

OMV Q2 2019 Results Conference Call

July 31, 2019

OMV Aktiengesellschaft



The energy for a better life.  OMV

Rainer Seele

Chairman of the Executive Board and CEO

The spoken word applies

Disclaimer

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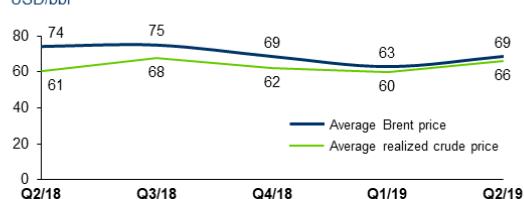
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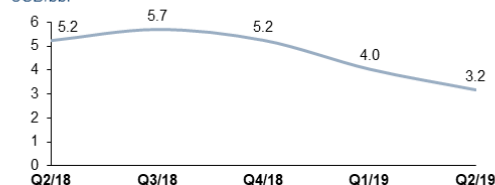


Macro environment – Improved oil prices and petrochemical margins offset by weak gas prices and refining margin

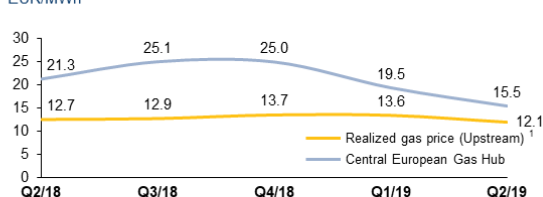
Oil prices
USD/bbl



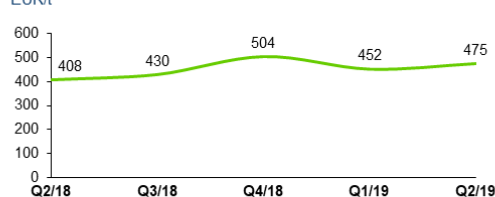
OMV indicator refining margin
USD/bbl



Gas prices
EUR/MWh



Ethylene/propylene net margin ²
EUR/t



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



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

Despite a challenging macro environment in the second quarter of 2019, OMV delivered a strong operational performance and a substantial increase in earnings. Let me start by briefly reviewing the economic environment.

Slide 3: Macro environment – Improved oil prices and petrochemical margins offset by weak gas prices and refining margin

In the second quarter of 2019, the Brent oil price averaged 69 Dollars per barrel, 9 percent up from previous quarter, but 7 percent lower than in the same quarter last year. The increase quarter-on-quarter masks in fact a very volatile quarter. Brent traded in the range of 70 to 75 Dollars per barrel until mid-May, driven by an over-compliant implementation of the OPEC+ production cuts and concerns about supply tightness. It then fell below 65 Dollars per barrel triggered by the escalation of the US/China trade conflict and a more pessimistic global macro outlook, only to rise again towards the end of June after the escalation of the US/Iran conflict.

European spot gas prices further declined in the second quarter, with CEGH spot prices reaching a nine-year low in June. On average, prices were 27 percent lower year-on-year and 20 percent down quarter-on-quarter. The price decline was caused by lower demand following a very warm winter and substantial LNG volumes diverted into Europe.

The refining indicator margin decreased by 39 percent year-on-year and by 21 percent quarter-on-quarter. Naphtha continued its downfall, with a lot of cracker capacity offline for maintenance and very low LPG prices leading to feedstock switching where possible. In addition, middle distillate cracks further declined amid lower demand. The only product that improved in the quarter was gasoline, mainly due to reduced utilization rates of some refineries, which were affected by the contamination issue at the Druzhba pipeline.

The ethylene and propylene margin improved by 16 percent year-on-year due to the lower naphtha prices. Compared to the first quarter, the margin increased by 5 percent due to market tightness, resulting from the cracker turnaround season. The European market for butadiene remained soft throughout the quarter. Benzene margins recovered as a result of shortening supply amid improving demand.

Key messages Q2 2019



FINANCIAL PERFORMANCE

Strong earnings of **> EUR 1 bn** (**+44% y-o-y**) in a challenging market environment

Sharp increase in clean CCS Net Income attributable to stockholders (**+88% y-o-y**)

Strong quarterly cash flow from operating activities¹ of **> EUR 1 bn**

¹ excluding net working capital effects



STRONG OPERATIONS

Record quarterly production of **490 kboe/d**

Production cost at **USD 6.9/boe**

Refinery **utilization rate of 96%**



DELIVERING THE STRATEGY

Agreed purchase price with Gazprom for 24.98% interest in the Achimov 4A/5A

Signed MoU with **Gazprom for LNG opportunities**

Signed MoU with Verbund to further intensify cooperation

Slide 4: Key messages Q2 2019

Despite the volatile and weaker market environment, OMV delivered a very strong clean CCS Operating Result of more than one billion Euros, 44 percent up versus the same period a year ago. Clean CCS net income attributable to stockholders rose by 88 percent versus the same period in 2018.

Our quarterly cash generation remained very strong with a cash flow from operating activities excluding net working capital effects of more than 1 billion Euros.

At the operational level, in Upstream we further increased our production to 490 thousand barrels per day, mainly as a result of acquisitions, and reduced the average production cost to 6.9 Dollars per barrel. In Downstream, we continued to run our refineries at the very high level of 96 percent and increased the sales volumes.

We also made further progress in delivering on our strategy. In June, we reached another important milestone in the execution of our strategy. We agreed with Gazprom on the purchase price of 905 million Euros for a 24.98 percent interest in the Achimov 4/5 phase development in Russia. We are expecting to sign final transaction documents until the end of 2019 and have the closing at the beginning of next year. The acquisition will add approximately 600 million barrels to OMV's reserves and more than 80,000 barrels per day to OMV's production at plateau. The operator expects production to start up at the end of 2020, and to reach plateau in 2026. OMV's share of total investment is expected to amount to approximately 950 million Euros until the end of 2044, including approximately 75 million Euros compensation for past cost incurred in the years 2017 and 2018.

Within the framework of cooperation with Gazprom, OMV also extended the agreement regarding the annual delivery of 1.2 billion cubic meters of LNG beyond 2020 by Gazprom. This will contribute to the diversification of our sources of supply and help us safeguard security of supply in Europe.

In July, we signed a Memorandum of Understanding with Verbund, Austria's leading electricity company and one of the largest hydropower producers in Europe. We aim to intensify our strategic energy cooperation, and we already agreed on the first joint project: building Austria's largest photovoltaic plant with a capacity of 16 Mega Watt peak.

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We also took FID for the construction of a high-purity isobutene unit in Burghausen. The project is the first application worldwide of a new technology developed in collaboration with BASF. The new unit will be integrated into the existing refinery metathesis plant, which is responsible for the energy-efficient manufacturing of propylene for the plastics industry.

And, as announced this morning, we closed the deal regarding the acquisition of a 15 percent share in ADNOC Refining and the global Trading Joint Venture. With this transaction, OMV increases its refining capacity by 40 percent and olefin capacity by 10 percent and establishes a strong integrated position in Abu Dhabi along the value chain, spanning from Upstream production to Refining & Trading and Petrochemicals.

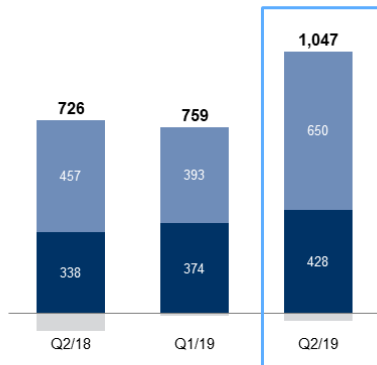
Last, but not least, as you know, starting July, the structure of our Executive Board was changed. The Downstream division was divided into two: the Refining and Petrochemicals Operations division, headed by Thomas Gangl, today with us on the call, and the Marketing & Trading division, which I manage on interim basis. In light of future market challenges, it is crucial that both the production facilities and the trading business enjoy the highest level of attention in the company.

Clean CCS Operating Result rose substantially, supported by higher realized oil prices and a strong operational performance

Clean CCS Operating Result

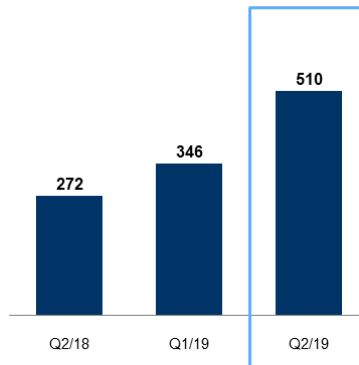
EUR mn

Upstream Corporate & Other, Consolidation
Downstream



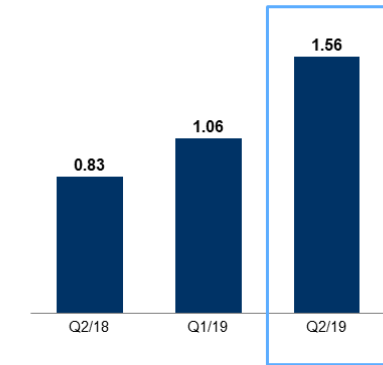
Clean CCS Net Income attributable to stockholders

EUR mn



Clean CCS Earnings Per Share

EUR



Slide 5: Clean CCS Operating Result rose substantially, supported by higher realized oil prices and strong operational performance

Let's now turn to more details of our financial performance in the second quarter of 2019. Our clean CCS Operating Result rose substantially from 726 million Euros in the second quarter of last year to one billion and 47 million Euros. Both business segments contributed with their strong operations to this excellent result.

In Upstream, our earnings were 42 percent higher year-on-year, mainly due to significantly higher sales driven by portfolio changes and higher realized oil prices.

In Downstream, earnings increased by 26 percent, although the indicator margin fell by 39 percent year-on-year. The results demonstrate the benefit of OMV's integrated portfolio, as the negative refining and gas market effects in Downstream were more than offset by the stronger commercial and retail businesses and by a better petrochemicals result.

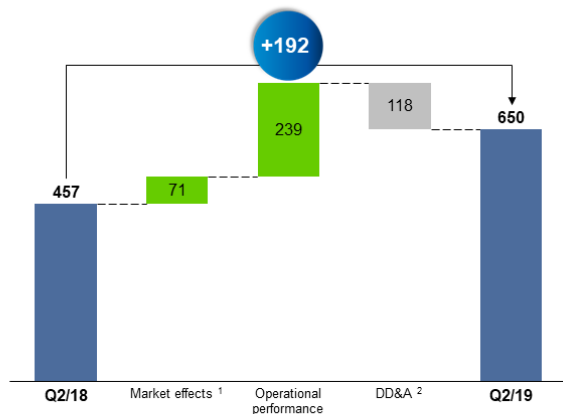
Clean CCS net income attributable to stockholders increased from 272 to 510 million Euros, supported by higher earnings and a lower clean tax rate year-on-year.

The clean tax rate was 39 percent, 10 percentage points below the previous year's quarter. This was due to a proportionally lower Upstream contribution from high tax rate fiscal regimes and a comparatively higher Downstream result contribution from Romania, where the prior-year quarter was impacted by the planned turnaround at the Petrobrazi refinery.

Clean CCS Earnings per Share rose strongly to 1 Euro and 56 cents.

Upstream – Higher sales volumes and realized oil prices, partially offset by weaker gas prices

Clean Operating Result EUR mn



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

² Depreciation, Depletion and Amortization

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Q2/19 vs. Q2/18

- ▶ Realized oil price increased by 9%
- ▶ Realized gas price decreased by 5%
- ▶ Positive FX impact due to stronger EUR/USD
- ▶ Production of 490 kboe/d (up by +70 kboe/d):
 - ▶ New Zealand (+30 kboe/d) due to Shell's assets acquisition
 - ▶ UAE (+22 kboe/d) following Umm Lulu/Sarb acquisition
 - ▶ Malaysia (+15 kboe/d) following SapuraOMV acquisition
 - ▶ Norway (+12 kboe/d) mainly due to Aasta Hansteen
 - ▶ Libya (+7 kboe/d)
 - ▶ Romania (-8 kboe/d) due natural decline and divestment of marginal fields
 - ▶ Pakistan (-7 kboe/d) following divestment
- ▶ 8 mn boe in sales volumes due to higher production and additional liftings in Libya and Yemen
- ▶ Production costs reduced to USD 6.9/boe (-9%)
- ▶ Higher depreciation mainly due to acquisitions



Slide 6: Upstream – Higher sales volumes and realized oil prices were partially offset by weaker gas prices

Let me now come to the performance of our two business segments. The Upstream clean Operating Result increased by 192 million Euros to 650 million Euros compared to the second quarter of 2018, due to higher oil sales volumes and higher realized prices.

Market effects had a positive impact of 71 million Euros, a result of a higher realized oil price and a stronger US Dollar, partially offset by weaker gas prices. OMV's realized oil price rose by 9 percent, while the realized gas price decreased by 5 percent. The gas price weakened to a lesser extent than the European spot prices, as only approximately 40 percent of our gas sales portfolio is directly linked to European hub prices. Realized gas prices in Romania increased year-on-year. However, the realized prices decreased quarter-on-quarter due to the price cap for gas sold to households, effective as of May this year.

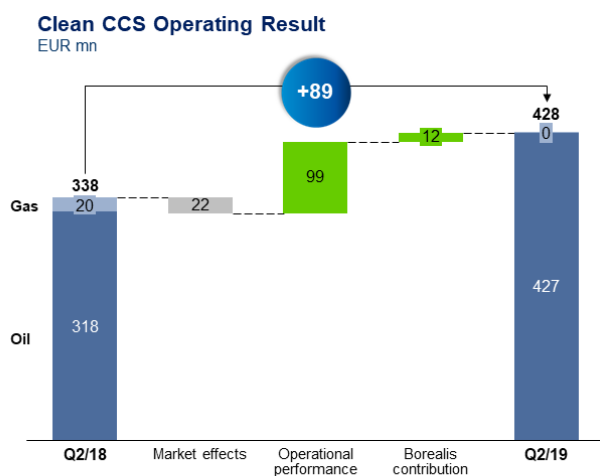
Production went up by 70 to 490 thousand barrels per day, mainly driven by the acquisitions in New Zealand, Abu Dhabi, and Malaysia, as well as the production ramp-up of Aasta Hansteen in Norway. Production in New Zealand recovered from the first quarter maintenance and contributed 41 thousand barrels per day in the quarter. Production of the SARB and Umm Lulu fields in Abu Dhabi amounted to 22 thousand barrels per day. Production in Malaysia increased to 15 thousand barrels per day, as the acquisition was fully reflected in the second quarter. Almost 50 percent of the SapuraOMV production is gas. The security situation in Libya improved and we were able to produce 36 thousand barrels per day in the second quarter, more than in the same period last year.

Our overall sales volumes were 24 percent higher year-on-year due to an increased production and a catchup effect in sales in Libya. We remind you that the barrels produced in Libya in the first quarter were lifted in the second quarter, due to the security situation.

We reduced our production costs by 9 percent to 6.9 Dollars per barrel on the back of higher production and a favorable currency development.

Depreciation increased by 118 million Euros due to our acquisitions in Abu Dhabi and Asia-Pacific.

Downstream – Solid operational performance and improved earnings, despite lower refining margin and gas negative effects



¹ Market effects defined as refining indicator margin and petrochemical margins

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Q2/19 vs. Q2/18

Oil

- ▶ Weaker market environment
 - ▶ Refining indicator margin at USD 3.2/bbl (-39%)
 - ▶ Higher ethylene/propylene net margins (+16%)
- ▶ Strong operational performance
 - ▶ Refineries utilization rate at 96% vs. 77% in Q2/18
 - ▶ Higher total refined product sales
 - ▶ Positive effect from the Druzhba pipeline issue and a refinery outage in southern Germany
 - ▶ Better retail business due to good fuel margins, higher sales and higher NOB contribution
- ▶ Higher contribution from Borealis mainly following a positive impact from the settlement of tax cases in Finland

Gas

- ▶ Negative storage effects; to be reversed upon withdrawals in the next winter season
- ▶ Higher logistics earnings



Slide 7: Downstream – Solid operational performance and improved earnings, despite low refining margin and gas prices

In Downstream, the clean CCS Operating Result increased by 89 million to 428 million Euros.

The Downstream Oil result rose 34 percent to 427 million Euros, despite a significantly lower refining margin.

Our operational performance was strong, reflected by the refining utilization rate of 96 percent, higher sales volumes and stronger commercial and retail margins. In the second quarter of last year, our utilization rate was only 77 percent due to the planned turnaround of our Petrobrazi refinery.

The commercial and retail businesses benefitted from a tight supply situation following a refinery outage and regional reduced production due to the Druzhba pipeline contamination issue.

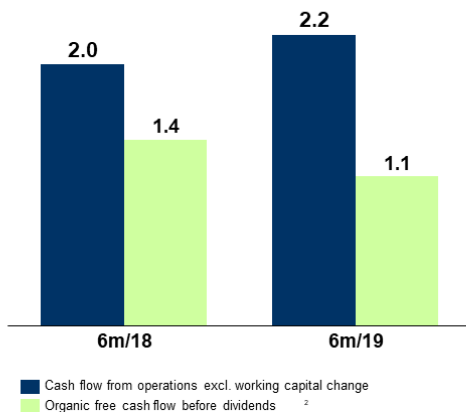
At 78 million Euros, the petrochemicals result rose substantially by 42 percent, supported by a higher ethylene and propylene net margin.

The contribution from Borealis increased to 118 million Euros, driven partly by a positive impact coming from the settlement of tax cases in Finland. The integrated polyolefin margins were on a healthy level and the performance of the fertilizer business improved on the back of lower gas prices.

The clean CCS Operating Result in Downstream Gas declined from 20 million Euros to zero, due to a weaker storage result and a lower power result in Romania. Following a very warm winter, part of the storage volumes were not withdrawn and were shifted into the next winter season, negatively impacting the result. A similar effect is expected in the third quarter of this year. We anticipate a reversal of these negative effects in the next winter season, when the gas will be withdrawn from storage.

Increase of cash flow from operating activities excluding net working capital effects to EUR 2.2 bn in H1 2019

Organic cash flow 6m/19
EUR bn



Cash flows 6m/19 vs 6m/18

- ▶ Increase in cash flow from operating activities excl. net working capital effects of EUR 228 mn
- ▶ EUR (536) mn net working capital effects vs H1/18
- ▶ Almost flat organic cash flow from investing activities ¹ at EUR (855) mn (6m/18: EUR (883) mn)
- ▶ Lower organic free cash flow before dividends due to substantial negative net working capital effects
- ▶ Payment of dividends of EUR 772 mn (6m/18: EUR 693 mn), thereof:
 - ▶ OMV stockholders: EUR 572 mn (6m/18: EUR 490 mn)
 - ▶ OMV Petrom minorities: EUR 154 mn (6m/18: EUR 117 mn)
 - ▶ Gas Connect Austria minority: EUR 29 mn (6m/18: EUR 39 mn)
 - ▶ Hybrid owners: EUR 14 mn (6m/18: EUR 45 mn)
- ▶ Inorganic cash flow from investing activities of EUR (551) mn

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

Slide 8: Increase of cash flow from operating activities excluding net working capital effects to EUR 2.2 bn in H1 2019

Let's now continue with cash flow.

In the first half of 2019, the cash flow from operating activities excluding net working capital effects amounted to 2.2 billion Euros – an increase of 228 million Euros compared to the first half of last year. The positive development is driven by acquisitions and a good operational performance.

In the first half of 2019, we recorded negative working capital effects in the amount of 234 million Euros, which represents a change of approximately half a billion Euros compared to the first half of 2018. This was mainly driven by positive effects in Downstream Oil, partly offset by negative effects in Downstream Gas.

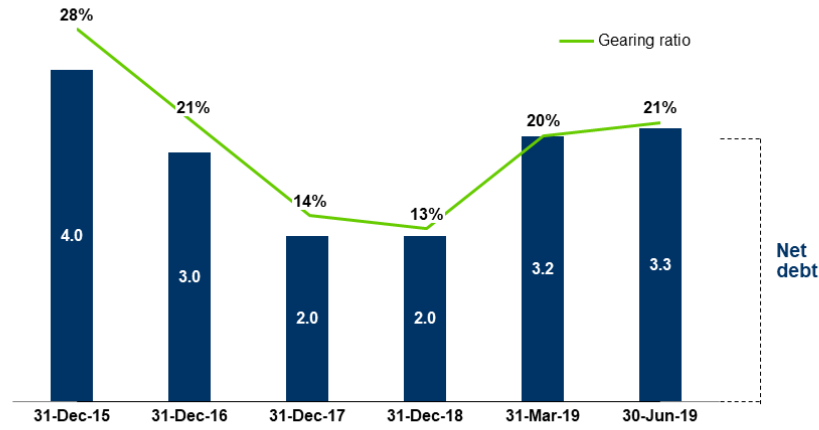
At 855 million Euros, our organic cash flow from investing activities was slightly below the same period of 2018.

The organic free cash flow before dividends amounted to 1.1 billion. The decrease versus the same period of last year stemmed from the negative net working capital effects. Our organic free cash flow was more than sufficient to cover the payment of dividends in the amount of 772 million Euros.

The inorganic cash flow from investing activities was 551 million Euros, mainly reflecting the acquisition of SapuraOMV.

Healthy balance sheet and strong cash position

Net debt and gearing ratio
EUR bn



Cash position
EUR bn ¹
3.7

Undrawn revolving
credit facilities
EUR bn ¹
3.1

¹ As of June 30, 2019

Slide 9: Healthy balance sheet and strong cash position

OMV's balance sheet remained very healthy and showed strong liquidity with a cash position of 3.7 billion Euros at the end of the second quarter of 2019.

Net debt slightly increased from 3.2 to 3.3 billion Euros.

At the end of June, we issued two tranches of senior bonds totaling 1 billion Euros. One tranche was a six-year issue with a coupon rate of zero percent, which is the tightest six-year yield for a corporate issuer since 2016. The second tranche was a fifteen-year issue with a coupon rate of 1 percent. The proceeds are intended to partially finance the acquisition of a 15 percent share in ADNOC Refining and the global Trading Joint Venture.

Following the bonds issue, our financing costs decreased by 40 basis points to 1.9 percent.

Despite the payment of the annual dividends, our gearing ratio remained almost flat at 21 percent, well below our long-term target of maximum 30 percent.

Updated outlook 2019

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

¹ Assumed average contribution from Libya of above 35 kboe/d from Jul-Dec 2019

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Slide 10: Updated outlook 2019

Let me conclude with an update of the outlook for the full year.

We reconfirm our 2019 market assumptions for Brent oil at 65 Dollars per barrel and gas prices below the level of 2018.

Based on the developments in the first half year, we expect the total 2019 production to be slightly below 500 thousand barrels per day. Libya is anticipated to produce above 35 thousand barrels per day in the second half of 2019. We expect production in the third quarter at a similar level as in the second quarter, with planned maintenance works in Russia, Norway and Austria. Production in the fourth quarter is anticipated to be stronger, driven by seasonally higher volumes in Russia and the expected production start-up of Nawara in Tunisia.

In Downstream, we saw a very volatile refining margin in the first half year, averaging 3.6 Dollars per barrel. We estimate an increase in the second half of the year as the market prepares for the IMO legislation being enforced in 2020. However, for the full year we estimate the refining margins to stay below 5 Dollars per barrel.

For petrochemicals, we now project the full-year margin to be at the similar level as 2018, following a strong performance in the first half of 2019.

Thank you for your attention. Now, my colleagues and I are happy to take your questions.