

OMV Q3 2019 Conference Call – Q&A Transcript

OMV published its results for January–September and Q3 2019 on October 30, 2019. The investor and analyst conference call was broadcast as a live audio–webcast at 11:30 am CEST. Below is the transcript of the question and answer session, by topic, edited for readability.

Table of Contents

OMV Group	1	Upstream	4	Downstream	6
Macro	1	IMO 2020 effect on realized		IMO 2020	6
Romanian fiscal regime	1	oil price	4	ADNOC Refining	6
Q4 cash generation and gearing level	2	Achimov 4A/5A	4	Refinery maintenance	7
Group depreciation	2	Production	4	Outlook for Petchem	7
Dividend policy	3	Wisting development	4	Guidance for Borealis	7
Update on strategy	3	Digitalization in Upstream ...	5	Retail and commercial business	7
CAPEX guidance	3	Nawara	5	Indonesia MoU	8
Hybrid bonds	3	SapuraOMV	5		
		Production costs	5		
		Neptun	5		

OMV Group

Macro

Question by **Thomas Y. Adolff – Credit Suisse:**

I'm just looking for some numbers. Perhaps you can comment more specifically than you have already. What was the refining margin in October on average? And then maybe what's your view on European gas prices in 2020?

Answer by **Rainer Seele:**

Thomas, I'll take your questions about numbers, although I can't give you numbers, but I can help you to calculate some numbers. First of all, when we talk about the refining margins in October, I would like to ask you to look into the trading markets that you find the average refining margin realized and the forward margin for the Q4. And then you will see that this margin is well above the average margin we have seen in Q3. The gas prices for 2020. Again, I would like to ask you to look into the forward curve, the published forward curve here, to help you a bit more with some numbers. The forward curve is telling you that gas prices in average 2020 will be well above the average gas price we have seen in 2019. So higher gas prices in the forward curves awaiting us in 2020, especially when you see in the forward curves that the very low summer gas prices we have seen in 2019 are not in the forward market of 2020. And there is a substantial delta. I would say the forward summer gas prices for next year are something around 50% above the summer gas prices we have seen in 2019. And the two winter quarters, Q1 and Q4 are very much also depending on two events, on "father frost", whether or not he will send us minus 20 tomorrow. So the winter weather and the weather conditions, and therefore the consumption. And therefore, I think the market will very, very much look on the storage levels in the winter season. And it's very important that I say storage levels because the market has over-committed into storage capacities as we all together don't know when the permit from Denmark Nord Stream 2 will be applied – whether or not there will be a permit, I have to say, and whether or not the capacities of Nord Stream 2 will be available, especially in Q1 next year. That is why the market is waiting a little bit on the progress on discussions on the prolongation of the Ukraine transit, and the market is waiting for the permit in Denmark.

Romanian fiscal regime

Question by **Joshua Stone – Barclays:**

On Romania, I was hoping you could update us on the fiscal regime there and what you're seeing in the country.

Answer by **Rainer Seele:**

Well, we are still in the same situation. It's not as bad as the Brexit story, but we have no government in place. There is no energy minister. Therefore, we can't see any progress, especially getting the parliamentary approval of the changes of the offshore law for the development of the Neptun project. So we have to sit and wait. I think it will not last an eternity. But if the new government is in place and if they are going for fast track the approval process and if this draft legislation will not be changed dramatically, then I think we could have a very attractive framework in place.

Question by **Peter Low – Redburn**:

Just a follow-up on the fiscal situation in Romania. Is that impacting your current level of investment there? And does that mean that decline rates at Petrom are going to continue to accelerate in the coming years?

Answer by **Rainer Seele**:

Well, Peter, talking about Romania. Of course, the level of CAPEX is strongly depending on the Neptun development. If we will not take a FID on the Neptun development, our CAPEX spending in Romania will be substantially lower. We will not shift any CAPEX spending to lower-quality onshore projects in Petrom and then increase our CAPEX budget. That does not even enter into our discussions on the Board level. The decline rate, I would guide you now a little bit to the decline rate, something between 3% and 5%. Why do I say 3% and 5%? First of all, it's not depending on Neptun. Neptun would be compensating for the current decline rates. The 3% to 5% is just on the basic portfolio of OMV Petrom, excluding Neptun. Why do I give you a range? The 3% to 5%, I have to say it is depending on the framework we get from the Romanian government. The day that they decided they are not believing in the liberal free gas market anymore and they were regulating the gas prices, we had to reduce our CAPEX spending on gas projects substantially. And therefore, the decline rate was more in the 5% region. Now we have seen that the government has changed this environment. And now we can go for gas projects also next year again. Therefore, maybe the decline rate will be more towards the 3% than to the 5%.

Question by **Bertrand Hodee – Kepler Cheuvreux**:

Maybe one follow-up on Romania fiscal terms. Can you elaborate a bit what is the latest, I would say, direction in terms of fiscal terms for offshore Romania? And what kind of export gas price would you need to deliver an appropriate rate of return on that project?

Answer by **Rainer Seele**:

Well, Bertrand, it's very difficult to talk about prices in general. And I'll take that question first. All I can say is that the share of gas we have to export, given the general fast decline of domestic production in Romania, is not of that major importance as we speak about developing the project. So if I look into the different netback calculations because for the export of the gas, you also need to book export capacities in the pipeline, and you do have additional costs to digest in your calculation, I have to say we are very happy to sell the majority of the gas into the Romania market, especially given the fact that we are one of the bigger players and do know our customer base especially well over there. That's our priority. The fiscal terms we've got so far, are really taking away the over-taxation, what we have seen in the first draft, and it's really also deleting the export restrictions we have seen in the last offshore law. So given that framework and if we are going to calculate now our economics with Neptun, and now I take the domestic gas price and the export gas price we could get in some markets and the export gas price, you really have to ask me which kind of country I should supply in the export. It makes a difference whether I supply the gas to Bulgaria or whether I supply the gas to Austria, for example. If we take all the prices in our calculation, I have to say with the new fiscal framework which is drafted by the government, OMV has a high probability that the economics are satisfying and of a positive FID next year, which means that the promised overall ROCE targets, which we would like to deliver to the financial markets, should be met in our calculation.

Q4 cash generation and gearing level

Question by **Sasikanth Chilukuru – Morgan Stanley**:

Regarding 4Q cash generation. I was just wondering what the contribution or the dividend contribution from Borealis in 4Q was, whether you expected a reversal of the EUR 227 mn working capital build in 4Q. As a consequence, where do you see the gearing levels going to by the end of this year? You had previously highlighted it will be somewhat slightly below 30% gearing level now. So if you can comment on that.

Answer by **Reinhard Florey**:

So your question was what's the impact in general of 4Q on the gearing level. So of course, we do have some net working capital developments. And normally in Q4, there is an uplift of net working capital. The second effect that we also have is that in the fourth quarter, traditionally, we have somewhat higher CAPEX levels. So therefore, in general, the free cash flow expectation that we have for the fourth quarter is a little bit lower. However, we see still a positive development also on the gearing level, and we will stay below the 30%.

Group depreciation

Question by **Irene Himona – Societe Generale**:

Following the increase of depreciation, especially in the Upstream in the third quarter. I wonder if you can give us some guidance for group depreciation for the full year, please.

Answer by **Reinhard Florey**:

Regarding depreciation, I think it is fair to guide in the same way as we did now see for Q3. So year-on-year for the quarter, we have been around EUR 100 mn higher in depreciation due to the acquisitions and also the investment projects that we have done. And it is fair to assume that this will be continued.

Dividend policy

Question by **Peter Low – Redburn**:

Just on distributions. Free cash flow continues to be strong. And even following the ADNOC acquisition, your gearing is below your 30% ceiling. And given that, how do you think about distribution growth from here? Is it some kind of payout ratio versus earnings or cash flow? Really any color on how the Board thinks about setting the dividend would be appreciated.

Answer by **Reinhard Florey**:

We are absolutely committed to our dividend policy that we have given out. And we are seeing that the way how we are dealing with our proceeds keeps us below the 30% gearing level. So this means that this will be a progressive dividend, and this will be increased bit by bit every year.

Update on strategy

Question by **Alwyn Thomas – Exane BNP Paribas**:

I guess just on the sort of strategy level as things are going well and earnings have been pretty good this year. Are you guys starting to do a strategic update with the full year results now that some of the key deals are now being completed? And I guess whether you see any scope given you're ahead of schedule for any small-scale acquisitions next year.

Answer by **Rainer Seele**:

Alwyn, you're absolutely right. We are on a fast track to execute our strategy. The only remaining M&A project is, as I have mentioned earlier, Achimov 4/5. This is a project we would like to focus on in 2020. This is of major importance, especially if we would like to meet our target of the 600,000 barrels per day production, which we have guided as a mid-term target to the market. On top of that, I would say we don't have any acquisitions now in the pipeline, which I do see we will address to the market in 2020. It might change that the summer sale opportunities arrive in the market, then we will look into that. But we have a priority, as Reinhard has always said, we would like to take that break. We would like to harvest the acquired assets. We would like to further strengthen our balance sheet. And if you look into our priorities of capital allocation, you will find out that acquisitions are lowest ranked. And that's explaining my statement, why I'm not so hungry to look into acquisitions in 2020.

CAPEX guidance

Question by **Michael Alford – Citi**:

On CAPEX. You reiterated EUR 2.3 bn for the full year 2019. I guess with all the acquisitions, should we think about it directionally going higher in 2020?

Answer by **Rainer Seele**:

Giving you a CAPEX number, which will be attributable to OMV. I first have to say we have to define the precise CAPEX number. We have to discuss it, and we have to find ourselves as real partners. And secondly, we have to then see how the partnership structure will look like. The CAPEX number for 2019 and 2020 onwards, we have guided that this will be in the range between EUR 2 bn and EUR 2.5 bn. What I also would like to mention now is that within our CAPEX numbers, we do have now an IFRS 16 effect of roughly EUR 100 mn. Which is why we show on a comparable basis, higher CAPEX numbers because of IFRS 16. So if I put that on top for next year, we will discuss them later on. And of course, we will release our CAPEX precise number for 2020 beginning of next year.

Hybrid bonds

Question by **Christopher Kuplent – BoA Merrill Lynch**:

Considering your share price outperforming your hybrid bonds by quite a bit, just wanted to maybe ask Reinhard how he feels about the usage of capital and the relative cost of that capital in terms of your dividend plans versus the coupons on the hybrid bonds. I know we could talk for hours about this, but just wanted to see whether you can give us anything that you might consider topical.

Answer by **Reinhard Florey**:

Yes. Chris, a brilliant question on the share price development. As we see it today, we are, of course, total shareholder value driven. And the use of capital, we have said that on the one hand side, the priorities have been shifted. We still stick to what is organic investments and mandatory, maintenance investments as the number one priority, have then moved up dividends as second priority even before deleveraging. And as Rainer said, on fourth place are only acquisitions. Now you mentioned also the development of the hybrid coupons compared to our share price, maybe a little bit in a different way. However, if you point to the question of whether there are any buybacks planned, this is not the case, neither on shares nor on hybrid bonds. Simply because of economics at the moment, this doesn't make too much sense for us. And the level of hybrid bonds with currently EUR 2 bn is a level on which we feel quite comfortable. So this is not something that we intend to change for the group at the moment.

Upstream

IMO 2020 effect on realized oil price

Question by **Henri Patricot – UBS**:

On the topic of IMO 2020 but for the Upstream side of the business this time because I remember that you've highlighted previously that around 85% of your crude production is sweet crude. So should we expect to see a lower discount to Brent for your realized oil price in the coming quarters? Any guidance would be helpful on that.

Answer by **Reinhard Florey**:

In principle, it is absolutely true. The market for sweet crude will get tighter, which will also make the product more valuable, which means that specifically in the regions in Romania and the east, the discount to Brent will decrease. We have even seen adverse developments for a certain period of time. However, please take into account that we have a fully integrated operation in Romania, which means even if on the Upstream side there is this positive effect, we deliver more or less all of our crude into our Downstream operations there, so part of that also will be a wash. But in principle, of course, on the Upstream side, a positive development.

Achimov 4A/5A

Question by **Sasikanth Chilukuru – Morgan Stanley**:

I just wanted to check what the progress was on the Achimov deal. Are you still expecting to sign the final transaction documents by the end of this year and closing at the beginning of next year?

Answer by **Rainer Seele**:

On Achimov 4/5, I reconfirm our timing that we would like to sign the final documents until year-end and that closing will be in 2020, depending on the approvals by the local Russian authorities. Honestly speaking, I'm not too much in a hurry as we speak about closing the deal because the production will start at the end of next year, beginning of 2021, so I have all the remaining time. The value of the product will change, and we have to renegotiate if we cannot close the deal until the start of production. So therefore, to make a long story short, yes, the same story as last call.

Production

Question by **Thomas Y. Adloff – Credit Suisse**:

Where are we on Upstream production?

Answer by **Rainer Seele**:

Our Upstream production right now is, as I have said, above the 500,000 barrels per day.

Question by **Matt Lofting – JP Morgan**:

You referenced current production moving up to 500,000 barrels a day plus. It would appear on my math that the primary driver of that is the reversal of the maintenance cycles in Russia and Norway.

Answer by **Rainer Seele**:

On the 500,000 barrels per day, you're absolutely right, Matt. The reverse of Russia and Norway is the main reason. [...] We also think that maybe we can increase a little bit the production in Malaysia. Malaysia is developing much above our expectations as we speak about the development of the projects. As you may remember, when we signed the joint venture with Sapura in Malaysia, I explained that Sapura Upstream was a great exploration company but has had no experience in the developing of the assets. Now we have inhaled our development competence into SapuraOMV, and we might come up with an earlier additional contribution from Malaysia.

Wisting development

Question by **Michele Della Vigna – Goldman Sachs**:

Congratulations on another strong set of results. Could you update us on progress towards new development in Norway, particularly in light of the MoU with Equinor in June?

Answer by **Rainer Seele**:

The new development would be Equinor. I am expecting you're asking about the Wisting development. So on the Wisting development, we have handed over everything. Now Equinor is developing the field development plan. We are within the same timing as before, when OMV was the operator in the exploration phases. I think that Equinor has an interest for a fast track development. But it's too early, Michele, to give you a real number today. All I can say is that the commitment is now on a much, much higher level. And therefore, it was the right move, signing that MoU with Equinor. And I would say we need at least half a year, maybe 1 year to give you a more precise number how much they could accelerate.

Digitalization in Upstream

Question by **Michele Della Vigna – Goldman Sachs**:

Could you give us some examples of where your push for digitalization is reducing costs in the Upstream, again, particularly in light with your recent collaboration with the Aker Group and with Aker BP?

Answer by **Rainer Seele**:

We definitely do not release any numbers on the budget we do have on digitalization projects. However, what I can tell you is we are more talking about spending in the double-digit and not in the three-digit million-euro area.

Nawara

Question by **Matt Lofting – JP Morgan**:

But when we think about the growth projects behind that, what are your expectations, in particular, on the start and ramp-up of Nawara into 2020?

Answer by **Rainer Seele**:

But we think that we can start Nawara gas field already in the fourth quarter, but it will be a late start in fourth quarter. That's why I think the Nawara impact, you should calculate from maybe the first day in 2020. Then you are getting the production numbers precisely good. In the fourth quarter, as I said, late fourth quarter, Nawara could come on stream.

SapuraOMV

Question by **Michael Alford – Citi**:

Rainer, from what you're saying on Sapura Energy and the JV. I was just wondering whether you could remind us where you think medium-term sort of production guidance would be. I think it was 14,000 contribution in 3Q. Where do we see that in the next few years as you move through the development pipeline?

Answer by **Rainer Seele**:

Well, right now, we have the production of 14,000 barrels per day. Mid-term, I would like to guide you that we are running into the 30,000 barrels per day region. However, this might be a continuous step-up. As we have planned, as you remember, we have started with 8,000 to 10,000 barrels per day. Then we have said we have increased now to 14,000 barrels per day. In the mid-term, I would say it's 30,000 barrels per day as a milestone. And we have said in 2023, just to define mid and a bit longer mid-term, in 2023, it should be already 60,000 barrels per day. So I'll leave it with your fantasy which years are between 2020 and 2023, to be honest.

Production costs

Question by **Christopher Kuplent – BoA Merrill Lynch**:

On production costs. This has been a great quarter, it looks. Can you tell us whether there is more scope to be even further below USD 7 in terms of your outlook on unit production cost for Upstream?

Answer by **Rainer Seele**:

Well, Chris, more scope to reduce the production costs. Well, our guidance was USD 7/bbl. Now we have reached a level of USD 6.30/bbl. And I have to tell you, given our existing portfolio, the air is getting thinner and thinner, yes. There is a little bit of scope because it is in our philosophy that we never stop optimizing costs. Now I would say if you look back into 2015 when we had something about USD 16.60/bbl, we have now reduced more than USD 10/bbl on average. And I would say we have seen now an impressive number. We take it very sporty, and we try to bring it further down, but big steps are not awaiting you.

Neptun

Question by **Bertrand Hodee – Kepler Cheuvreux**:

But could you explain to us or quantify what is the hurdle rate in terms of economics on that particular project you would consider?

Answer by **Rainer Seele**:

Well, we don't release the hurdle rates for specific countries. Our hurdle rates are different depending on the country. I was giving you a hint, Bertrand, because we have promised to the financial markets that OMV will deliver a ROCE of 12%.

Downstream

IMO 2020

Question by **Jason D. Gammel - Jeffries:**

Rainer, you mentioned middle distillate cracks beginning to appreciate and heavy fuel oil cracks beginning to drop. I guess one effect we haven't necessarily seen yet is wider differentials for heavy and sour crude. So I was hoping you could address the crude flexibility of your system and how you might gain advantage if we do start to see the spreads widen. Then the second question that I had was related to, I believe, back about a year ago, we had the presentation at your refinery. And you mentioned that you would be marketing essentially a low-sulfur fuel oil that met the regulations of IMO. Can you talk about whether you started to now market that product? And if so, what type of margin is that attracting relative to diesel?

Answer by **Rainer Seele:**

I think the spread will widen, yes. The market is getting less and less interested to buy that stuff. But it's an opportunity for us as we speak about the optimization of our refinery in Ruwais. As you know, we have sweet and light crudes. This is 100% of the crude we are running now in the Abu Dhabi refinery. And we are investing now into the crude flexibility. And I think we should hurry up with that project because 2020 onwards, and I think that this effect will last for 2 or 3-year max, we will see that market attractive, especially for heavy and sour crude, as a feedstock, as I said, especially in our refinery in Abu Dhabi. The low-sulfur HFO, honestly speaking, our share of heavy fuel oil, I'm so happy that I don't have to deal in that market so much. So we have only very small volumes to be marketed as heavy fuel oil. We have started with some low-sulfur heavy fuel oil transactions. What I can say is the market is developing right now. What is more interesting for me is the price decrease of the high-sulfur HFO. This product, you have really problems to sell. But we see it more or less indirectly. The diesel cracks are benefiting because we sell diesel more now to the maritime industry as a blending component. We see the volumes not shifting purely from heavy to low-sulfur HFO. We see more of a move into diesel. So diesel will benefit more. The low-sulfur HFO prices we have seen so far in the market are still below the price for diesel. Diesel is benefiting more.

ADNOC Refining

Question by **Henri Patricot – UBS:**

I was wondering if you can give us some sense of the contribution from ADNOC Refining in the quarter and how the macro environment performance is evolving for that asset in the fourth quarter.

Answer by **Rainer Seele:**

So your first question on ADNOC Refining, well we have only seen 2 months in the third quarter, where we have seen so many ups and downs in the refinery, especially as we talk about the key plant, the FCC plant, which was not up and running in a continuous operation. And also, the coker unit was impacted by the FCC plant with reduced capacities that the third quarter, we have decided, is by far not representative. So we don't release any numbers on the third quarter, but we prepare ourselves to release a continuous reporting on the ADNOC Refining business starting with the fourth quarter results. So on the next conference call, we will talk about the quarterly contribution of ADNOC Refining to our overall performance in OMV. Talking about the fourth quarter and ADNOC Refining, we can say that the key plant, the FCC plant, has been ramped up. It's now running on full capacity. We have also increased, because there is a connectivity, the coker capacities. And therefore, we should see a representative fourth quarter. If you look into the refining margins, it is a good combination that you come up with the capacities when margins are looking more attractive. It hasn't been planned already, but I always say the luck is with the heavy workers. And that's why I think the fourth quarter, we should see with ADNOC Refining, when we have a higher utilization rate and a better macro environment in the region, will help us also to come up with good numbers.

Question by **Thomas Y. Adolff – Credit Suisse:**

On ADNOC and specifically to the dividend. I wonder if you can perhaps tell us whether it is a quarterly dividend, semiannual dividend, annual dividend, just for the purpose of modeling kind of 2020, 2021 cash flow. And perhaps if you can also comment on the tax rate on ADNOC Refining venture that you're likely to pay.

Answer by **Reinhard Florey:**

Regarding the dividend expectation that you have addressed from ADNOC Refining. In principle, the agreement so far is that we would have a biannual dividend payment. Of course, we are not seeing a dividend payment in 2019, and we will see the dividend payments as of 2020 gradually increasing then over the years to the level that we have guided for as a 10% dividend yield. So therefore, today, hard to assume whether they will be equally set in the two halves of the year. We'll have to anticipate that when we are coming closer to anticipating how well the refinery and also the trading will then work in 2020.

Question by **Thomas Y. Adolff – Credit Suisse:**

But quickly, can we come back to the ADNOC question on tax? Can you say what the tax rate should be for ADNOC?

Answer by **Reinhard Florey**:

The tax rate for ADNOC has not been published, and we are not in a situation to directly comment on the Downstream tax.

Refinery maintenance

Question by **Irene Himona – Societe Generale**:

Back to IMO and the positive impact on margins. Do you have any planned maintenance in your refineries next year? Any planned shutdowns? Or are you able to fully benefit from the uptick in margins?

Answer by **Rainer Seele**:

No, no maintenance is planned for 2020 as well as 2021.

Outlook for Petchem

Question by **Alwyn Thomas – Exane BNP Paribas**:

On petrochemicals. Just to get your take through the various parts of the value chain as to what you're seeing on margins and the outlook for the fourth quarter and into next year.

Answer by **Rainer Seele**:

Talking about the petchem outlook and the petchem margin. It's interesting. We do see a little bit of the weakening of the petchem margin in the fourth quarter if we look into the forward pricing, but it's only slightly weakening. Don't overdo it in your calculations. That's my first view. We still have a healthy level of petchem margins in Europe. Regarding the petchem margins in other continental regions, I have a totally different outlook for you. We do see a pressure on polymer margins and petchem margins in Asia. I would say that's the most difficult continental market at the moment. It's reflected by the trade conflict between the U.S. and China, determining the depressive outlook as far as I can see. And it's also determined by the over-investments on additional capacities. We do see right now in the market a little bit of a slowdown of appetite to further invest. We don't learn as an industry. We always invest when the margins are high and we always stop when the margins are low. That's the principle I do see now also happening in Asia. OMV is a little bit different. We are anticyclical. As you know, we have signed a Memorandum of Understanding for a potential investment in Indonesia as we think in the mid to long term that these overcapacities will disappear. Our market outlook globally for the growth in polymer, polyethylene, polypropylene demand, we are talking about an increased market growth around roughly 2% to 3%. Which translates that every year the industry has to build a new Borouge complex to supply the market. And that's helping, of course, that the overcapacities are also being then absorbed by a growing market as we do see currently. When we talk about North Africa, I don't want to specify too much. I think especially the investment activities on ethane cracker-based petrochemicals has turned the market a little bit into a recession, and I'm happy that we are not selling a single cubic meter into that market.

Guidance for Borealis

Question by **Alwyn Thomas – Exane BNP Paribas**:

And I had just one follow-up on Borealis. Are you able to give any guidance on what you expect the 4Q dividend to be and what you would expect for next year?

Answer by **Rainer Seele**:

As you know, we are a minority shareholder of Borealis, and it's fully consolidated by Mubadala. So therefore, I would like to ask you if there will be some release and information, just talk to Mubadala.

Retail and commercial business

Question by **Joshua Stone – Barclays**:

It seems this year you have seen a number of benefits from a shortage of products around you related to pipelines and the Rhine river and Bayernoil being down. Just maybe to quantify what sort of impact you've seen this year in your retail and commercial business from that and then your expectations going into Q4 and next year, where that could go.

Answer by **Rainer Seele**:

Well, we do have a shortage - I do not want to call it a shortage of products in the market. I would say that the market is very well balanced, let me call it that way, because talking about a shortage, I think you might calculate it a little bit with too drastic numbers. Well, the shortage you think is in the market is not resulting from the Rhine river level. It is a reduction of imports into the European markets. And it has to do with the freight rates. The freight rates for crude transport increased enormously because of sanctions. The freight rates are so high that more products from the Middle East have been sent into the Asian market. And therefore, the European market was benefiting from that. And because of such a situation in the market, we are benefiting with a very attractive refining margin in the fourth quarter. The refining margin I have seen is above the average, I would say. Looking into the forward curve of the refining markets in Europe, I see a refining margin which is well above the third quarter. So the refining margin is benefiting from the reduced imports into the European market.

Question by **Matt Lofting – JP Morgan**:

Congrats on another strong execution quarter. Can I have another go at the retail and commercial businesses, which appear to be performing very well and leveraging the strong market share positions OMV has in some of its core countries? The business probably doesn't get the recognition that it should. So could you expand on the dynamics in some of your key markets and provide a sense of the contribution of retail and commercial to 9 months to date Downstream operating income, please?

Answer by **Rainer Seele**:

All right. Well, Matt, regarding your first question, I would like to work a little bit through the math with you. I do not want to release the numbers on retail and commercial for the first 9 months of 2019. But what I would like to do with you is looking into the numbers we have published for 2018 and explaining a little bit the principle how you can calculate the number for 2019. So when we look into the Downstream operating result of 2018, the clean CCS operating result 2018 of Downstream in total was EUR 1.6 bn. Out of EUR 1.6 bn, EUR 0.2 bn were contributed by Downstream Gas. EUR 0.6 bn was a contribution from petrochemicals. So 50% of the Downstream operating results was coming from Downstream Gas and Downstream chemicals. The remaining 50% is attributable to the fuels business. And the fuels business, the EUR 800 mn, I can tell you, you can calculate the retail share. And we have released it, that we have 2,100 stations. And we have said that OMV is making EUR 185,000 per station. Now I can help you also with the calculation, it is EUR 400 mn. So 50% out of the fuels business is coming from retail. And the commercial part, I'll leave as a secret for me so that you have a reason to ask me next time again.

Indonesia MoU

Question by **Michael Aisford – Citi**:

I wanted to just clarify from the MoU that you're signing in Indonesia on petchems. Could you talk a little bit about how you think about deploying capital there? Is it going to be sort of a joint venture structure? How material an investment are you thinking about for that potential expansion?

Answer by **Rainer Seele**:

So then working a little bit on Indonesia petchem. We have visited the petchem side in Indonesia. And I have to say the quality and the performance of the installations is impressive. It's a real-world-scale, technically reliable capacity, which is on the site already there. The investment is more or less in the same order of magnitude. What I would like to advise you is just look into the business report of our partner in Indonesia. And there, you get an idea about what the size is of the existing complex. And I think when we talk about activity over there, it should be more or less in the same size, if you would like to build, and would benefit from economies of scale. Then you should be more or less in such a kind of order of magnitude.

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