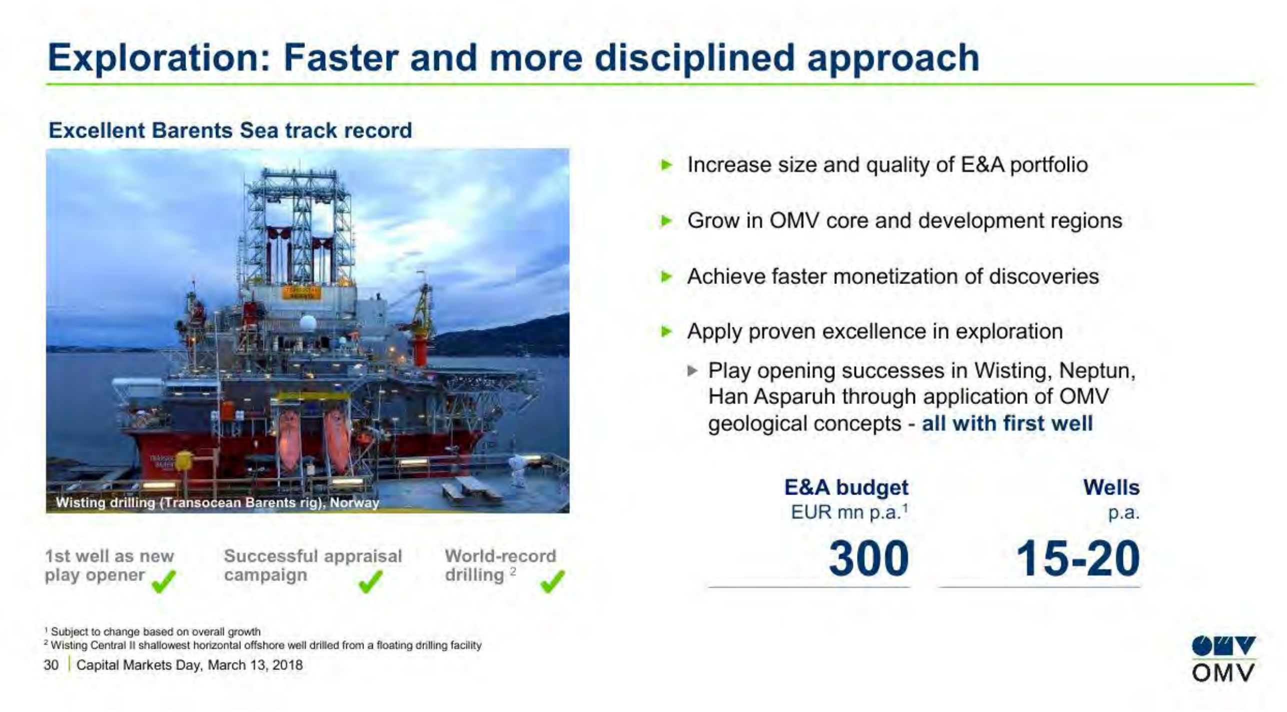

Reserve replenishment, clearly the future for our company, because if you don't replenish our reserves we will run out of production. So what we are aiming for until 2025 is on the one hand, we are producing already roughly 1 billion boe until 2025. So this needs to be replaced and in addition on it, we will double the reserves. So in order to keep a reserves life of eight to 10 years and clearly the reserves replacement rate on this three years average should stay above 100%.

And in the future, because it's always a question, do you become more gassy, more oily, right now, as you have seen on the first slide, we are producing 52% oil and 48% gas. This will change, rather to gas. Why? Because those projects that we have in the pipeline, Nawara is gas, Aasta Hansteen is gas. We'll talk about it when we come to Russia, Achimov 4/5 is gas, so we'll produce more gas in the future, which fits perfectly with our strategy.




Where should the growth come from? Well, you see North Sea, here we are targeting to stay at the level where we are right now. We are producing close to 80,000 barrels per day. That's what we want to keep also in the upcoming years in the North Sea. CEE, the growth will come from Neptun, so we are producing right now 155,000 barrels. So with Neptun we will target around 200,000 barrels per boe in Romania. MEA, we will strengthen our position in Libya, as well as in Middle East and Russia, as Rainer mentioned, we want to finalise and conclude our project, our assets in Achimov. So we are expecting around 150,000 boe production from Russia in 2025, coming mainly from Yuzhno Russkoye and the Achimov 4/5.

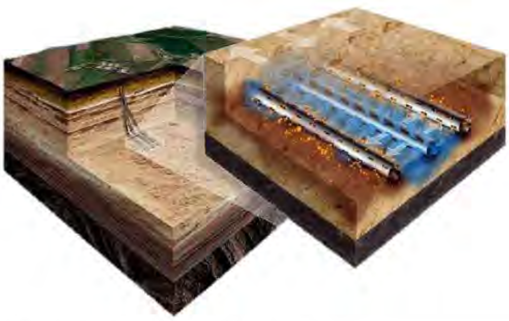
And additional growth should come from our new development area, which is New Zealand, where we have a strong position there and from New Zealand we are looking into the wider area towards Southeast Asia, we want to grow the business there.




Exploration, exploration in the past we were too spread out, I have to say. This was also one of the reasons why we changed our exploration strategy. We changed from front year high risk operations to near field low risk and much faster monetisation. So comparing let's say Sub-Saharan Africa, if it would have been successful with the discovery in Gabon or Namibia, there would have been no infrastructure nearby. So you could expect it would have taken 10, 15, maybe 20 years until we could run the cash back, or we would have invested there.

We changed to a near field exploration strategy, so we're focusing on our core areas and we're focusing on those areas where infrastructure is nearby. As an example, we go also for frontier drilling for new areas also in Romania. So some years ago we made one of the biggest discoveries in Romania, in Totea, but we brought it on-stream within two years. So you get the cash flow back much earlier. We will spend around EUR 300 million per year on E&A and this means drilling around 15 to 20 wells per year.

## Technology drives recovery and reduces downtime



Schematic picture of the polymer injection process

- **Highlights**
  - Mean-time-between-failure of producing wells of over 1,900 days (Austria)
  - Reduced number of well interventions per year from over 150,000 to below 6,000 (Romania [1])
  - Low cost drilling [2] and drilling world records
  - Over 80% automated wells (Austria)
- **Objectives**
  - Increase ultimate recovery rate by 10 percentage points in selected fields
  - Apply nanotechnology for corrosion and wear prevention
  - Make the most effective use of digital technologies

**Austria as technology center for international roll-out**

[1] From 2005 to 2017; OMV closed the acquisition of a 51% stake in Petrom in December 2004
[2] Top quartile cost per meter dry hole, Romania, Rushmore benchmark

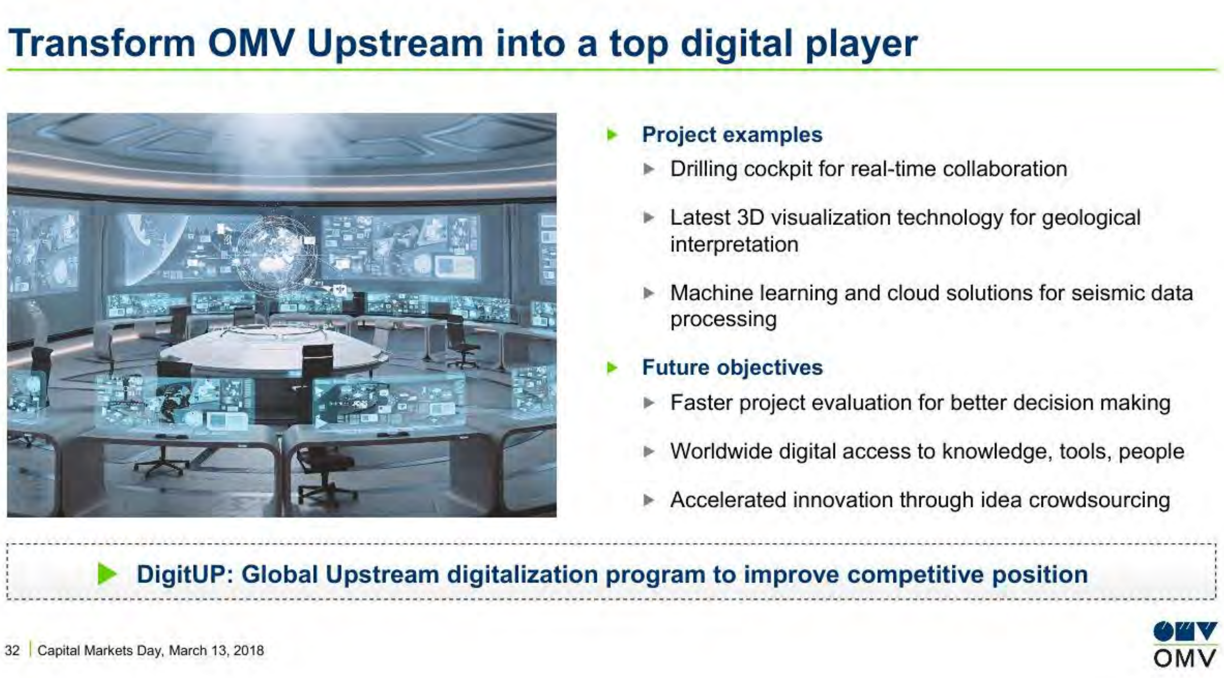
31 | Capital Markets Day, March 13, 2018

Technology, technology is also the backbone of our company. It means operational excellence. It drives recovery as well as costs, because I get especially from you guys very often the question how could you cut the costs? How did you bring the costs down from USD 16.6 to USD 8.8? One thing is cutting costs and you can believe me, I'm with this company already more than 40 years, I know exactly where to cut costs. But second reason is already technology and I will give you some examples.

For example, in Austria we improved and we increased the run time another 30% of our wells, which means to maintain our wells changing the sucker rod, or changing the sucker rod pump, we do only every five years. This is really top class in our business and just how much it could have an impact on costs, example in Romania, when we took over and when we joined Petrom, we were doing around 150,000 well interventions per year, 2018 we're planning for less than 6000.

And if you just take the rig cost, the rig cost for one well intervention is around EUR 5,000 in Romania, so you can make an easy calculation how much the impact is on our costs. Also, on drilling, we are a top quartile low cost drilling company. Also, in drilling we hold several world records, we have drilled the most shallowest onshore well in Suplac in Romania, we have drilled the most shallowest offshore well in Wisting and we hold several world records and European records in casing whilst drilling.

We set also a clear target, we want to increase our ultimate recovery rate by 10 percentage points in selected fields. And we go for deploying new technologies like nanotechnology and digitalisation.




Digitalisation, I would like to spend one slide on it. I just came back from Silicon Valley this weekend visiting Schlumberger's innovation centre in Palo Alto and Google's cloud centre, also in Palo Alto. So the world will change also in the oil and gas industry, so we will change what we are doing and how we are doing it. And our clear target is to transform OMV Upstream into a top digital player. I'm chairing our DigitUP, our global worldwide project. I can tell you already some steps which have been taken already, starting last year.

So we'll go live with our drilling cockpit centre in our head office, where we will monitor and guide all our drilling activities worldwide from Vienna. We will be online live on each of our drilling locations and we are drilling more than 150 wells in 2018. We opened up already and implemented our 3D visualisation centre, where we are supporting the work in exploration, as well in reservoir engineering and we started the first pilot projects on machine learning and cloud solutions.

## CEE: Sustain value generation in Romania and Austria, realize Black Sea potential


**2017 figures**

- **Maximize profitable recovery**
  - Infill drillings, workovers, selected field re-developments
  - Strict cost management (CAPEX, production cost)
  - Explore in Romania onshore, the Black Sea and Austria
- **Mature Neptun**
  - First gas in 2020+
  - Resources Domino-1 discovery of up to 250 mn boe [2]
- **Continue active portfolio management**
  - Pursue regional growth
  - Divest additional marginal fields in Romania

All figures net to OMV
[1] In % of production
[2] OMV Petrom initial estimate as communicated for the Domino-1 well in February 2012

33 | Capital Markets Day, March 13, 2018

Starting the tour to our regions, CEE, main focus in CEE is keep production up and keep costs low. How will we do it? Infill drilling, workover, selected field redevelopments and of course, we are applying strict cost management also in the future in our core mature assets.

One of our key projects is Neptun, we'll bring Neptun on-stream until 2020-plus and as I said already before, Neptun will bring production up in Petrom beyond 200,000 boe again as we have been after the privatization.

We also go for international growth in Petrom, so Petrom goes international. We are not competing in the same regions with OMV. Petrom is looking into areas like the Caspian Sea, the Black Sea and the eastern part of the Mediterranean Sea. And we will also optimise and improve profitability in Petrom. How we are doing it, we are divesting from marginal fields, meaning from high cost, low profitable fields. So we sold already 19 fields last year and another 50 to 60 fields we will sell in the upcoming two years.

## Secure long-term sustainable contribution in North Sea

Wisting Central III appraisal well (Island Innovator), Norway

**2017 figures**

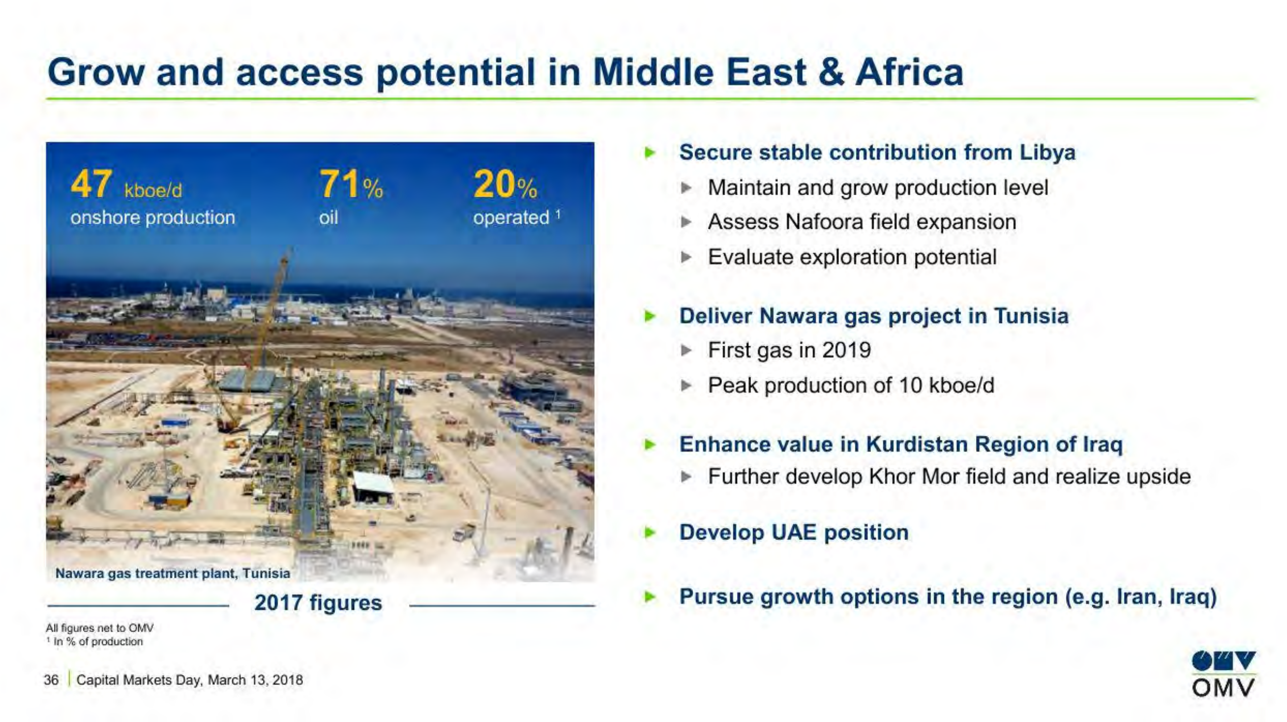
All figures net to OMV

- **Bring Aasta Hansteen on stream**
  - First gas in Q4 2018
  - Cumulative gas production of up to 43 mn boe
  - Peak production of 18 kboe/d
  - Snefrid Nord to be developed as a tie-back
- **Mature Wisting**
  - First oil in mid 2020s
  - Total recoverable oil resources of up to 130 mn bbl
  - Latest successful appraisal well in Q3 2017
- **Expand exploration portfolio**
  - 34 licenses, thereof 7 operated

34 | Capital Markets Day, March 13, 2018

North Sea, as I mentioned already, we are producing around 80,000 boe per day. It's mainly oil. Here the key focus is on exploration. We have acquired a good exploration portfolio. In Norway we are drilling right now an exciting well in the North Sea, Hades/Iris. I hope I will report quite soon success on it, but it's too early today. We are focusing on our key projects. We'll bring Aasta Hansteen on-stream until end of the year, which will give us another 18,000 boe per day of production. And we are working quite hard maturing Wisting, where we expect FID, final investment decision, can be taken until 2020 and first oil we hope we will see in 2025.


Russia, here you see one of the most modern facilities from Yuzhno Russkoye. We are producing already more than 100,000 barrels per day at rock bottom production costs. So production costs are below USD 2 per boe. We will build on our strengths in Russia. We hope we can - or we will conclude our project, asset swap for Achimov 4/5 until end of the year and both projects, Yuzhno Russkoye and Achimov 4/5, will produce around 150,000 boe per day in 2025. It's also a big part of our reserves replacement rate will come from these two projects, more than one million boe on additional reserves, recoverable reserves coming from Yuzhno Russkoye and Achimov.




Middle East, here you see a picture from our gas treatment plant in the northern part of Tunisia. We are producing almost 50,000 boe in our MEA region, Middle East and Africa. Majority of the production is oil, so we want to build on our strengths and in Libya, to deliver the Nawara project in Tunisia until middle of 2019. We're starting already right now to develop further our fields in Kurdistan region of Iraq, Khor Mor and Chamchamal. We start to drill the first three wells already this year and we will build a strong position in UAE and neighbouring countries. So where we're looking right now is opportunities in Iraq and Iran, for example.

## Expand footprint in Australasia

FPSO Raroa and Ensco drilling rig, Maari field, New Zealand

2017 figures

All figures net to OMV
[1] In % of production

- **Realize upside of current position in New Zealand**
  - Strong and stable cash generator
  - Highly profitable production
- **Exploit promising exploration potential**
- **Develop Australasia into a core region**
  - Evaluate further opportunities in the wider area

37 | Capital Markets Day, March 13, 2018

We are already since more than 20 years in New Zealand. New Zealand is a strong cash flow generator, so high profitable barrels there. We have a very exciting exploration portfolio in New Zealand, so we want to build on that. So we want to strengthen our position in New Zealand by exploration, but maybe also by our acquisition. And we want to look in the wider area, so we want to develop a new core region towards Southeast Asia, towards Australasia.


Summarising what are our key targets, what should be the key takeaways for you. So we will continue to renew and improve the quality of our asset base. We will double the reserves and double the production. We go ahead with operational excellence and we will increase cash flow generation from Upstream.

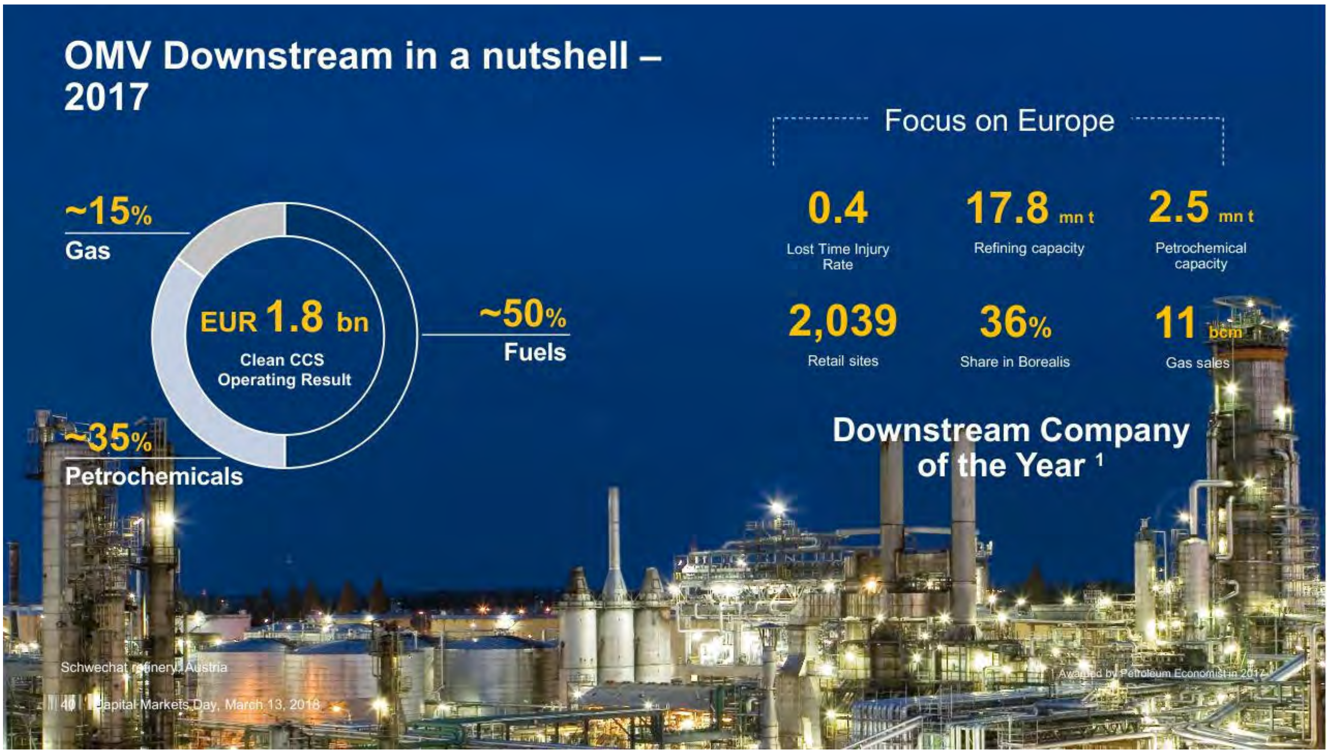
Thank you and with this, I would like to hand over to Manfred for Downstream.


## Manfred Leitner

**Executive Board Member Downstream**

Thank you, Hans. Good afternoon, ladies and gentlemen, I would like to take you through the OMV Downstream division now. But I would like to mention before that, I'm having as well more than 30 years and that by more than 30% to the 100% experience with which we have actually brought this introduction here. More than 20 years thereof in the OMV Downstream division, responsible for Downstream Oil since 2011 and since 2015 for OMV Downstream, a combination of Downstream Oil and Downstream Gas.

Here you see, by the way, the Schwechat refinery, which you hopefully know anyway if you come to Vienna and you are landing at the Schwechat Airport, you cannot miss it.




Downstream in OMV, yes, we focus on HSSE as well, of course. Last year was not our best one, I have to say. We came out at a lost time injury rate of 0.4, that's in the first quartile of the industry, if you go to the international benchmarks. But still not satisfying, so we have to concentrate even more there. We're running three refineries, one in Austria, one in Germany, one in Romania, at a total capacity of approximately 18 million tonnes. We're having petrochemical production capacity of 2.5 million tonnes in our refineries. We're running more than 2000 retail stations in 10 countries.

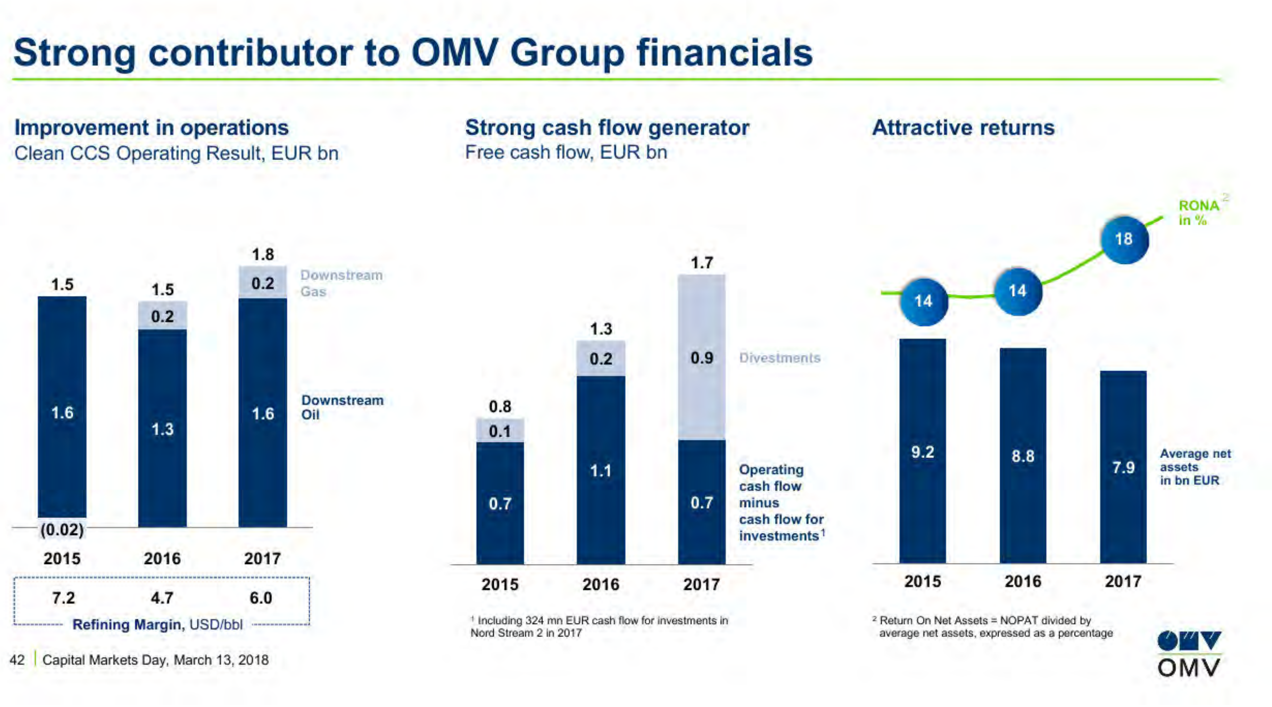
I have to mention as well at the beginning already the 36 per cent share in Borealis, the global polyolefin producer. You will see more on the value of that. On the Downstream Gas side, we have been selling in 2017 11 billion cubic metres of gas. We are running two gas-fired power stations, one in Romania, one in Turkey, and we are having a 51 per cent in gas transportation company of Austria, that's Gas Connect Austria.


Coming back to what we have been - well, I have been communicating in February 2016, as you have already heard in the other parts of OMV very successfully. We have delivered all our promises.

We have in Downstream further worked on the portfolio. The main step was to divest our Turkish Downstream Oil operations, Petrol Ofisi, with the closing in June 2017. We have acquired a discount retail network. Doesn't sound that sexy. You will see the raft at the end, little bit more what the fantasy and the strategies behind. Discount retail network in Austria, which is a new segment where we sell our products, the refining production. We have divested the wind power plant in Romania as a non-core business. We have sold 49 per cent in Gas Connect Austria in the meantime for EUR 601 million. We have signed the financing agreements for North Stream 2 to main - the main portfolio shift here.

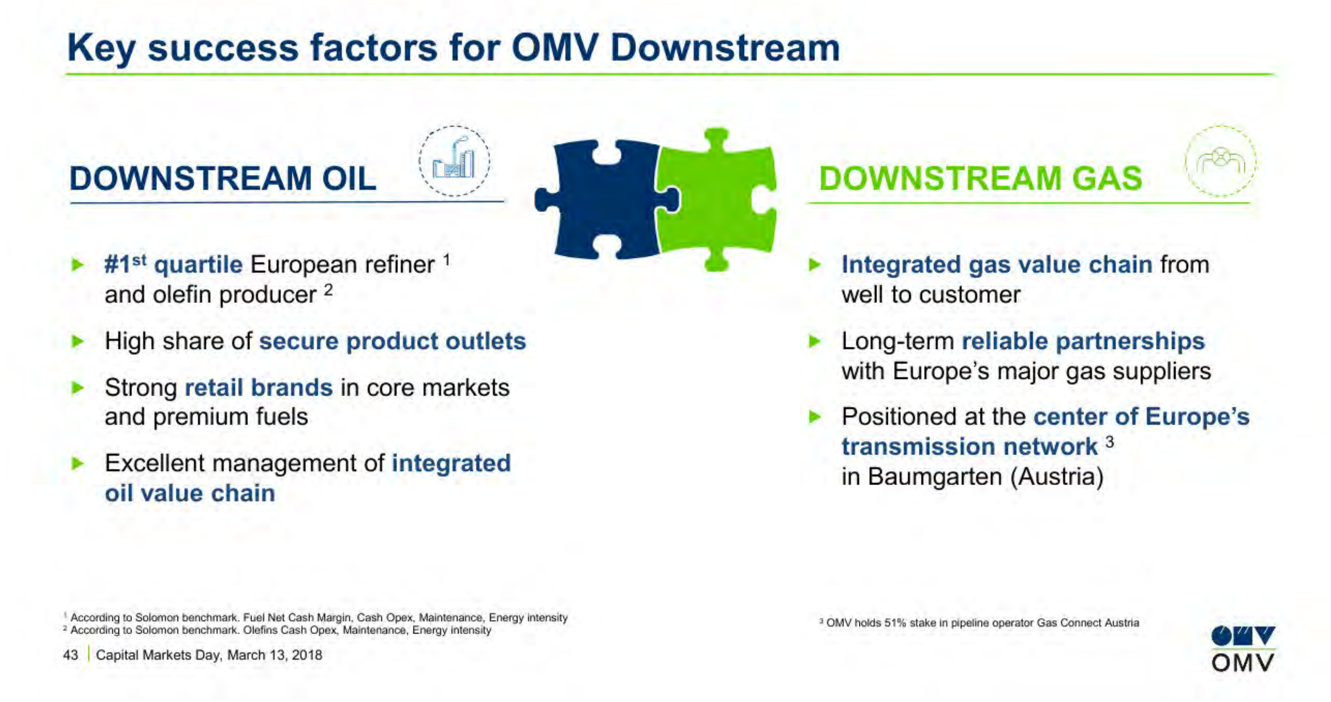
What we have as well done, obviously, we have improved operational excellence further. I think one of the evidence is there for it that we have been running our refineries consistently over 90% capacity utilisation, even in the last two years when we had a planned turnaround in the operations there. We have maintained free capital and cost discipline.

On a Downstream Gas, the last two years have been mainly restructuring. We bought the 100 per cent of the shares in one Austrian gas sales company called Econgas. We merged it with our existing gas sales company that had been working in the same area more and less when we're trading. Therefore, we have actually now a basis to expand our gas sales in a very I think efficient and lean way, have reduced costs by the way by more than 30% in that reason - in that area.




Here you see the result out of a lot of those efforts. If you go to the left-hand side that's the Clean CCS Operating Result. Just a few remarks here. You see below the refining margins that they have been at significantly different levels over the years. But what you see as well is there is already a pretty reliable stability in what we are contributing. So even in the year 2016 when the refining margin was at USD 4.7 per barrel only, we came out at 1.5. In 2017 we actually delivered EUR 1.8 billion. This was the record result in OMV Downstream in history. One remark there as well. If you look into 2015, when I took it over it was a loss-making business, Downstream Gas. We have managed now to turn it around. The contribution last year was already over and above EUR 200 million.

Strong, careful generation. This is what we are focusing since years. Last year we came out with a free cash flow of EUR 1.7 billion again. To the right-hand side this is my real focus since the beginning. That's the return. Since we do not have divisional balance sheets, we just have an approximation here which is return on that assets. But last year we came out at 18%. I think we have set a new benchmark in the European Downstream industry here, mainly because we have sold low return Petrol Ofisi. That's one of the main last steps in order to really get at these attractive levels.



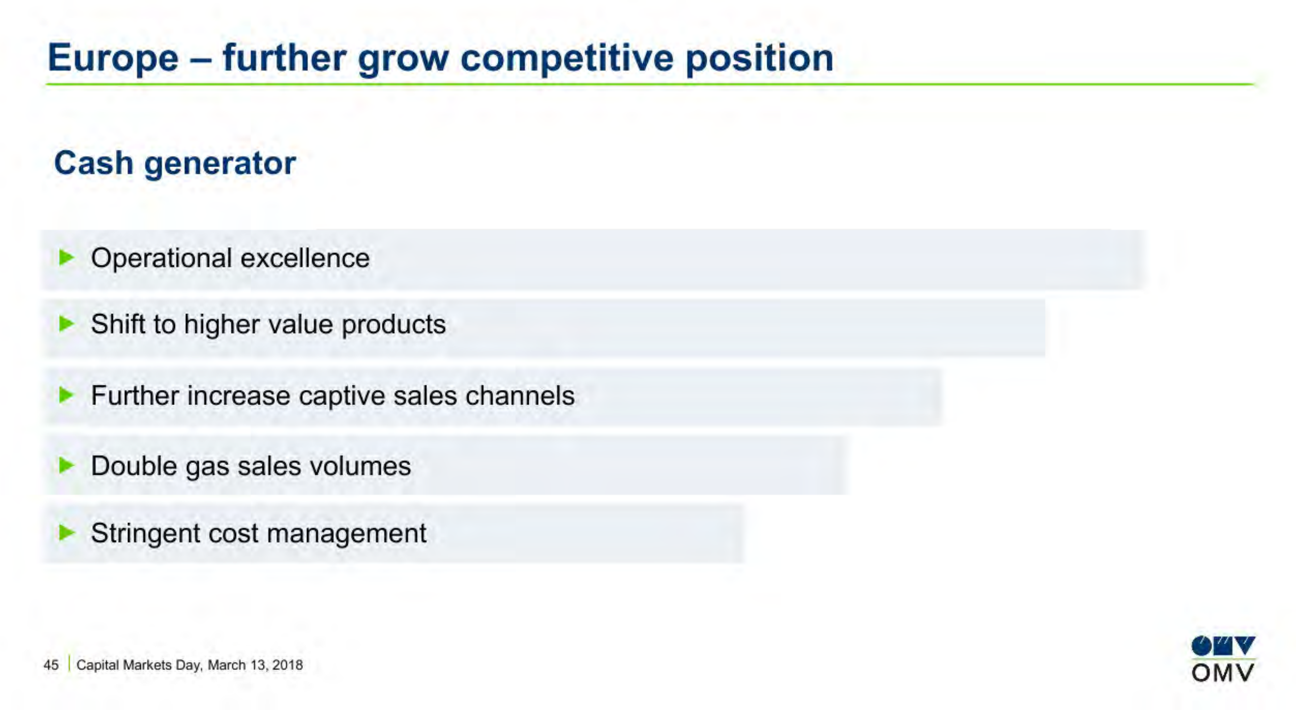

What are the key success factors for us when we're Downstream? It's of course the quality of the refining and petrochemical operations first of all. We have a high share of stable, reliable sales outlets. This is a prerequisite to run your refinery as hard as you can, because you have to sell the products. Otherwise it doesn't make a lot of sense. We have strong retail brands and we'll come to that a little bit later as well. We have developed a premium fuels offer in the meantime, which is very well accepted by our customers. Over and above I think we have in the meantime achieved the quality of managing the Downstream Oil value chain, that is ahead of competition.

Coming to Downstream Gas, here I think the main arguments are we're an integrated gas company. What we're doing is we're producing - Hans is producing, I'm not producing the gas, but I am selling what he is producing. We're transporting, we're storing and we're selling the gas. That's a very strong claim to our customers, especially if you look at the security of supply. We have very long-term relationships, mainly with Gazprom. We will have the 50th anniversary of our gas supply contract with Gazprom this year. Moreover, we are located in the centre of the future, centre of the Central and Eastern European transition network. That is Baumgarten in Austria.


Coming to the future, what are we aiming for? Two sides. Europe. Europe Downstream Oil, what you will be seeing is more of the same. Very simple. More of the same. This is meaning that we are further strengthening our competitive position.

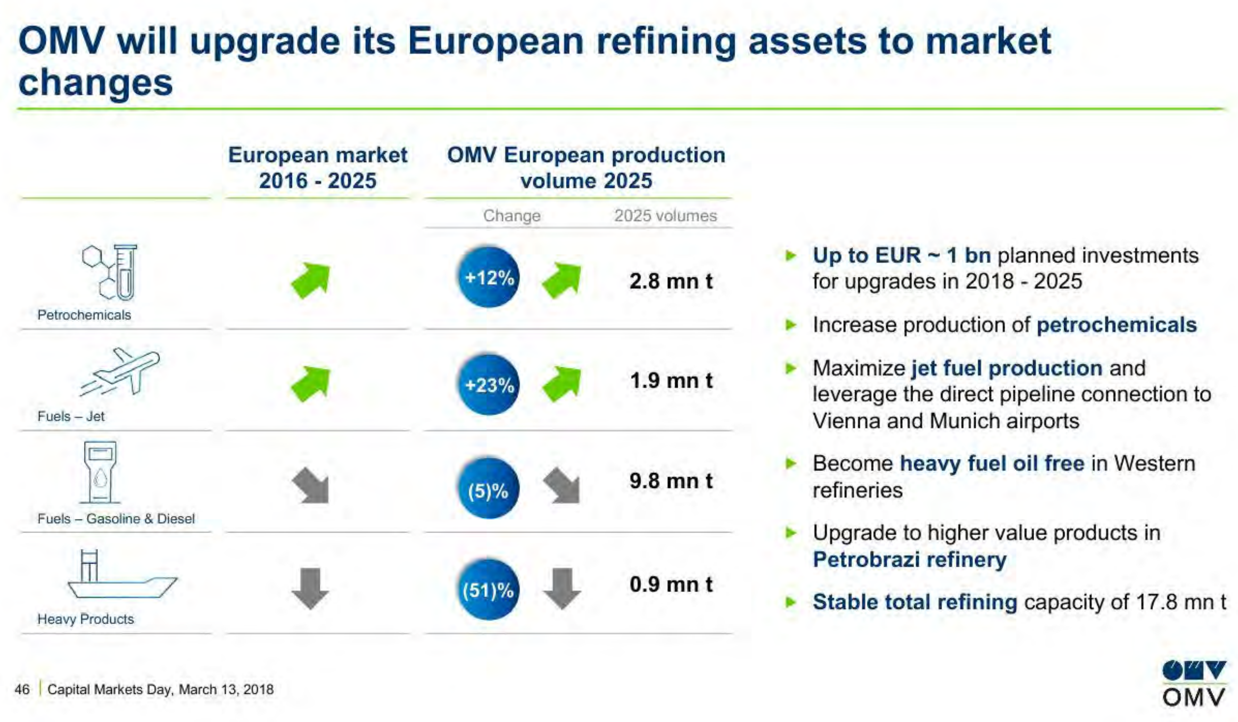
Downstream Gas, the ambition is here to become the leading integrated supplier of natural gas with a strong market presence from North West Europe to South East Europe.

If you then go to the growth part, there obviously Europe is not our focus, because the market will not be growing apart from the gas market. But the Downstream Oil markets are significantly growing, Far East, in the Middle East. This is where we would like to actually export our strength and know-how, how to value - how to manage the Downstream value chain too in the future.




First of all, Europe. Further grow competitive position. What is behind? Not a lot of secrets, but not very difficult to deliver. One is operational excellence of course. We will have to further concentrate on improving our operations. We are already I think best in class, but there is still potential to go higher. We will shift our production yield in the refineries, not only to higher value production, but as well away from those products where demand is going down, shift it to those products where demand is still growing. We are working on further increasing the sales in our captive sales channels, so to increase the sales volume there, as a backbone for running our refineries at a higher capacity utilisation. On the gas it's a volume game, as Rainer has already mentioned. We would like to participate in the growing gas market, and we would like to double our gas sales volumes until 2025 to over and above 20 billion cubic metres per year.

For both segments in the division of course, further stringent cost management, because this is what you need to do in order to be competitive in our industry.




Coming to the refineries, what you're seeing here - let me start from the bottom. There will be a decline in demand for heavy fuel. That's totally clear. There will be a decline in demand as well for automotive fuels. That's clear as well. But there are two growth areas still. One is petrochemical products. The other one is jet fuel. Jet fuel is increasing in terms of demand at a pretty high rate. So what we will be doing is we have plans to invest up to EUR 1 billion until 2025 in our three refineries, in order to adapt the production yield to those developments.

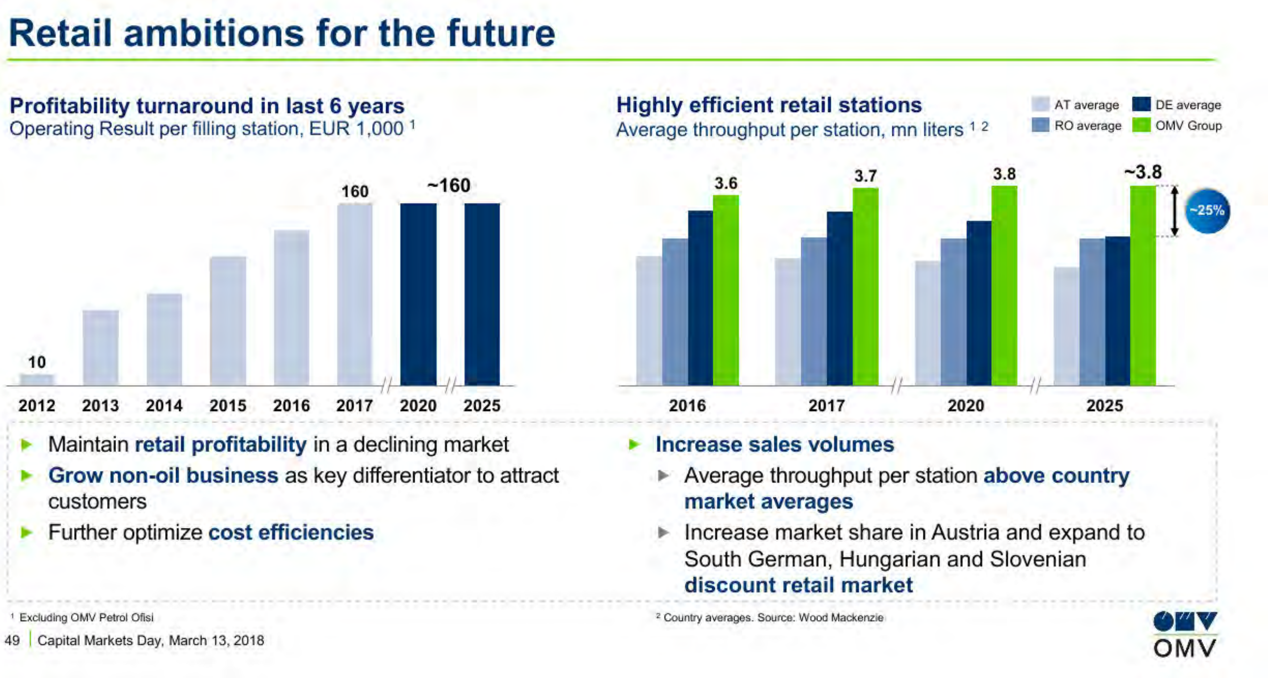
We will increase the petrochemical production, and I'll come to that a little bit later in more detail. We'll maximise the jet fuel production. We'll become heavy fuel oil free in our refineries. We will upgrade to higher value products in Petrobrazi as well, at the same time keeping the capacity at the same level, so we'll stay at the 18 million tonnes per year.


If you look at our three refineries, the USP or the nice position is that they're in such a proximity to each other that we really can run them as one integrated refining system. As an example, what you will not do in such a system, to invest in each refinery, in each unit that you need after the crude distillation.

What you will be doing is you maximise the capacity utilisation of the so-called secondary units by moving the intermediary product from one refinery to the other refinery where you have that gap still, and to use that capacity in order to increase the overall value of our production. At the same time, what we are doing is - and that's a must in the industry - to look at high margin feed stocks all the time. That's on a continuous basis. As an example, last year, we ran something like 35 different crudes in the Schwechat refinery, just in order to maximise the margin between the crude and the sales. We believe we are bringing something like EUR 50 million per year as an advantage by having that position.


Coming to retail, retail, colourful picture. Hopefully you'll know the stations anyway by yourself. If not, then you should try it if you go through the countries there where we are by car. I think the main message on that one that I would like to give you is that we are covering all customer segments with our retail brands. If you go to the left, that's OMV, that's high value, that's high quality, that's premium brand, that's high convenience offer. I think with the VIVA convenience offer we have the best offer in Central and Eastern Europe. In the meantime, the retail margin is more or less coming a third out of our non-oil part.

If you go further to the right you find Petrom, why Petrom. Petrom is one of the - actually in Romania it's the brand of choice. What we see is extremely well accepted by the customers there. We have a very high average throughput, and a very profitable operation. Then if you further go to the right we have added a kind of bargaining offer which means that we are actually as well offering quality products to cost sensitive customers, a customer segment which you cannot afford to not offer to if you would like to maximise the sales of your refining production into retail sales. These are stations that are unmanned, low investment, very low cost, and therefore are very low prices.

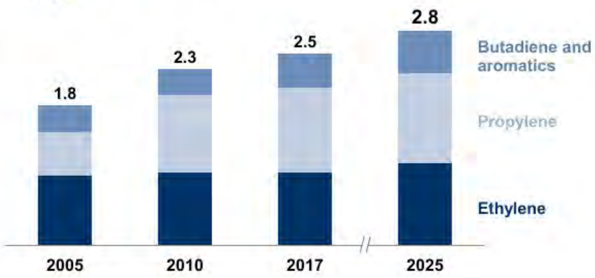



If you see the development in retail, the profitability has really gone up, 2012. For instance, in terms of operating result per station we have been close to breakeven. Last year we came out at EUR 160,000 per station. That's coming not only from the oil, but that's coming as well from the non-oil part of course. We will aim to stay at that level. It will be not easy, but I believe because of our strength in the sales and in the brands, we will be in a position to deliver that. One of the key KPIs behind that, that's the capacity utilisation of the retail stations. That's the average throughput that you are seeing on the right-hand side. The green bar is ours. The green bar is showing 3.7 million litres on average per station. That's a very, very good number. Because if you compare to the average of our main markets - that's Austria, Romania and Germany - you see that we are clearly above all of the other companies that are making business in the markets where we are present.

We will even aim to increase our sales volumes by selective investment into all the brands, but especially by increasing the market share of our discount retail network, which is having approximately 220 stations now in Austria. We would like to increase that number further in the orbits of our refineries, as long as we can transport the production to those outlets.

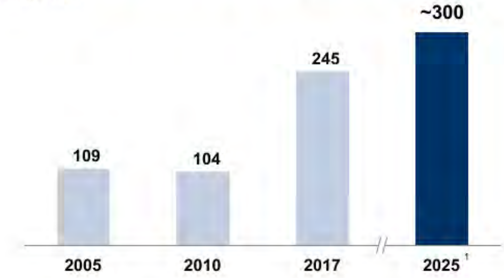
## Strong petrochemicals position in Europe and potential for future growth

**Production capacity**
Mn t p.a.




- Strong partnerships with long-term customers
- Projects under preparation
  - Increase production of higher value butene (high purity iso-butene) by 2020
  - **Steam cracker expansion** in Burghausen by 2021

**Clean CCS Operating Result petrochemicals**
EUR mn




- Petrochemical projects under evaluation
  - Evaluate expansion in **Schwechat** together with Borealis
  - Evaluate potential for **Petrobrazi** refinery
  - Screen market for petrochemical opportunities

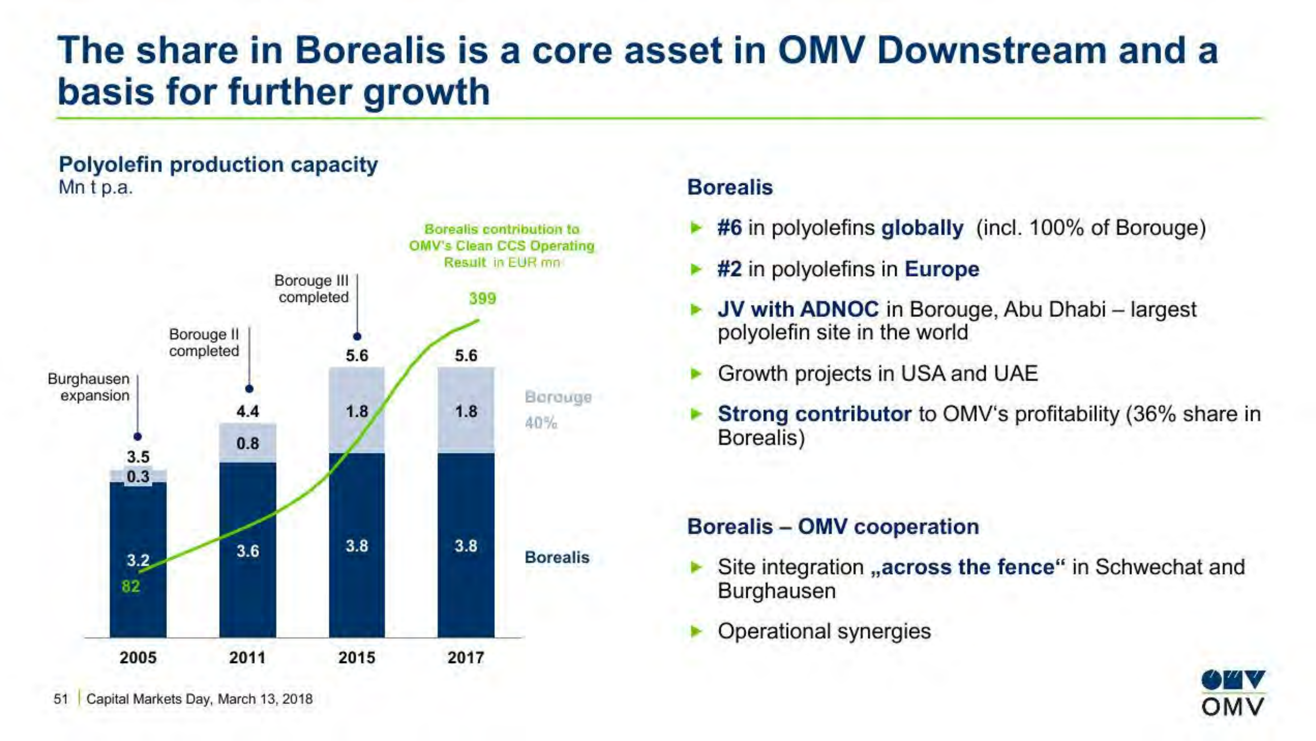
[1] Ethylene/propylene net margin at the level of actual 2017. Butadiene margin 2017 normalized.

50 | Capital Markets Day, March 13, 2018

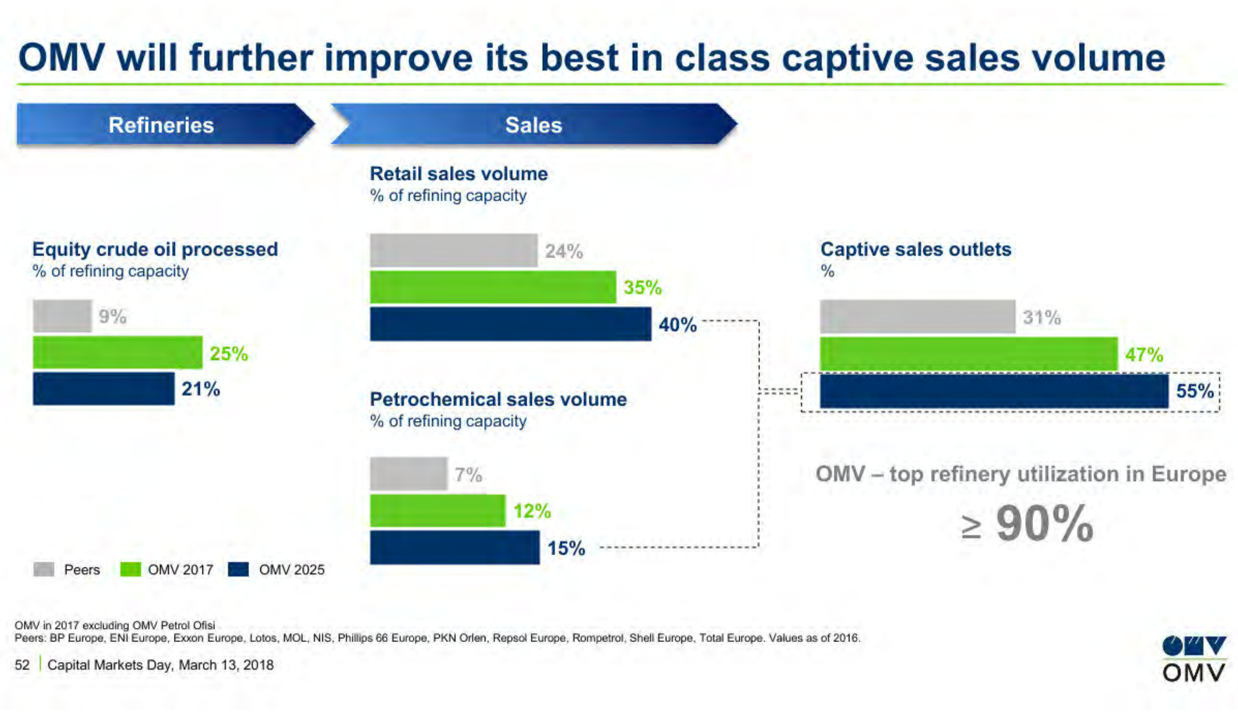
We have a very strong petrochemical position already in Europe. We are running 2.5 million tonnes of petrochemical production capacity in our three refineries. We have identified further projects to actually squeeze our production yield more into the petrochemical side of products. We are currently working on increasing our steam cracker in Burghausen by another 300,000 tonnes per year. This is exactly going into that direction.

I have mentioned here as well that we will increase the production of higher value butane. That's just that you take out a certain higher value product out of the feed stocks frame for the steam cracker, and actually produce it into a different quality with a very much higher price, which is giving you the economics for the investment of course.

If you see on the right-hand side we have already last year actually seen a clean CCS Operating Result in our own petrochemical park, OMV petrochemical part of EUR 245 million.

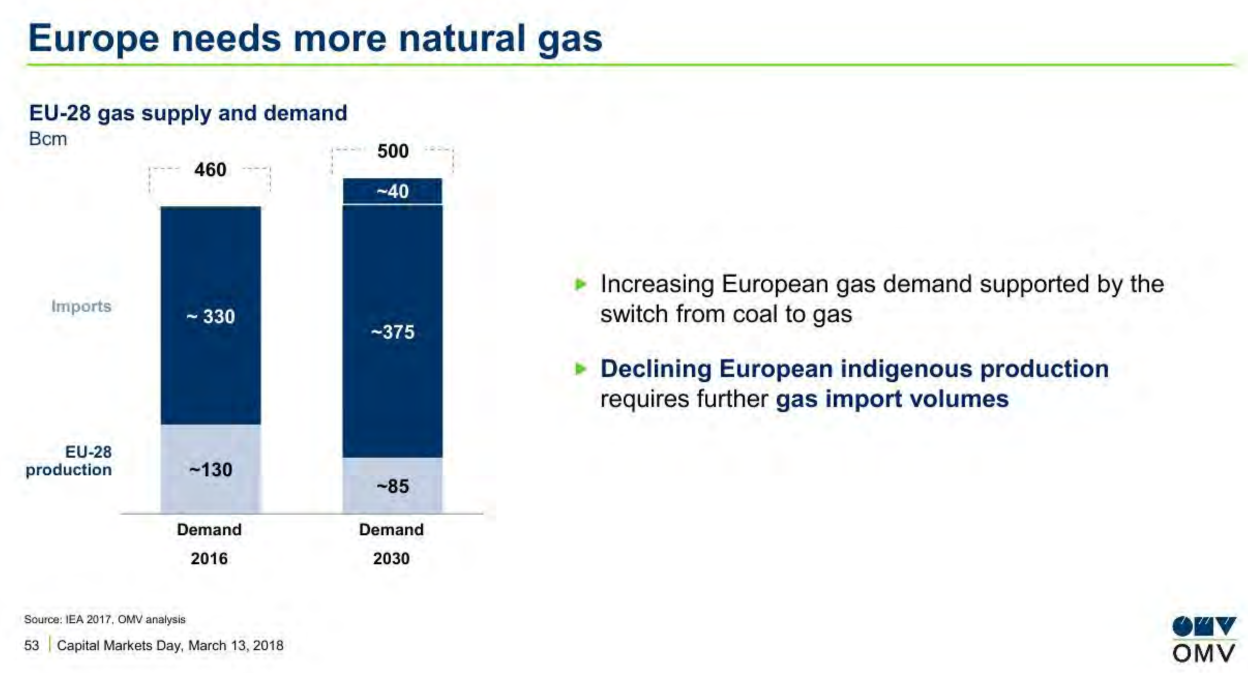



I'm coming now to our 36% share in Borealis. That's our petrochemical part as well of course because Borealis is number six in global polyolefin production. Together with ADNOC they are running the biggest polyolefin production location worldwide in Abu Dhabi. That's having 4.5 million tonnes of polyolefin production capacity. Borealis is having a 40% share in Borouge. If you look at the contribution that is coming out of Borealis, you see that last year our 36% share has already resulted in some EUR 400 million into our operating result. There are certain projects that will further grow this result, because Borealis is currently investing or actually planning to invest in a further increase of the production in Borouge. As well you might have read that anyway, they are together with Total and Nova in the US now, actually going into a project to have an ethane-based steam cracker produced, actually invested there, and a polyethylene facility after the cracker.




This is all about these captive sales channels. If you look at the captive sales volumes, and in my opinion for us the most reliable sales channels is our own retail. It is our petrochemical business, because petrochemical products you usually sell on a long-term basis. So there are long-term contracts behind. For instance, in Schwechat we have sold our products already until 2028. So this is very reliable volumes that you really can sell, and therefore easy to plan. Therefore, you can run your refinery at the highest capacity utilisation possible. Currently we are selling some 47% of our refining production in those captive sales channels. Through our investments and our plans, we will go to 55% in 2025. If you today - I don't know where the competitors will be in 2025. Today they are approximately at 30%.

The beauty of that is as well because it's a highly competitive industry, that these are the volumes that we obviously are taking away from competition as well. They are not reachable for competition. That's the guarantee for us that we will further go with our refining capacity utilisation in excess of 90%.




Let me come now to Downstream Gas. The headline is Europe needs more gas. Rainer has mentioned we believe that the gas demand in Europe will grow. Gas is poised to replace coal in power production. I think that is very clear to everybody, it's just a matter of time, but we believe that until 2030 the demand for natural gas in Europe will go up from 460 billion cubic metres to approximately 500 billion cubic metres.

At the same time, this is the bright blue part of the graph here, you see that the production in Europe is going down from 130 billion cubic metres to something like 85 billion cubic metres. This means that the import gap, the import need for Europe, is growing significantly.

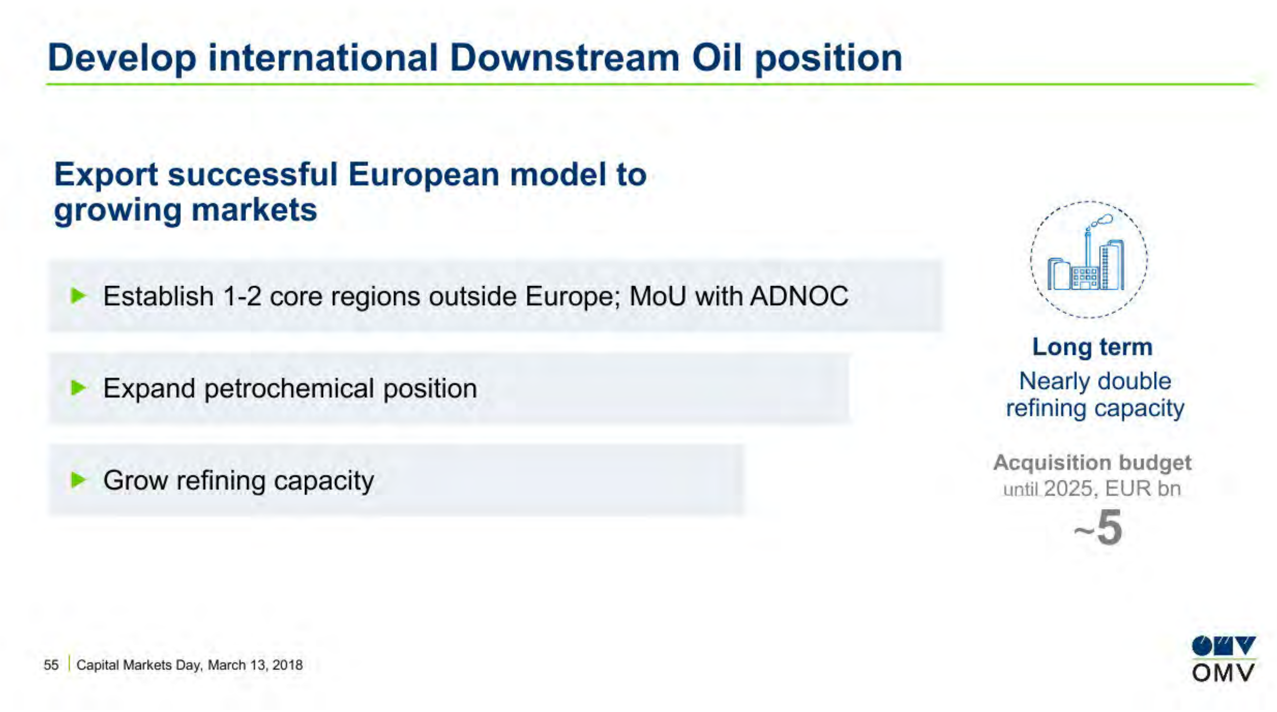
## OMV aims to double the natural gas sales and build a strong market presence in Europe


- **Increase equity gas volumes** in Norway, Romania and Russia
- Leverage **Nord Stream 2** to support Baumgarten hub
- **Secure utilization** of LNG terminal in Rotterdam
- Increase sales volumes to **>20 bcm by 2025**
- Reach **10%** market share in **Germany**
- Evaluate **inorganic growth options** in commercially attractive business segments

54 | Capital Markets Day, March 13, 2018

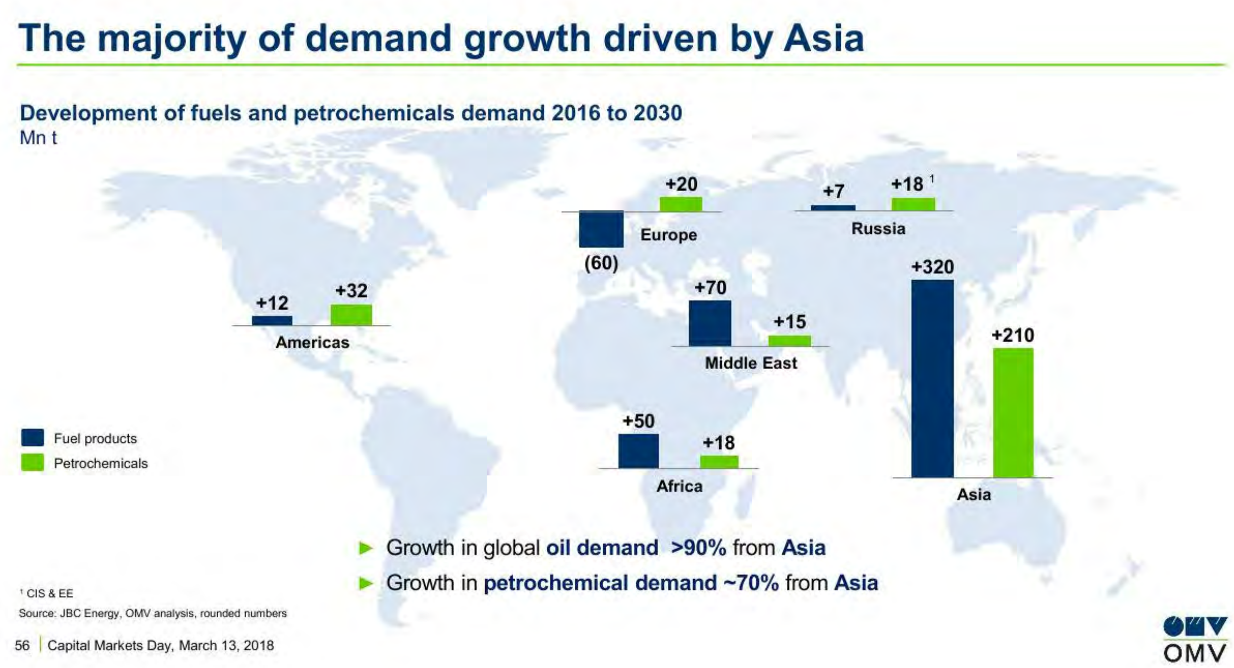
What are we doing? We would like to benefit out of that development in two or three ways. First of all, we see that the market is growing, and we will be growing our sales volumes. That's the rationale as well behind our target to double the gas sales until 2025, to reach more than 20 billion cubic metres in sales volumes, and to have approximately 10% market share in Germany, the biggest market in Europe.

If you recall the import gap that is building up, you better understand why we are so committed that North Stream 2 is coming into place because we believe that pipeline will be needed in order to really get Europe into - or keep Europe into a situation of supply security for natural gas. There is no alternative in our interpretation. We will seek utilisation of our LNG, of our underutilised LNG facility that we are having in Rotterdam. I've already mentioned that we would like to more than double our sales volumes of 2017. We do not rule out to actually go into inorganic growth options, as long as there are opportunities that would fit into our strategy.



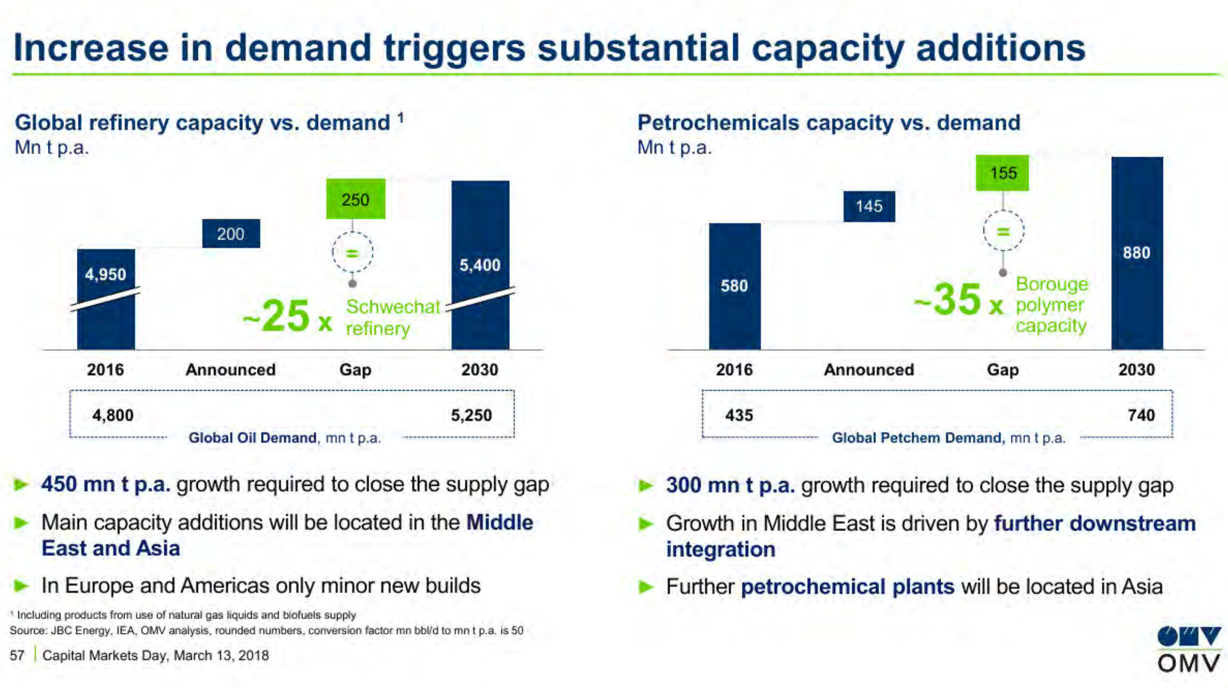

Now coming to a different part, a new part, and as well Rainer mentioned it, this is new. That's growth in Downstream. If you look into what we are doing, we have already in Europe, I believe, developed a very high quality of the management of the Downstream Oil value chain especially. We have gotten to a certain level of operational excellence in terms of project management, in terms of organisation, in terms of seamless cooperation in managing the value chain, that this would be an ideal basis in my interpretation to export that know-how and that strength to locations that are fit to serve the growing markets. The growing markets in petrochemicals and refining products will not be in Europe, but they will be in Middle East and they will be in Asia.

That's the reason why we would like to increase our presence there, or actually to build it up. We have earmarked some EUR 5 billion as an acquisition budget until 2025 for that plan.



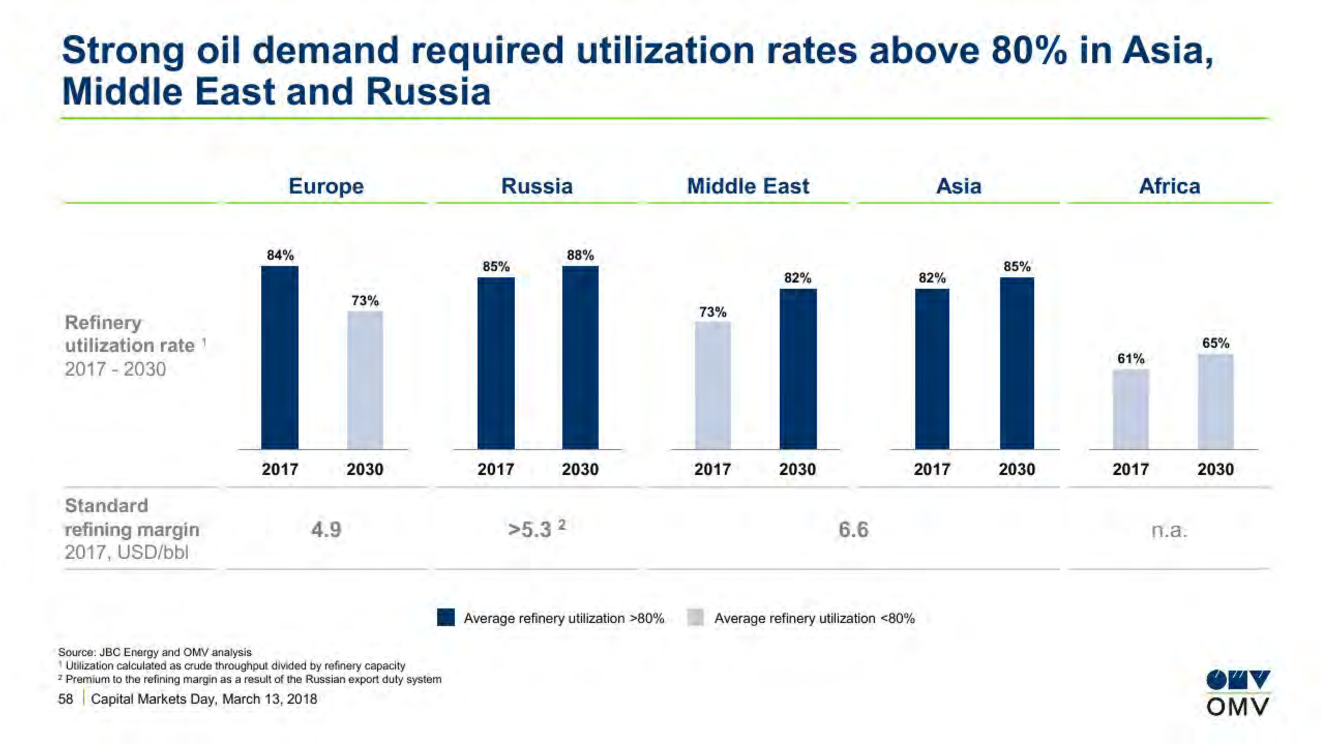

Here you see the majority of the demand growth. Fuel products in blue, petrochemical products in green. I think it's very clear what you are seeing here. You see a decline in Europe on the fuel products. You still see growth in the petrochemical products. You see growth in fuel products, obviously Middle East, Africa and especially in Asia. More or less the same goes for the petrochemical products. You have as well growth in Russia but the majority of the growth will take place in Asia.

To summarise that, 90% of the increase in demand for fuel products will come until 2030 from Asia. 70% of the petrochemical demand growth will come from there. Whether it's 70 or 68, I don't know exactly.




But what you see on the next page is where our rationale is going to. Because if you look on the left side, that's the global refining capacity versus demand. If this demand is growing up, then what you see is that 450 million tonnes potentially will be missing from today's capacities to the demand that would be building up until 2030. 200 million tonnes of that is already covered by announced projects. But there is a magnitude of 250 million tonnes still missing. That's exactly the part that we are interested in. This is something like 25 times the Schwechat refinery capacity, which will be built, where the projects are not defined yet, and which is our target on the refining site.

If you go to the right side you see that on the petrochemical products, there will be an increase of 300 million tonnes until 2030. Again, if you do the same calculation here, then we have found that 145 million tonnes are covered by announced projects, but more than 50% of that is still missing. Just to put that in relation, this would mean 35 of more Borouges. Borouge, as I said, is the biggest polyolefin production site in the world today, with 4.5 million tonnes of production capacity. That's exactly the combination that we would be most interested in, because that's exactly our core know-how that we could bring into those markets.




Obviously as a consequence of that, what you see here is the capacity utilisation. They will be high. Russia, Middle East, Asia, and as well this will be reflected in refining margins, and I mean it's totally logical that they are forecasted to be pretty much higher than in the European markets.


I'm coming to the end already to wrap up. Europe Downstream Oil, stay the European Downstream champion.

In Downstream Gas, double sales gas volumes become the leading integrated supplier of natural gas from North West to South East. In the growth part of Downstream in the future until 2025, to really export our core know-how that we have developed in that highly competitive European market, and to export that to a location, to a project that is fit to supply the growing markets. This will be Middle East, and Asia, as you have seen.

Thank you. I'll hand over to our CFO, Reinhard Florey.

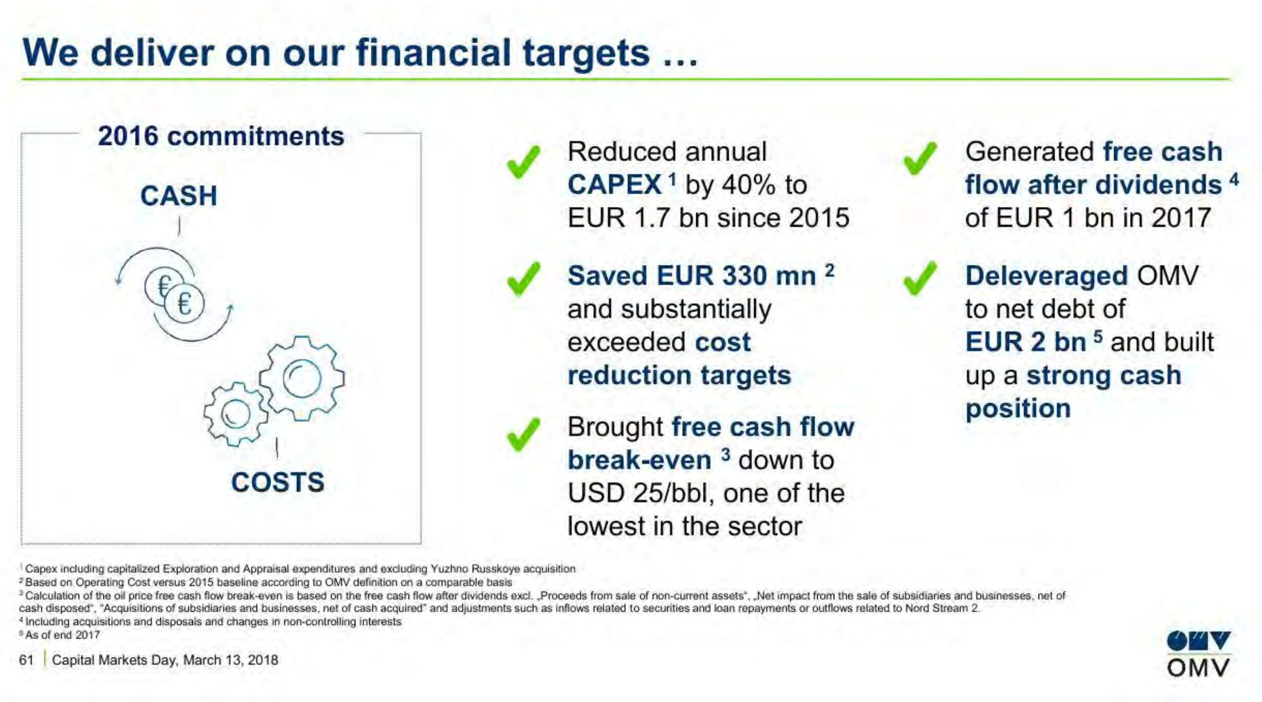

## Reinhard Florey

**Chief Financial Officer**

So, thank you, Manfred. Very good afternoon, ladies and gentlemen, also from my side. I'm pleased to provide you some insights about the status and the prospect, not about the financial performance, about the financial strategy of OMV. My name is Reinhard Florey. I am the CFO of OMV. I have joined in 2016, coming from previous CFO positions in the US, in Germany and Finland. I'm looking back on 20 years' experience in the international process industry.

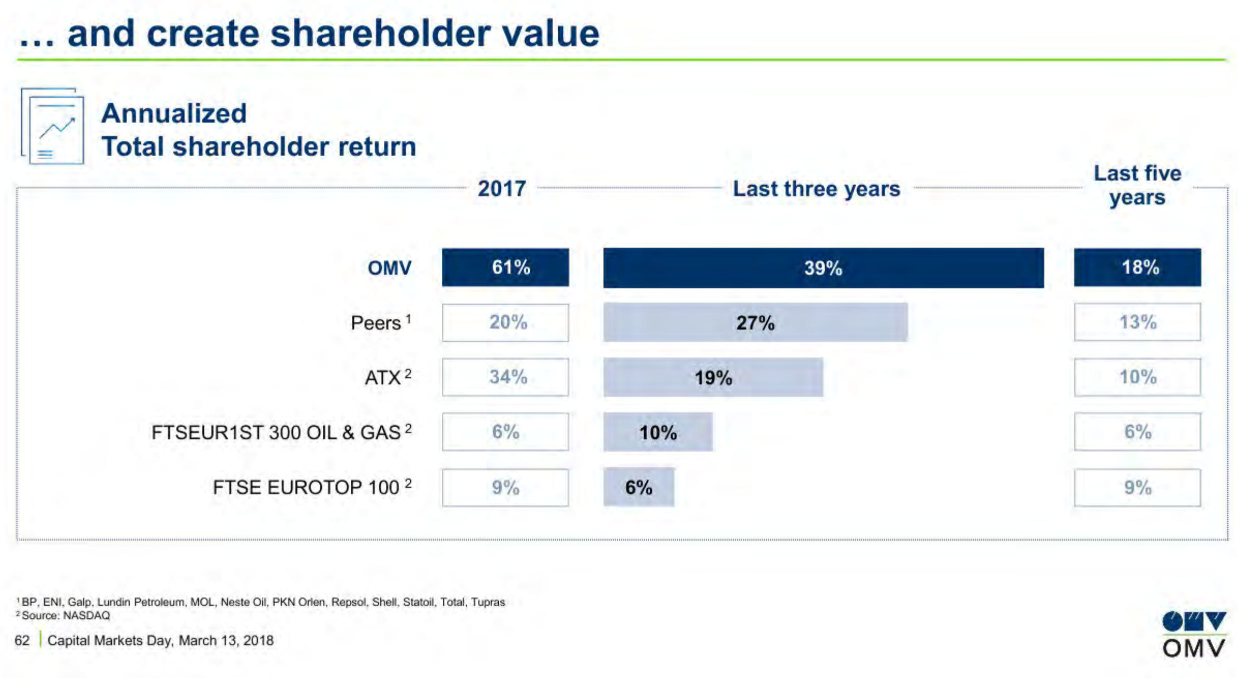
Now in the last two years we have permanently reshaped the financial performance of OMV. We have transformed the company towards a lower cost model, and we have taken a stance at a stronger balance sheet, and we have looked at very strict and disciplined use of capital measures. This brings us to a position where we can look ahead into a growth strategy. My colleagues have lined out what their plans are.

So the CFO's ambition now is to keep that as the financial stability to enable this growth, to make sure that we drive the performance to even higher returns, and to reward our shareholders.

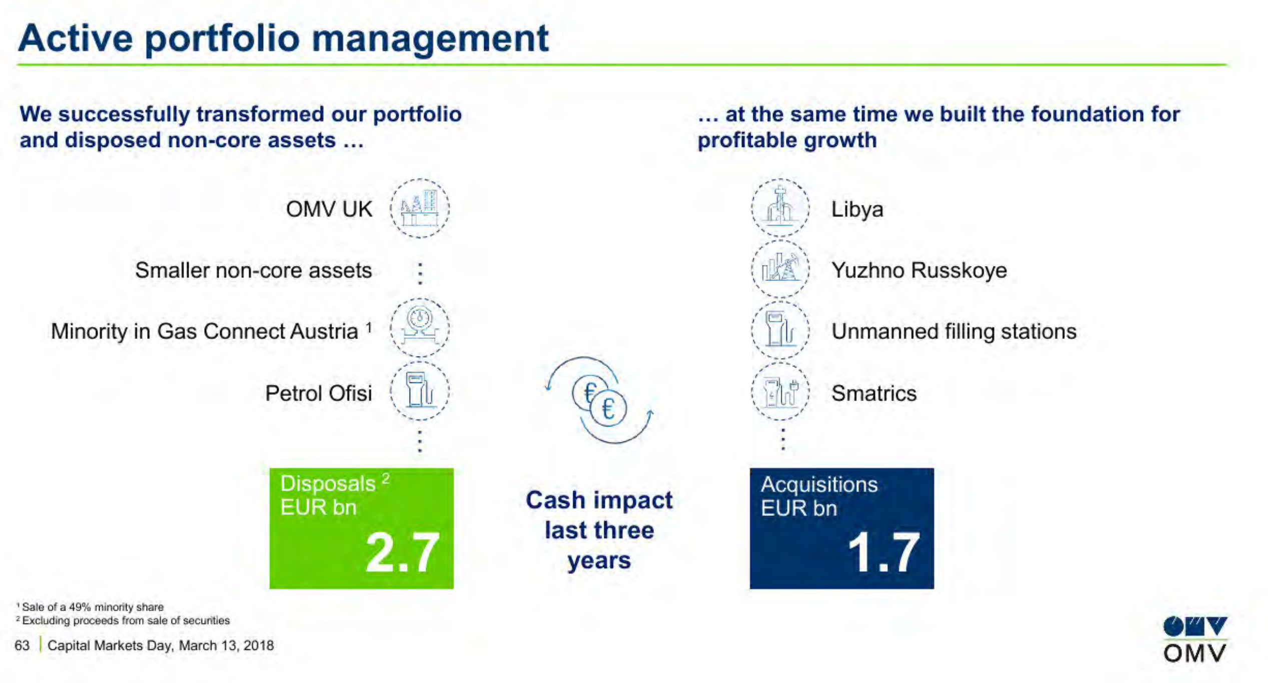



If we are looking into 2016, we can say we are very proud that we not only delivered on the promises on the operative side, but also on the financial side. We committed ourselves to focus on cash and costs. There, on the cash side, we have clearly looked at cashflow break-even, which is quite unparalleled in this industry. Rainer has already lined out that we have reduced our cashflow breakeven to a level of USD 25 per barrel.

We have delivered free cashflow after dividends in 2017 of more than one billion. On the cost side, both in CAPEX and OPEX we have clearly cut to make sure that the cashflows can be enabled. We have reduced our CAPEX levels from 2015 to 2017 by 40%. We have reduced our OPEX levels above the targets that we have set to ourselves, to a level of EUR 330 million that we have delivered in 2017. In total also, our balance sheet looks much stronger. We have deleveraged the company, coming from a level of EUR 4 billion net debt to only EUR 2 billion net debt, and we have built up a very strong cash position going ahead.

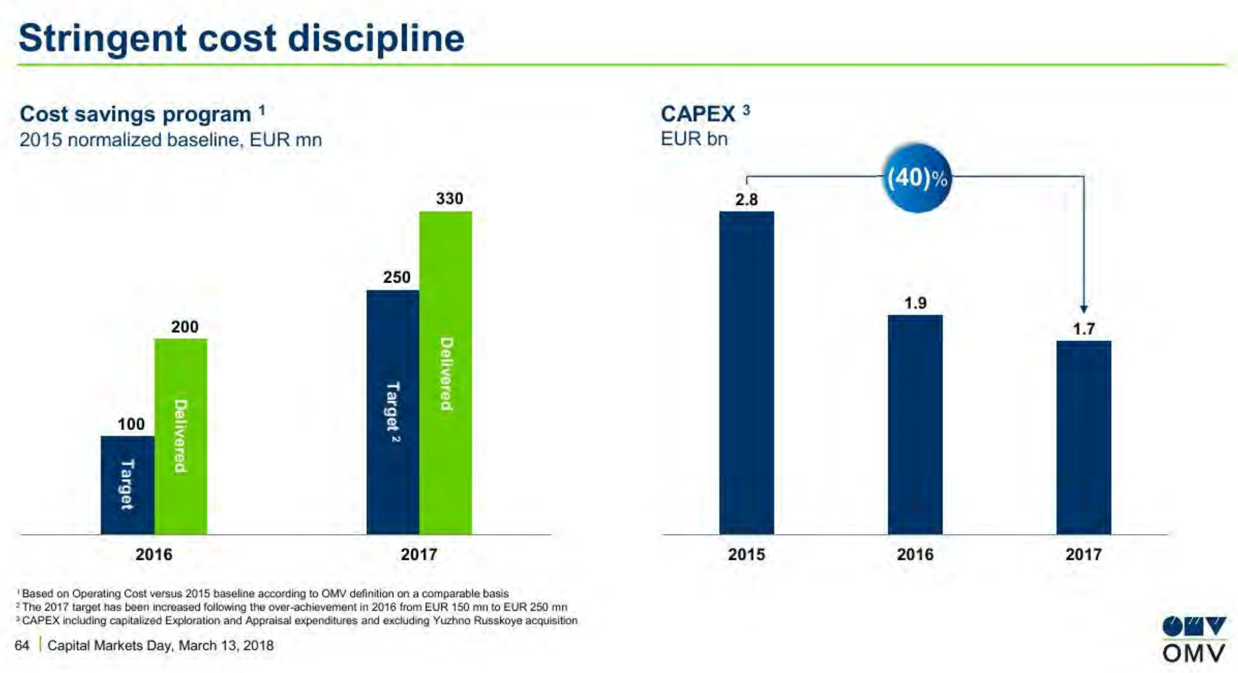



As I have mentioned, returning shareholder value and creating shareholder value is very much one of our top priorities. Now 2017. Of course, the capital market also rewarded very much the performance and the achievements of OMV. We had a recorded increase of our share price by clearly more than 50%. This resulted into a total shareholder return of 61%, clearly ahead of our peers, clearly ahead of the indices. But it was not only this very exciting year, 2017. If you look to a three-years average, if you look to a five-years average, there OMV is also clearly outperforming the peers and outperforming the indices.



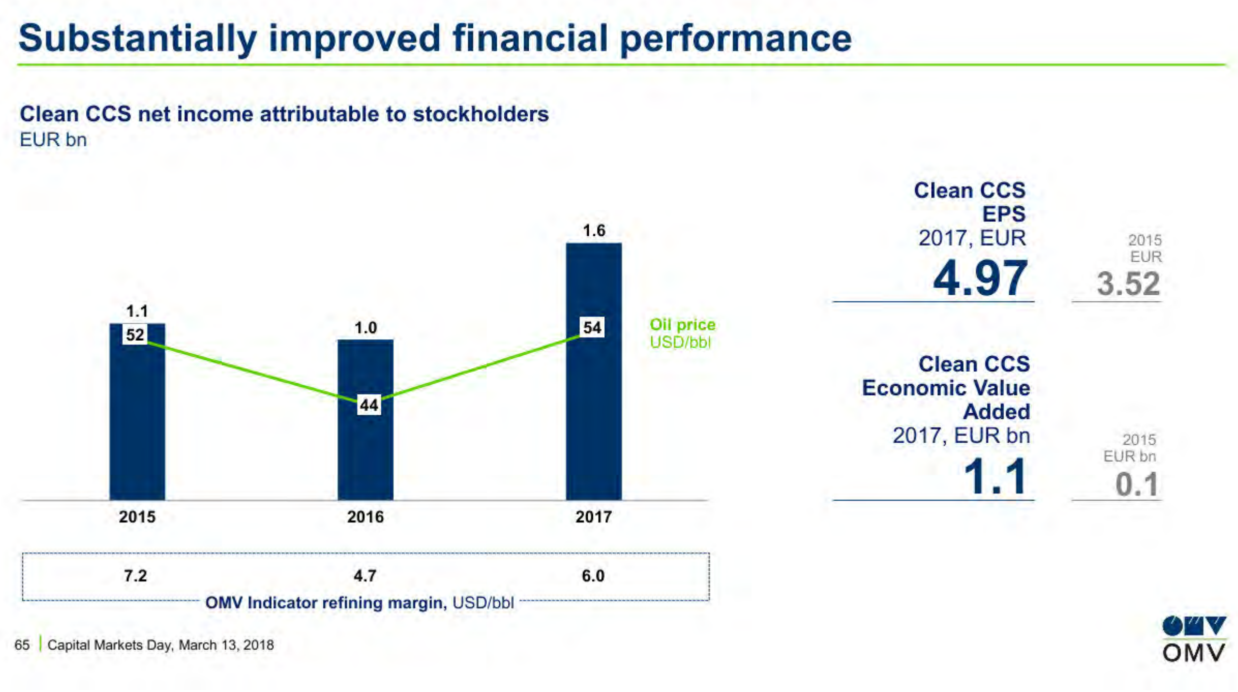

One contributor to this change of the performance, this transformation, was an active portfolio management, which contributed to a lower cost basis, to longer-term reserves, and higher cashflows. Hans and Manfred have already summarised, the key transactions that have been taken there. I think it's fair to say that on the disposal side we have not only successfully disposed of the core assets, UK, Petrol Ofisi and minority stake in GCA, but we have also gotten very good prices for that. So we managed to have a cash impact from the disposals of EUR 2.7 billion in quite a challenging environment.

But on the other hand, we also captured opportunities on the acquisition side. We deployed some EUR 1.7 billion in new acquisitions in very good opportunities in Libya, the Oxy assets that Hans has talked about, EUR 1.6 billion in Yuzhno Russkoye and then also future prone business models like the unmanned filling stations and Smatrics in Downstream.



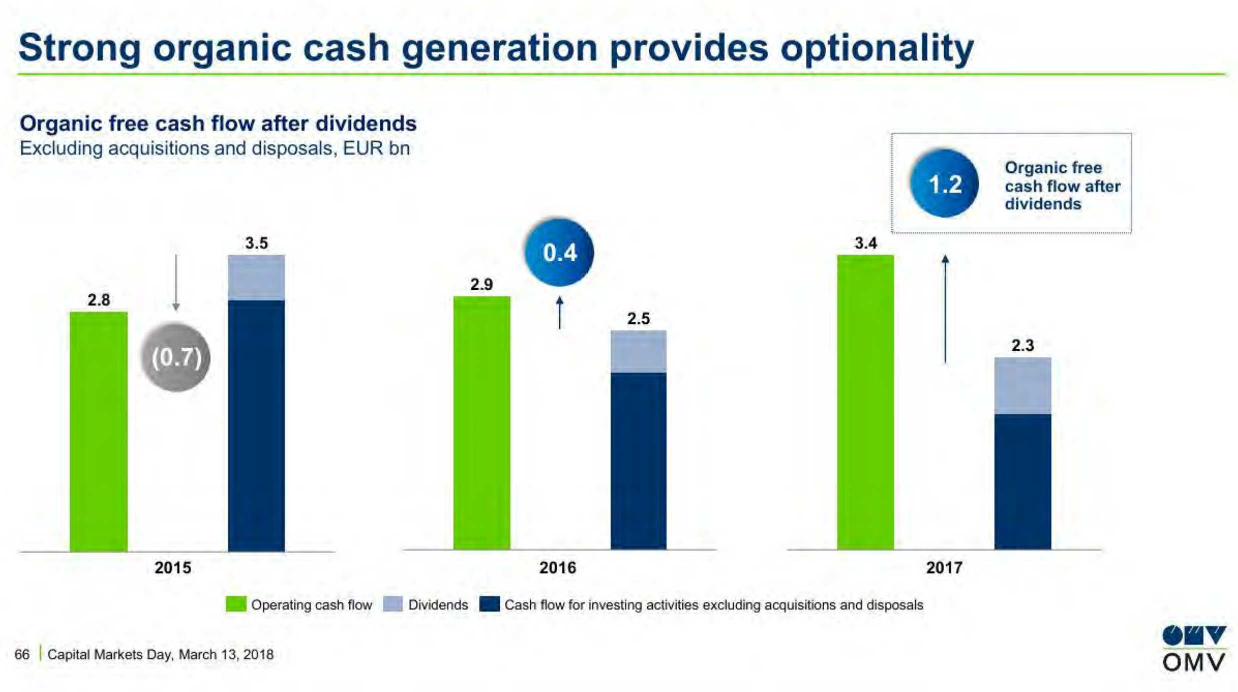

The second pillar for the success is the cost discipline, and the cost discipline is probably most clearly displayed if you look at how we overachieved the targets that we have set ourselves on the OPEX side. In 2016, we started with an ambition of EUR 100 million and displayed EUR 200 million of savings. In 2017, we aimed for EUR 250 million, and we came up with EUR 330 million of savings, each compared to the cost basis of 2015.

And there is more to come, and I will come to that later, but also on the CAPEX side, I have mentioned that we have taken down according also to the changes in the portfolio and to a very clear screening of our priorities the CAPEX by 40%, reaching a level of EUR 1.7 billion in 2017. This all contributed to a significant better financial performance, also in our returns.



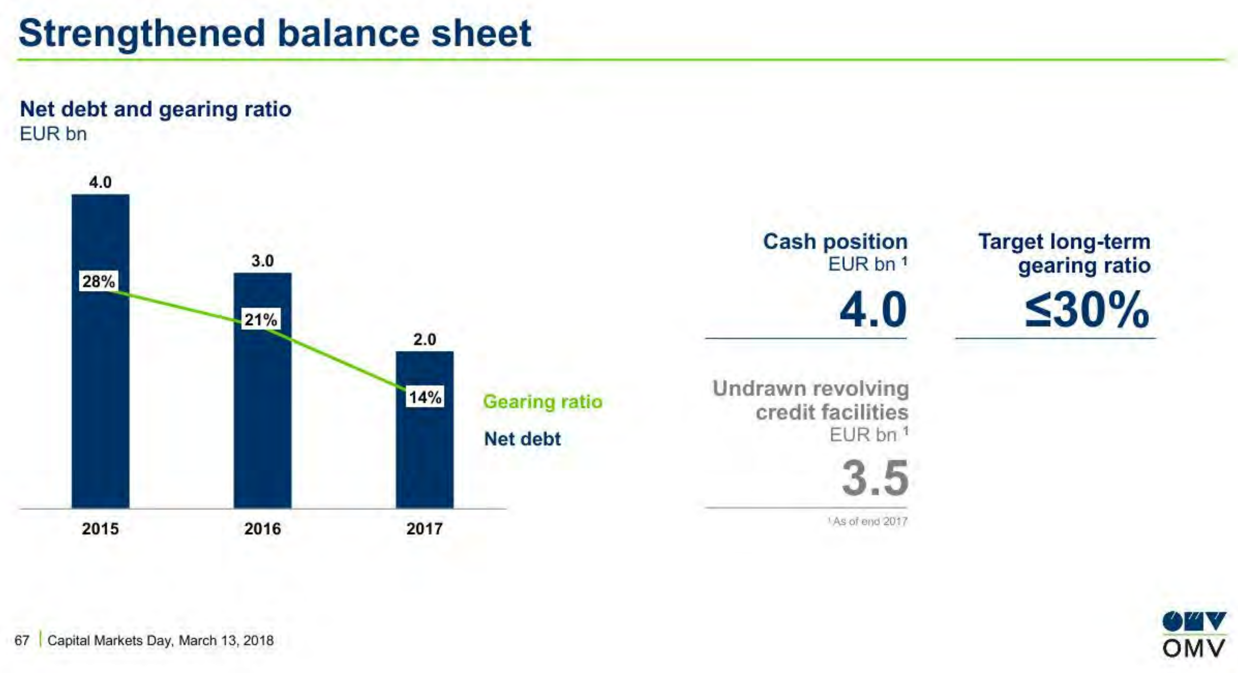

Rainer has shown you the clean CCS Operating Result. Here, I am showing you the clean CCS net income attributable to shareholders, because of course that is even closer to the real impact that shareholders have here. And here you can see that in spite of a quite similar environment in terms of both the refinery margin as well as the oil price, the performance was increased significantly from 2015 to 2017, from EUR 1.1 billion to EUR 1.6 billion.

The clean CCS EPS has risen to almost EUR 5, and the clean CCS Economic Value Added, and this is where we are specifically proud of, has risen to EUR 1.1 billion, compared to EUR 100 million only in 2015.



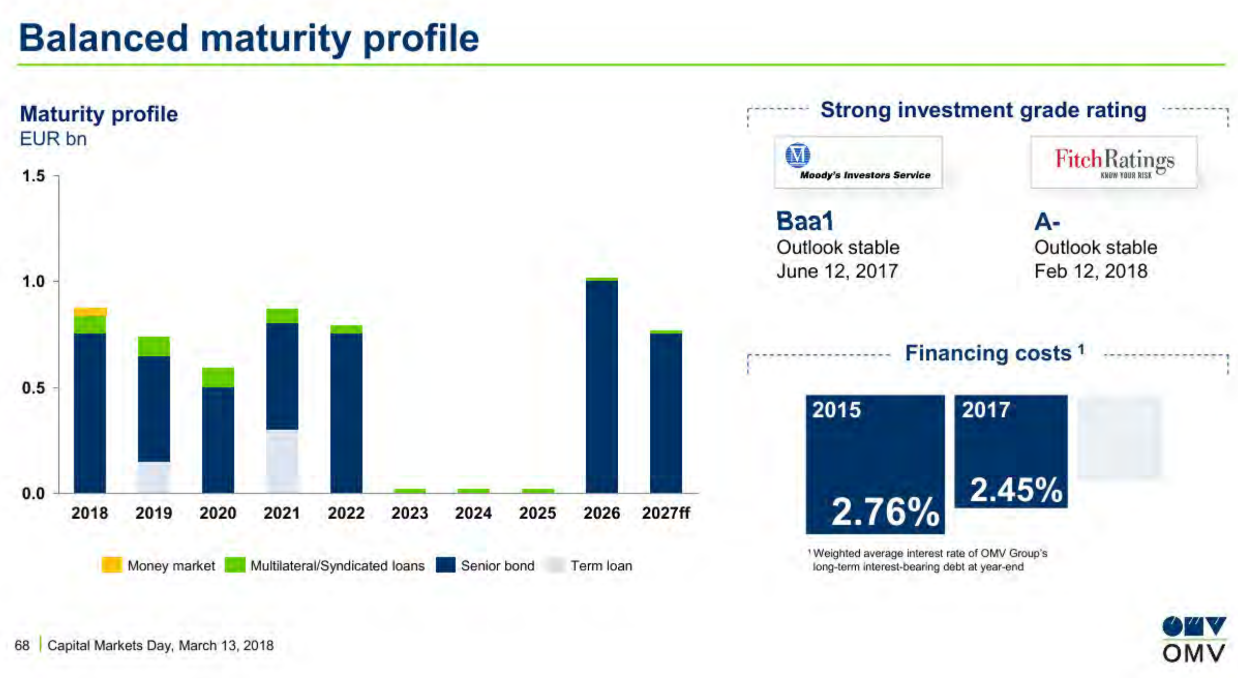

What is very important is that all the growth plans and all that is backed up by steady cash flow development and build-up of a financial basis that is stable also for the future steps.

Here I'm showing you the strong organic cash flow generation that we have achieved, and in 2017, it was a EUR 1.2 bn positive organic free cash flow generation after dividends. Now, that has changed significantly compared to 2015, where this ratio still was negative, and we have increased the dividends between 2015, 2016 and 2017, so that has delivered both the deleveraging of the Company, strengthening the balance sheet and also contributing and returning value to the shareholders.



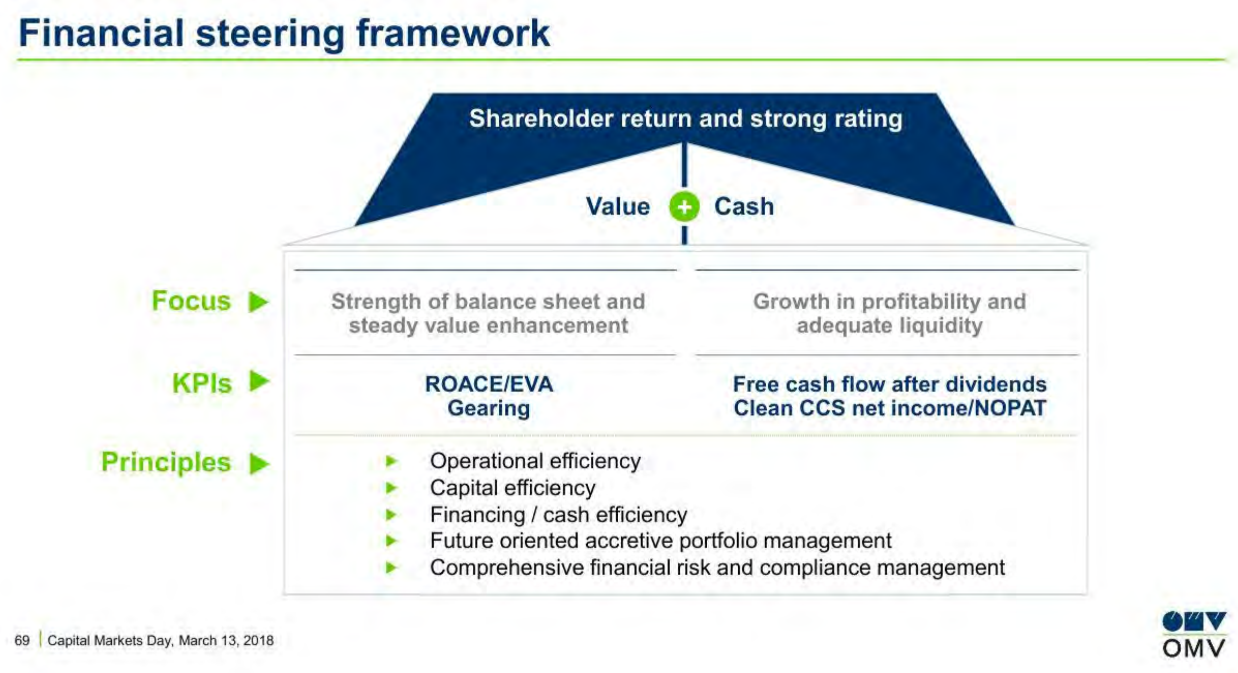

If we are looking to the balance sheet, it was not only the deleveraging of our net financial debt that I have mentioned. It is also the gearing ratio that we have significantly brought down below our target of 30% that we see as our mid and long-term target. We are now in 2017 at 14%, and this 14% are after the acquisition of Yuzhno Russkoye, so we have EUR 2 billion of net financial debt after the acquisition, EUR 1.7 billion of Yuzhno Russkoye. Within this EUR 2 billion of net debt, we have a cash position of EUR 4 billion and additional liquidity opportunities from undrawn credit facilities of EUR 3.5 billion.

So you see we have quite some headroom, quite some firepower, to enable our growth plans.




Now, let's have a look at the financing side of OMV. We have managed to reach a very balanced maturity profile of all the financing means that we have in our portfolio here. So through all the years you see the stress from repayment obligations at or below EUR 1 billion per year only. So we can see that this has been evenly spread over the duration of the maturities and we have contributed also to the cost of our financing by reducing that by 31 basis points between 2015 and 2017.

One of the key elements to that certainly was also the new bond that we have given to the market in December 2017, where we achieved a EUR 1 billion bond for nine years at a coupon for only 1%. This has been of course also honoured by the rating agencies, and we can display a very strong investment grade rating with both Moody's with Baa1 rating, as well as Fitch, with an A- rating.

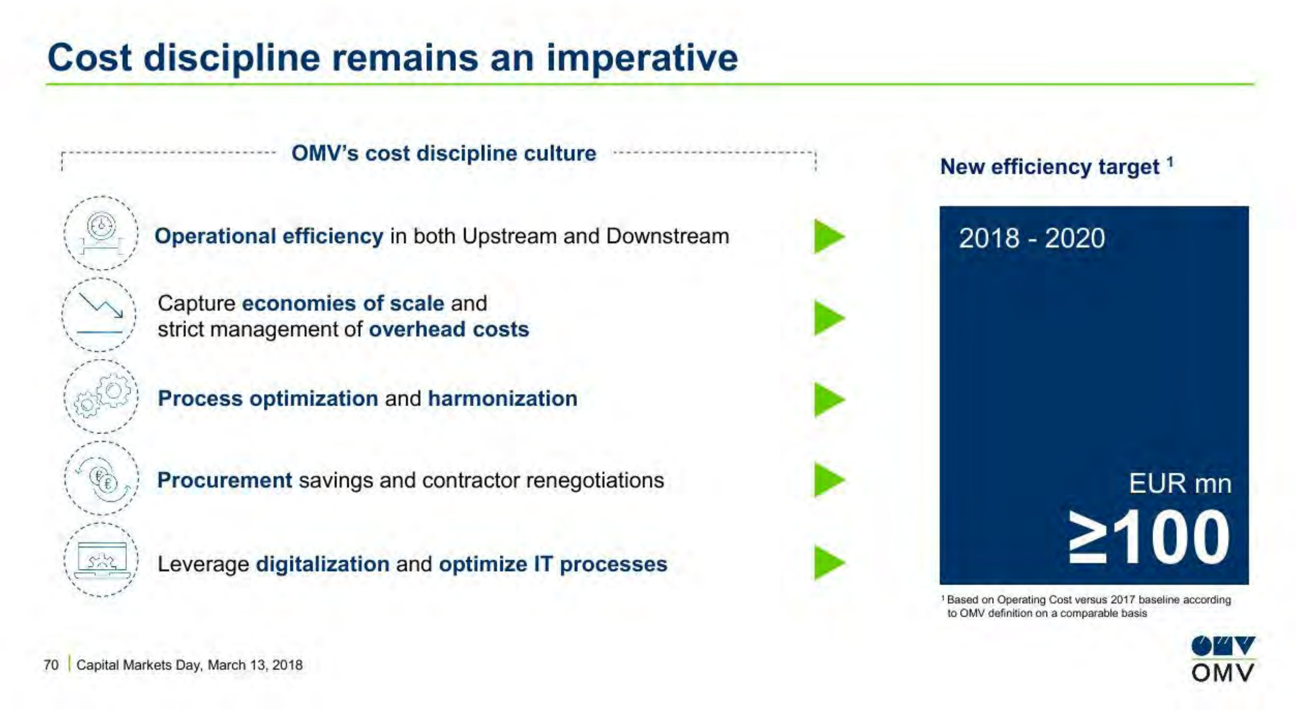



For all these growth plans and the stability going forward, it is important that we follow a clear financial steering framework.

While we are aiming high for the shareholder return and the strong rating, we are focusing on the cash side very much, on the growth in profitability and an adequate liquidity position and on the value side, not only on the steady value enhancement within our portfolio but also at the strength of the balance sheet. We have boiled down the key performance indicators to four, and those four resemble our key steering values that we have for the Company.

It's Return On Capital Employed, or if you take it in absolute terms, Economic Value Added. It is the gearing, as well as the free cash flow after dividends, and then of course from the profitability, the clean CCS net income respectively the NOPAT, as Manfred has also displayed for the operative areas. In this, we follow very clear principles, and these principles follow the efficiency increase that we have on the CAPEX and OPEX side, so the operational efficiency but also the capital efficiency having very clear and strict discipline in the capital spending but also regarding the financing and the cash efficiency, where we are striving to get lower and lower interest rates and having a stable maturity profile, as I have displayed before.

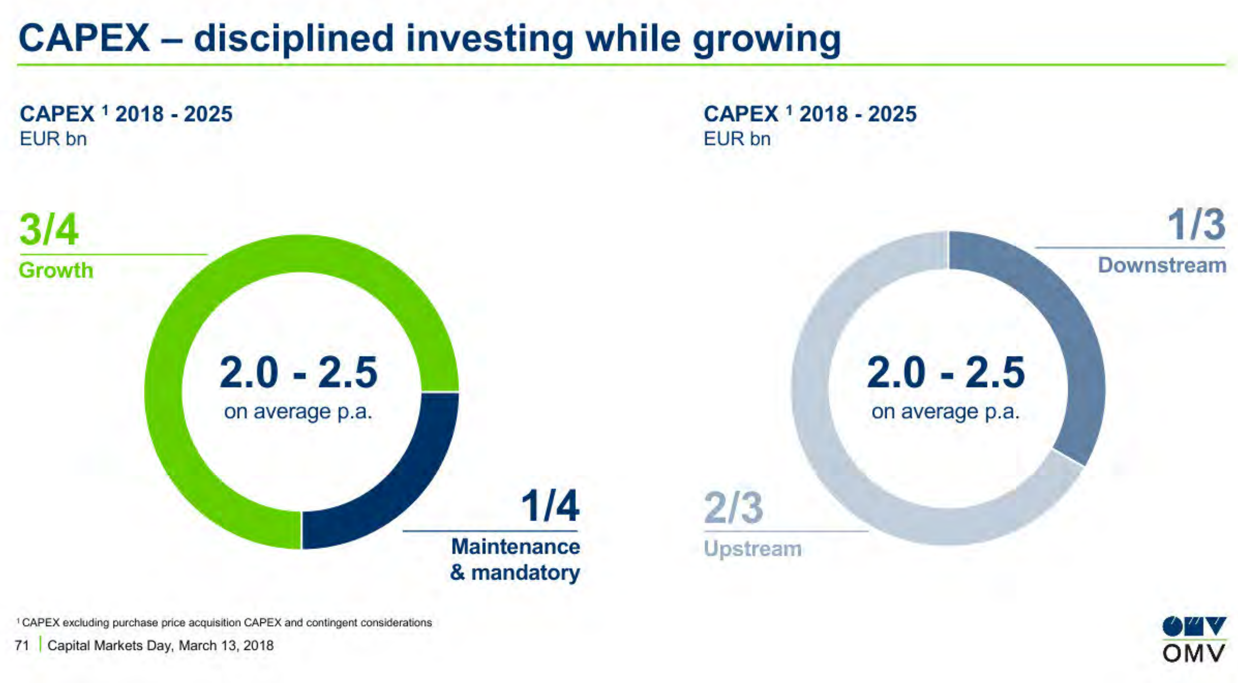
The portfolio, we have shown it, is a future-oriented low-cost performance with long-lasting reserves, and all that is complemented by a comprehensive risk management and compliance management of the Group.




Now I have promised you that cost savings have not ended with the EUR 330 million that we have achieved in 2017. We have now set up a new cost savings target for the years 2018 to 2020, now based on 2017, with another EUR 100 million of savings. Of course, if you have done a lot of cost savings, this doesn't come easy on top, but we already know how we are going to achieve that.

Here you find the key levers. Of course, we will continue our operational efficiency increases in both Upstream and Downstream, but we'll also concentrate on the overhead cost reduction, while capturing economies of scale, for instance, in our shared service centre in Bucharest, where we have also a good labour arbitrage, where we can also have a strict management of the overhead cost with process optimisation and process harmonisation and the deployment of digital and robotic solutions and specifically optimising the IT processes.

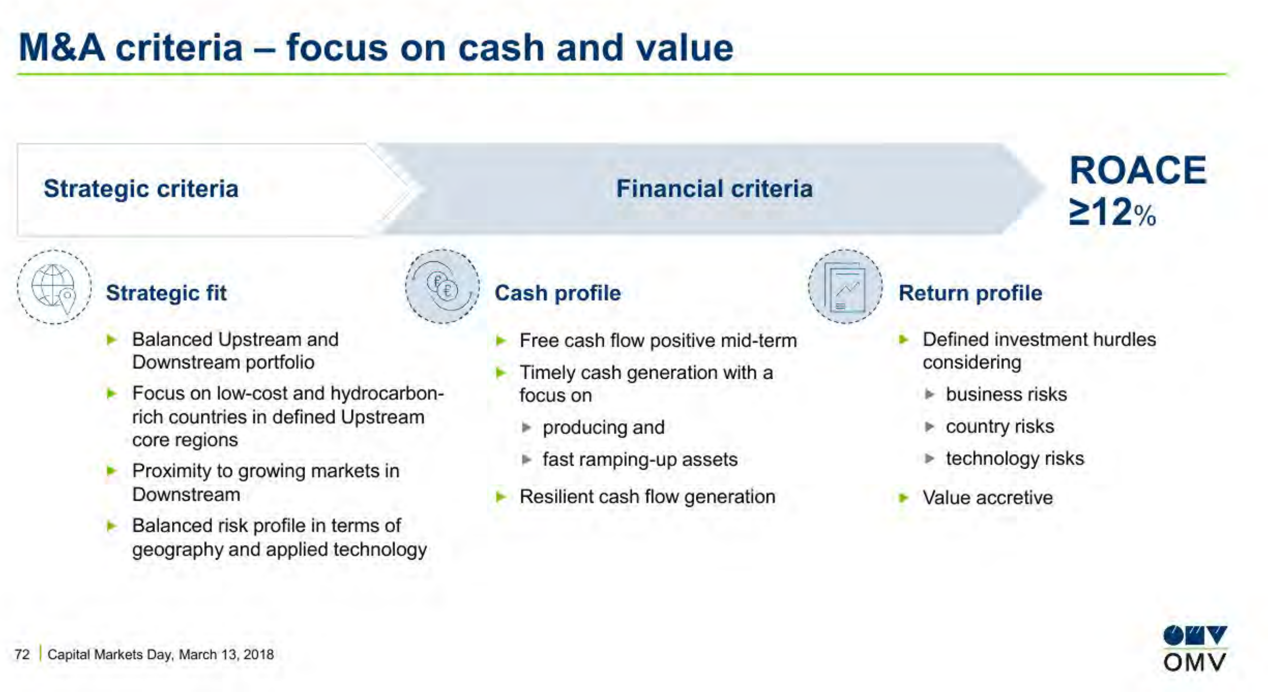
And in addition to that, we have set up a sourcing excellence programme, which will contribute also from the procurement side, and there we will see the impact also coming through in the years 2018 to 2020.




Now to the CAPEX side. I have mentioned that in 2017, we have reached a CAPEX of as low as EUR 1.7 billion. This will be a little bit higher in the years coming forward because of the change in our portfolios and because of our growth opportunities there.

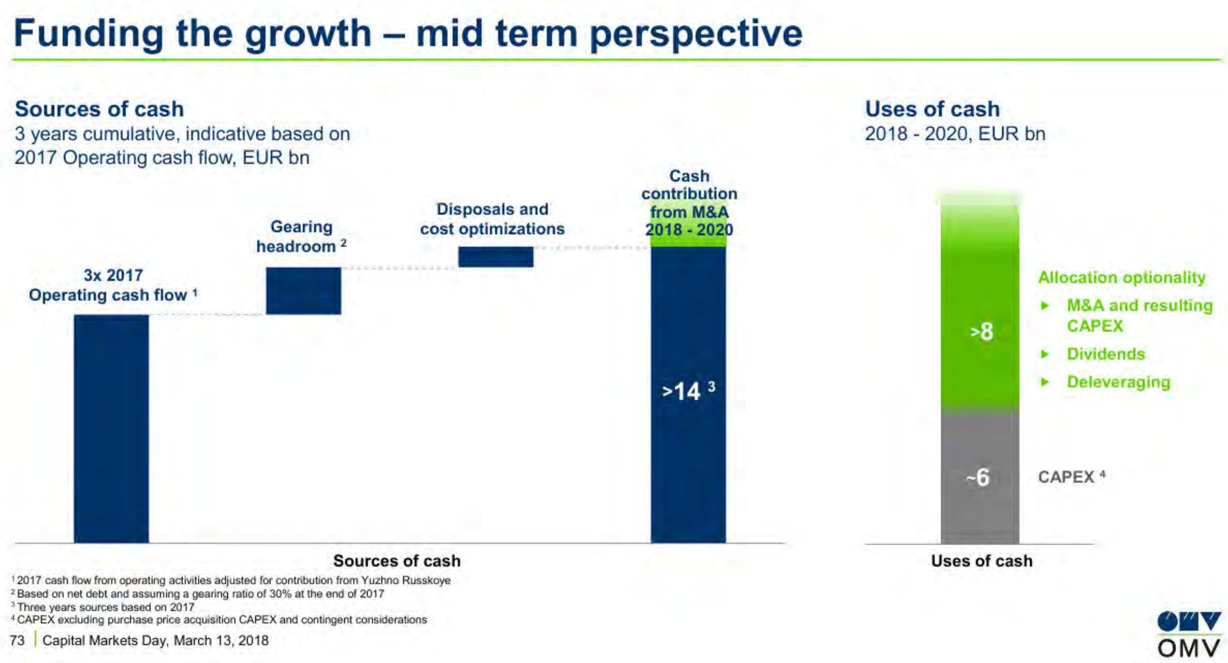
It will be, as in the years before, shared one-third downstream, two-thirds Upstream, but more importantly, on top of the one quarter of it that we keep for our saving on the substance with maintenance and mandatory investments, three-quarters of these investments are focused already at value enhancement and growth on the organic side.

So we will see a level of EUR 2 billion to EUR 2.5 billion for the years to come between 2018 and 2025. The EUR 2 billion more on the beginning of this period, the EUR 2.5 billion more towards the end of this period.



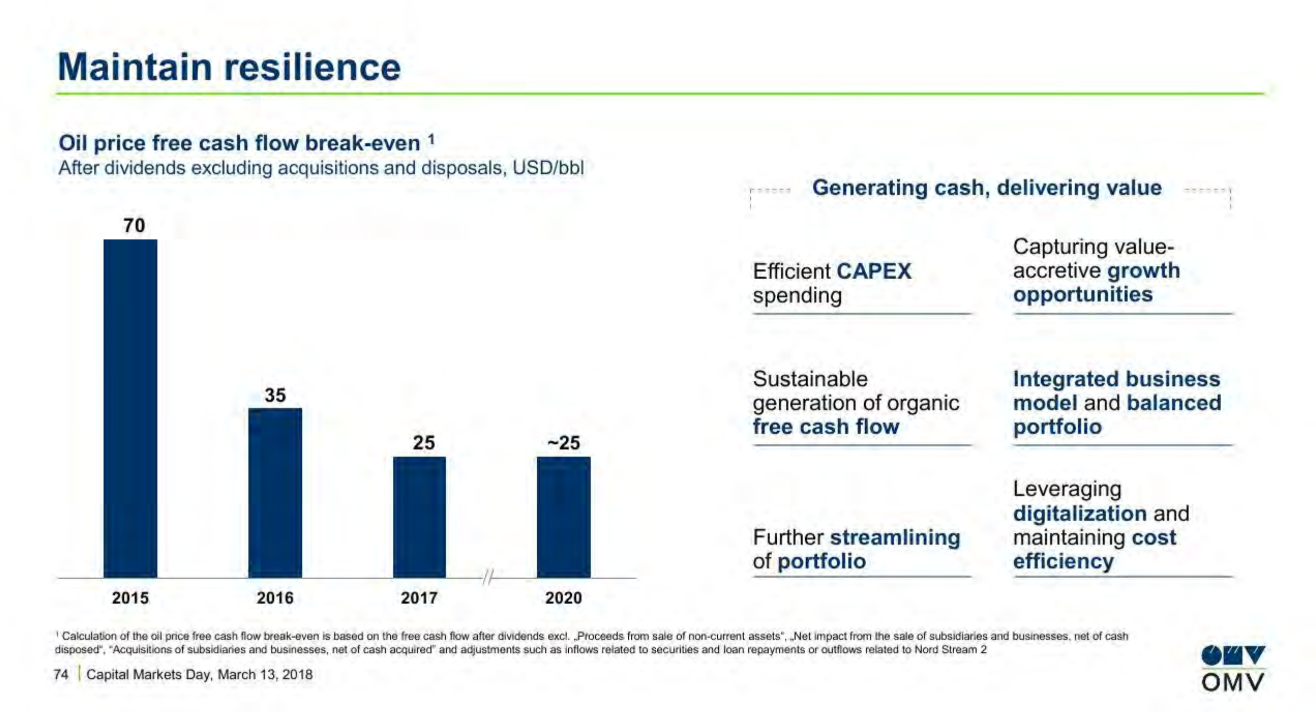

If we are looking now at the second part of our investments, the inorganic investments, we are seeing that there is high goals and good opportunities on the M&A side. But we keep a very strict and disciplined way how we are looking at the M&A opportunities, not only that they are of course following strict strategic criteria, which will be provided from Hans and Manfred's operations and fit to the portfolio in a most ideal way. We together look at the financial criteria, specifically on the cash profile and then the return profile, and on the cash profile, our priority is to come up with opportunities that have a fast cash turnover, so that we have cash backflows very early and that we see cash-positive, cash-generating assets as priorities in that sense.

And on the return profile, we are clearly differentiating according to the risk profiles, technical risk to regional risk to the execution risk that we have in these opportunities, and we are putting our hurdle rates according to this. All M&A opportunities have to consequently be accretive for the Company and contribute to our larger than 12% ROACE target.




Now, as we have been talking a lot about investments, I thought it would be useful to give you a little bit of an example of how this will work out in terms of financing this growth. I have done the math for the first three years, just to give you an example. If you take it from a basis of 2017, and if you just add up the three years of operating cash flow, the gearing headroom that we have up to a level of 30%, and in addition, the disposals like the disposal that we have in Pakistan now and the cost optimisation, net working capital measures and all that, you easily come on a sources side of above EUR 14 billion, and on top, you would have still contributions from the on-going M&A activities that we have.

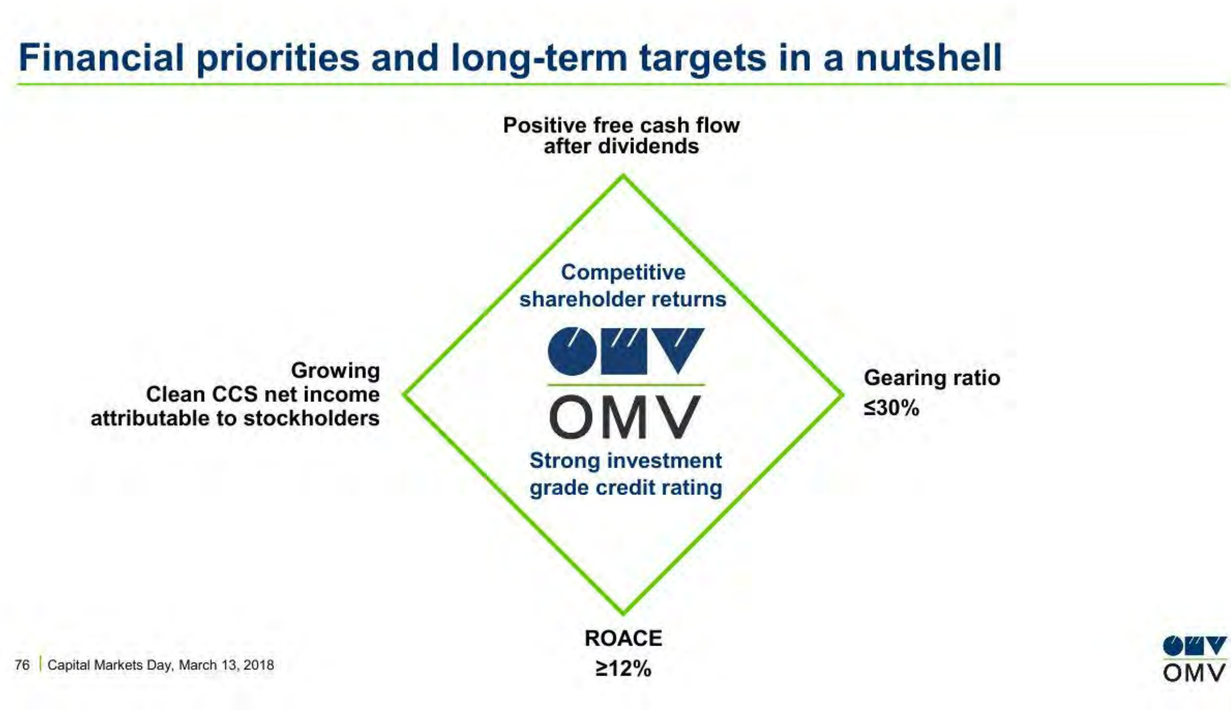
And on the uses of cash, if you deduct there EUR 6 billion of CAPEX that we have displayed, EUR 2 billion roughly a year, then there is EUR 8 billion or more still available for M&A activities, for returning value to the shareholders and eventually, also through deleveraging. So this is just to give you an example that this is not just a fantasy to go ahead, and we have good opportunities we think based on the very solid finances that we have that this is affordable and this is easily manageable.




One clue for that is that we have achieved a quite significant resilience also against the fluctuations in oil prices when it comes to cash flow. In 2017, we have reached a cash flow breakeven of USD 25 per barrel. This means that even if the oil price goes down to 50, goes up again, and the fluctuation is there, we're always producing positive cash flows. And we are aiming at keeping this level of the USD 25.

This of course doesn't come easy, and of course we have to continue with the measures on the CAPEX and on the OPEX, but specifically it comes with the portfolio on the one hand side to make sure that in the portfolio we have high cash generation assets, and on the other hand, our ability to always streamline the portfolio in terms of cash generation.


Now, I have talked about the importance of returning value to the shareholder. For 2017, we have proposed a dividend of EUR 1.5 per share. This is the highest ever dividend that OMV has paid out in the history. This is also in accordance to the dividend policy that we have given to the market, which is the progressive rising dividend policy. So just to reiterate that again, that we have a dividend policy that says that OMV aims to progressively increase the dividends or at least maintain it on the previous year's level in line with the Group's financial performance.




To make sure that this value distribution to the shareholder can take place, we have defined a steering framework for the Company. I have mentioned there are four KPIs, and here we are giving you the long-term and midterm targets for these KPIs, the free cash flows to be positive after dividend, the gearing ratio to be at or below 30%, the Return On Capital Employed to be at or above 12% and the clean CCS net income accordingly growing to support all these other KPIs.


With these set, we are sure to deliver OMV as a competitive shareholder returning yielding company and having a strong investment-grade credit rating.
Now, in a nutshell, what is the financial strategy?

It is enabling growth through high cash yield, driving performance through keeping up the measures on the CAPEX and the OPEX and the portfolio change and rewarding the shareholders according to our dividend policy.

Thank you very much.