



# OMV conference call

## Asset swap between OMV and Gazprom

December 14, 2016



## Rainer Seele

Chairman of the Executive Board and CEO

## Johann Pleininger

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## Reinhard Florey

Chief Financial Officer

The spoken word applies

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## Asset swap between OMV and Gazprom: Binding basic agreement signed



Urengoy, Russia. Source: Gazprom

- ▶ OMV to receive a 24.98% stake in Achimov IV/V blocks, Urengoy natural gas and condensate field
- ▶ Gazprom to receive a 38.5% participation in OMV's wholly owned subsidiary OMV (NORGE) AS
- ▶ The economic effective date will be January 1, 2017
- ▶ Signing of final transaction documents expected by mid-2017; Closing envisaged by year-end 2018 at the latest
- ▶ Important strategic step to balance OMV's portfolio, improve competitiveness and provide strong growth platform

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## Rainer Seele

### **Slide 3: Asset swap between OMV and Gazprom: Binding basic agreement signed**

Ladies and gentlemen, welcome to today's conference call on the asset swap with Gazprom and thank you for joining. I am delighted to announce that OMV and Gazprom today signed the binding basic agreement to swap assets of equivalent value.

As we announced in February 2016, OMV considers Russia to be one of its most important growth regions in Upstream. The establishment of a strong partnership with Gazprom along the value chain offers a unique chance for OMV to create value by entering low cost production and adding substantial reserves.

In the anticipated swap, OMV will receive a 24.98% stake in the blocks IV/V of the Achimov reservoir in the Urengoy natural gas and condensate field located in Western Siberia. The project will substantially increase OMV's production by the beginning of the next decade and will provide a long-term stable production base for the next 20 years. Start of production is planned for 2019. In addition, OMV will add around 560 million barrels of oil equivalent in cumulative production. This is about five times our annual production.

In return, Gazprom will receive a 38.5% participation in OMV's wholly owned subsidiary OMV (NORGE) AS. OMV has grown its presence on the Norwegian Continental Shelf quite substantially in recent years. The current portfolio consists of a total of 32 licenses, out of which 5 are operated.

The economic effective date of the transaction will be January 1<sup>st</sup>, 2017. Signing of final transaction documents, which include detailed corporate governance and other customary legal contract terms, is expected by mid-2017. Closing is envisaged by year-end 2018 at the latest and is conditional upon governmental and corporate approvals.

We firmly believe that this is an important strategic step to reshape OMV's Upstream portfolio. The transaction will balance our Upstream portfolio, improve our competitiveness and provide a strong growth platform.

Now Johann will give you more insights on the assets in Russia and Norway.

## Urengoy: Russia's largest gas field

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\* Location of the field is indicative

- ▶ Russia's largest gas field, located in Western Siberia
- ▶ Field discovered in 1966 and has been producing gas for over 35 years
- ▶ Achimov IV/V reservoir in the Urengoy field is a deep and condensate rich reservoir
- ▶ Currently Achimov blocks I and II are producing
- ▶ Achimov IV/V joint venture partners: Gazprom, Wintershall and OMV (basic agreement signed for a 24.98% stake)

## Johann Pleininger

Thank you Rainer and welcome from my side as well. Let me start with Achimov IV/V.

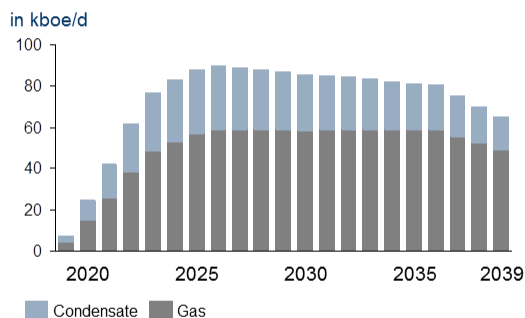
### **Slide 4: Urengoy: Russia's largest gas field**

The Achimov IV/V project encompasses the development and operation of blocks IV and V of the Achimov reservoir in the Urengoy field in Western Siberia. The Urengoy field is Russia's largest gas field and extends over 12,000 square kilometres. The field was discovered in 1966 and has been producing gas for over 35 years from shallow reservoirs. The Achimov reservoir is a deep and condensate rich reservoir. Currently blocks I and II are producing.

OMV will receive a 24.98% stake in the Achimov IV/V joint venture with Gazprom (50.01%) and Wintershall (25.01%).

## Achimov IV/V significantly increases production and reserves for OMV

### OMV's share of Achimov's IV/V production development



### Long-term, stable production base for OMV

- ▶ Achimov IV/V sanctioned in March 2016
- ▶ Total cumulative production: 2.2 bn boe  
OMV's share: 560 mn boe  
~70% gas and ~30% condensate
- ▶ 14-20 wells to be drilled annually between 2018-2024
- ▶ Production start-up expected in 2019
- ▶ Production plateau to be reached in 2025 at >80 kboe/d
- ▶ Plateau production level will last for 12 years, with only slight decline thereafter
- ▶ CAPEX of EUR 0.9 bn from 2017-2039  
~40% spent in the first two years

## **Slide 5: Achimov IV/V significantly increases production and reserves for OMV**

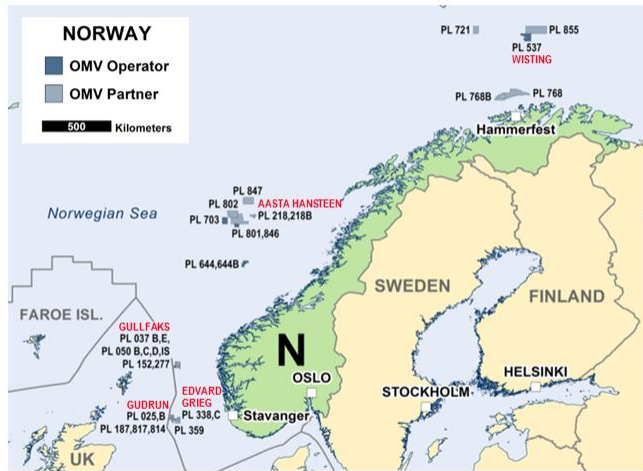
The Achimov IV/V project has already been sanctioned in March 2016 and it is currently in the development phase.

This project will add approximately 560 million barrels of oil equivalent in cumulative production, representing OMV's share of production until the end of the contract in 2039. The split is about 70% gas and 30% condensate. According to current assumptions, we expect these reserves to be booked mostly over the first few years of the project. This will increase the reserve replacement ratio to more than 100% for OMV, for a period of five years.

It is anticipated that 14 to 20 wells will be drilled annually in the time frame 2018 to 2024. We expect the production start-up in 2019. Plateau production of more than 80 thousand barrels of oil equivalent per day will be reached in 2025. We assume that the plateau production level will last for 12 years, with only a slight decline thereafter, providing a long term stable production base for OMV. At the end of the contract period in 2039, the production level will still amount to 70 thousand barrels of oil equivalent per day. This should lead to a strong and stable free cash flow contribution.

OMV's share of total investments is expected to amount to approximately 0.9 billion Euros from 2017 to 2039. In the first two years, around 40% of CAPEX will be spent.

## Norway is a core region for OMV



### Gazprom to receive a 38.5% stake in OMV (NORGE) AS

OMV Norwegian subsidiary:

- ▶ 32 licenses, 5 operated by OMV
- ▶ 2P reserves of 200 mn boe  
50% split between liquids and gas
- ▶ 9m/2016 production: 67 kboe/d

Main interests:

- ▶ Producing fields: Gullfaks, Gudrun, Edvard Grieg
- ▶ Development: Aasta Hansteen production expected in 2018
- ▶ Upside potential from Wisting



**Slide 6: Norway is a core region for OMV**

Now, let's turn to our Norwegian Upstream subsidiary. OMV (NORGE) AS, headquartered in Stavanger, is a wholly owned subsidiary of OMV. OMV has identified the North Sea as a core region. Norway has become the second highest production country after Romania. Total 2P reserves of OMV Norge amount to 200 million barrels of oil equivalent, thereof liquids and natural gas having a share of 50% each.

The first nine months 2016 average production of 67 thousand barrels of oil equivalent per day came from OMV's interests in Gullfaks, Gudrun and Edvard Grieg. Additional production is expected from the field development of Aasta Hansteen in 2018 and the redevelopment of Gullfaks. The Wisting project, which is currently in the appraisal phase, provides further upside potential.

In summary, OMV's Norwegian subsidiary holds a favorable position in a politically very stable region for oil and gas production.

And now I would like to turn the presentation back to Rainer.

## Strategic rationale

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**Transaction enables OMV to exceed its strategic target of a 100% Reserve Replacement Rate for a period of five years**



**Substantial increase in OMV's production from Achimov IV/V**

- ▶ 25 kboe/d production contribution in 2020
- ▶ >80 kboe/d plateau production contribution in 2025-2036



**Significant improvement of OMV's Upstream cost base**

- ▶ Achimov IV/V unit production cost expected below USD 2/boe
- ▶ Exploration and Appraisal expenditure reduced from EUR 700 mn to EUR 300 mn



**Strengthening of partnership with Gazprom by identifying and jointly developing further projects and opportunities**

## Rainer Seele

### Slide 7: Strategic rationale

Now let me talk about the strategic rationale of this transaction.

The following aspects have been considered for the strategic decision to pursue the asset swap:

First: The ability to continuously replenish reserves is crucial for OMV to renew its production base. Russia offers significant opportunities for reserve replenishment. With remaining reserves of around 420 billion barrels of oil equivalent, Russia offers potential to become a major source of reserve replenishment in OMV's portfolio.

The realization of the Achimov deal is expected to make a significant contribution to OMV's current 1P reserves level. Thus, the transaction enables OMV to exceed its strategic target of a 100% Reserve Replacement Rate for a period of five years.

Second: Production from Achimov IV and V is estimated to amount to approximately 25 thousand barrels of oil equivalent per day in 2020 and reach plateau of more than 80 thousand barrels of oil equivalent per day in 2025. The project will therefore substantially increase OMV's production.

Third: The access to production in Russia will improve OMV's cost position. In Russia, costs along the entire upstream value chain, from finding to development and production costs, are among the lowest in the world. The high volume/low cost operations in Achimov IV/V will have a substantial impact on OMV's Upstream unit costs by 2025. Unit production costs in Achimov IV/V are expected to be below USD 2/boe on average for the contracted period.

With this major new hydrocarbon reserve coming into our portfolio, OMV will not need to spend as heavily on exploration and appraisal in an effort to achieve a 100% Reserve Replacement Ratio. Consequently, OMV reduces its exploration and appraisal expenditure from 700 million Euros in the past years to 300 million Euros annually over the medium term.

Finally: The asset swap strengthens the partnership between OMV and Gazprom. OMV has had a long and successful cooperation with Gazprom for almost half a century. As a result of the asset swap, OMV will benefit from Gazprom's strong position in Russia and its technological know-how. Gazprom in turn will be able to diversify its asset base outside Russia. Additionally, OMV will identify and jointly develop further projects and opportunities with Gazprom that will strengthen OMV in the long term.

## Impact on OMV's financials

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Urengoy, Russia. Source: Gazprom

### OMV (NORGE) AS

- ▶ OMV will continue to fully consolidate its OMV (NORGE) AS subsidiary and the reserves
- ▶ OMV Norwegian subsidiary will distribute dividends to Gazprom

### Achimov IV/V

- ▶ OMV will be entitled to dividends from the Achimov IV/V joint venture; dividends expected to be distributed from 2020 onwards
- ▶ OMV's share of net income will be reflected in the income statement in clean CCS operating result, as net income from equity-accounted investments

## **Slide 8: Impact of OMV's financials**

Let me now turn to the financial impact on OMV.

Following this transaction, OMV will continue to fully consolidate the OMV (NORGE) AS subsidiary and its reserves.

OMV Norge's financial performance has been driven by development activities turning fields into production since 2014. While revenues and operating cash flow increased since 2014, constant investments in further exploration and development activities burdened free cash flows. For 2016, free cash flow is forecasted to turn positive, ramping up in the following years reflecting successful project developments coming into production.

OMV Norge will distribute to Gazprom its respective share of dividends.

In turn, OMV will be entitled to dividend income from the Achimov IV/V joint venture. The dividend is expected to be distributed from 2020 onwards. OMV's share of net income will be shown in the income statement in clean CCS operating result as net income from equity-accounted investments.

Thank you ladies and gentleman and now we are happy to take your questions.



OMV Aktiengesellschaft

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