

OMV Q3 2019 Results Conference Call

October 30, 2019

OMV Aktiengesellschaft



The energy for a better life. 

Rainer Seele

Chairman of the Executive Board and CEO

The spoken word applies

Disclaimer

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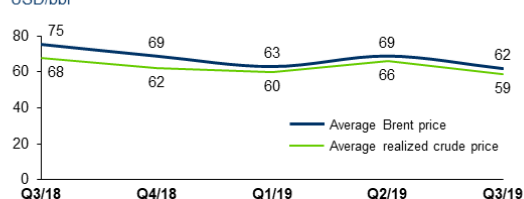
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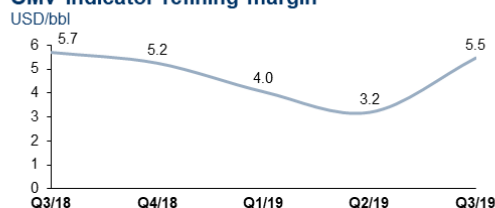


Macro environment – Strong refining margins and healthy petrochemicals margins offset by lower oil and gas prices

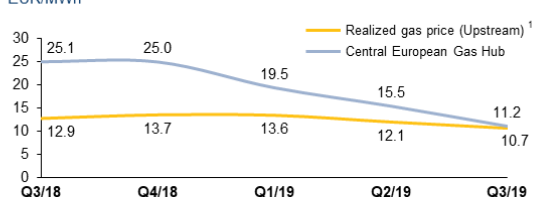
Oil prices
USD/bbl



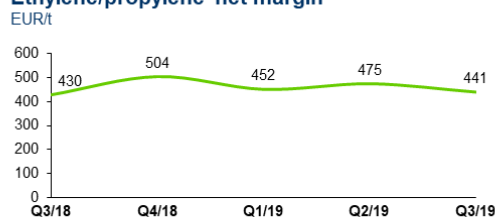
OMV indicator refining margin



Gas prices
EUR/MWh



Ethylene/propylene net margin ²



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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.

The market environment in the third quarter was the weakest since the end of 2017, characterized by lower oil and gas prices, impacting earnings across the sector. Based on a strong operational performance with significant higher production and increased sales, OMV achieved solid earnings. Let me start by briefly reviewing the economic environment.

Slide 3: Macro environment – Strong refining margins and healthy petrochemicals margins offset by lower oil and gas prices

In the third quarter of 2019, the Brent oil price averaged 62 Dollars per barrel, 10 percent down quarter-on-quarter and 18 percent down year-on-year. The oil price was impacted by the oil disruption in Saudi Arabia, the largest in recent history, ongoing uncertainty about US-China trade conflict and increasing geo-political tensions. Prices were relatively stable at 64 Dollars in July before dropping to 59 Dollars in August. The drone attacks on Saudi Arabian oil infrastructure in September led to a sharp price increase to 69 Dollars. However, this was only short-lived, as production was restored faster than expected.

Driven by oversupply, European gas prices further declined in the third quarter, with CEGH spot prices 28 percent lower quarter-on-quarter and 56 percent below the previous year's level. Gas storage levels in Europe rose to almost 100 percent and made the market highly sensitive to any supply increase. While global LNG oversupply continued to push surplus volumes into Europe, the inflows have slowed down due to declining European margins.

The refining indicator margin saw a rebound quarter-on-quarter, increasing by 72 percent, mainly driven by strong cracks of middle distillates, reaching a similar level to the previous year's quarter. Naphtha remained unusually weak pressured by seasonal cracker maintenance and low LPG prices. The fuel oil market experienced some volatility amid the upcoming IMO 2020 with cracks heavily fluctuating, but showing an overall uptick quarter-on-quarter. The ethylene and propylene margin was still healthy, 7 percent below the second quarter and almost at the same level of last year, supported by low naphtha feedstock costs. Delays in the restart of several crackers kept supply limited, while demand was robust throughout the period.

Key messages Q3 2019



FINANCIAL PERFORMANCE

Earnings of **EUR 949 mn**
(-10% y-o-y) in a weak oil and gas
market environment

Strong **Downstream** earnings

Quarterly cash flow from operating
activities ¹ of **~EUR 1.1 bn**

¹ excluding net working capital effects



STRONG OPERATIONS

Quarterly production of
480 kboe/d

Production cost
at **USD 6.3/boe**

Refinery **utilization rate of**
96%



DELIVERING THE STRATEGY

Closed acquisition of 15% share
in **ADNOC Refining and global
Trading JV**

Signed MoU with Chandra Asri
and Mubadala to explore
opportunities in **the
petrochemical sector in
Indonesia**

Signed agreement with
AustroCel for **bioethanol supply**

Slide 4: Key messages Q3 2019

Impacted by a weaker market environment, OMV delivered a clean CCS Operating Result of 949 million Euros, 10 percent lower versus the same period a year ago.

Our cash flow from operating activities — excluding net working capital effects — amounted to 1.1 billion Euros.

We continued to show a strong operational performance. In Upstream, we increased our production to 480 thousand barrels per day and reduced the average production cost to 6.3 Dollars per barrel. In Downstream, our refineries ran above 95 percent for the fifth consecutive quarter and we managed to increase our sales volumes.

We also made further progress in delivering on our strategy.

At the end of July, we closed the acquisition of a 15 percent share in ADNOC Refining and the global trading Joint Venture. Our experts are now at the site in Ruwais and started the exchange of operational excellence, as well as the setup of the trading Joint Venture, which will begin operations next year. We expect to receive dividends from ADNOC Refining starting with the financial year 2020. In the medium term, we are anticipating a dividend yield in excess of 10 percent per year, based on the purchase price.

In line with our strategy to expand our petrochemical business to growth markets, together with Mubadala, we signed a Memorandum of Understanding with Chandra Asri to explore opportunities for collaboration in the petrochemical sector in Indonesia.

In September, we signed a multi-year agreement with the Austrian company AustroCel Hallein to supply OMV with advanced bioethanol, based on an innovative technology. Wood sugar, a waste material in the cellulose production process, will be used as a feedstock for the production of bio-ethanol. Instead of burning, this waste material will be fermented by yeast and then distilled to bio-ethanol. The product will be added to OMV gasoline and will contribute to reducing the carbon intensity of our product portfolio. The first supplies of bioethanol are expected to start in early 2021.

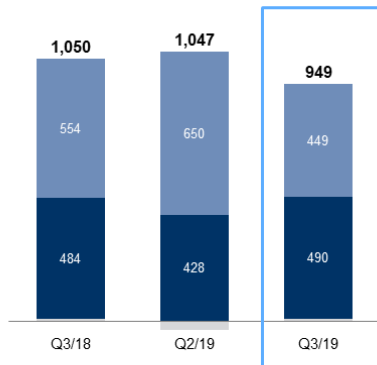
Last, but not least, we are very proud that our commitment to best ESG practices was recognized again and OMV was included in the Dow Jones Sustainability Index for the second consecutive year. The index comprises the top 10 percent of the largest 2,500 companies in the S&P Global Index in terms of their sustainability performance.

Clean CCS Operating Result was impacted by weaker oil and gas prices

Clean CCS Operating Result

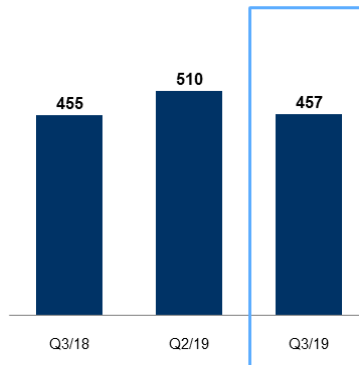
EUR mn

Upstream Corporate & Other, Consolidation
Downstream



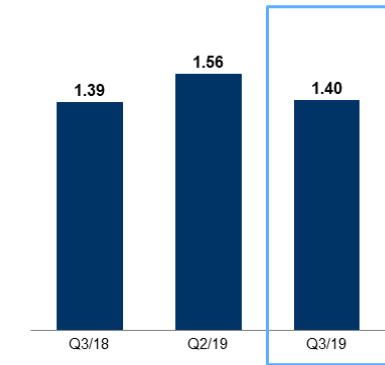
Clean CCS Net Income attributable to stockholders

EUR mn



Clean CCS Earnings Per Share

EUR



Slide 5: Clean CCS Operating Result was impacted by weaker oil and gas prices

Let's now turn to more details of our financial performance in the third quarter of 2019.

Our clean CCS Operating Result decreased by 101 million Euros to 949 million Euros versus the strong prior-year quarter, which had benefitted from a favorable market environment.

In Upstream, earnings were 19 percent lower year-on-year, impacted by lower oil and gas prices. The significant increase in production volumes could not compensate for the negative impact of the market environment and higher depreciation.

Downstream showed again a strong performance with earnings at the prior year's level.

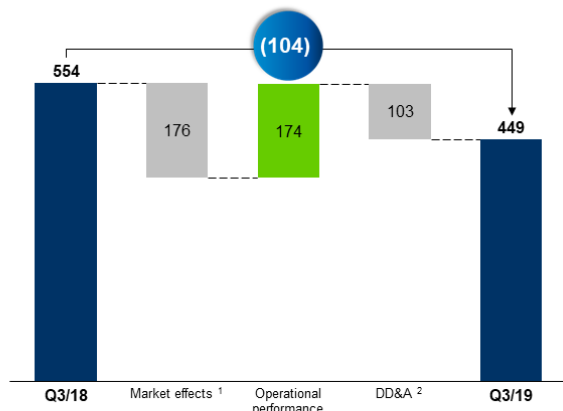
The clean tax rate amounted to 36 percent, 2 percentage points below the previous year's quarter, due to a proportionally lower Upstream contribution.

At 457 million Euros, clean CCS net income attributable to stockholders was basically flat.

Clean CCS Earnings per Share came in at 1 Euro and 40 cents.

Upstream – Significantly higher production offset by weak market environment and higher depreciation

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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Q3/19 vs. Q3/18

- ▶ Realized oil price decreased by 13%
- ▶ Realized gas price decreased by 17%
- ▶ Positive FX impact due to stronger USD/EUR
- ▶ Production of 480 kboe/d (up by +74 kboe/d):
 - ▶ New Zealand (+33 kboe/d) due to acquisition of Shell's assets
 - ▶ UAE (+19 kboe/d) following Umm Lulu/Sarb acquisition
 - ▶ Malaysia (+14 kboe/d) following SapuraOMV acquisition
 - ▶ Norway (+13 kboe/d) mainly due to Aasta Hansteen
 - ▶ Libya (+4 kboe/d)
 - ▶ Romania (-10 kboe/d) mainly due to natural decline
- ▶ 8 mn boe in sales volumes due to higher production
- ▶ Production costs reduced to USD 6.3/boe (-7%)
- ▶ Higher depreciation due to acquisitions and higher production in Norway



Slide 6: Upstream – Significantly higher production offset by weak market environment and higher depreciation

Let me now come to the performance of our two business segments.

Compared to the third quarter of 2018, the Upstream clean Operating Result decreased by 104 million Euros to 449 million Euros, due to lower oil and gas prices and higher depreciation.

Market effects had a negative impact of 176 million Euros, a result of lower realized oil and gas prices, partially compensated by a stronger US Dollar. OMV's realized oil price decreased by 13 percent. While the CEGH gas price dropped sharply by 56 percent, the OMV realized gas price decreased by only 17 percent. The gas price declined 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.

Production went up by 74 to 480 thousand barrels per day, 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 a shutdown of the Pohokura platform in May and amounted to 47 thousand barrels per day in the third quarter. The fields SARB and Umm Lulu in Abu Dhabi contributed 22 thousand barrels per day. Production in Malaysia was 14 thousand barrels per day. Despite some interruptions in the El Sharara field in Libya in July and August, we were able to produce 34 thousand barrels per day in the third quarter, more than in the same period last year. Due to the annual maintenance shutdown in the third quarter, Yuzhno Russkoye contributed 90 thousand barrels, similar to the previous year's quarter.

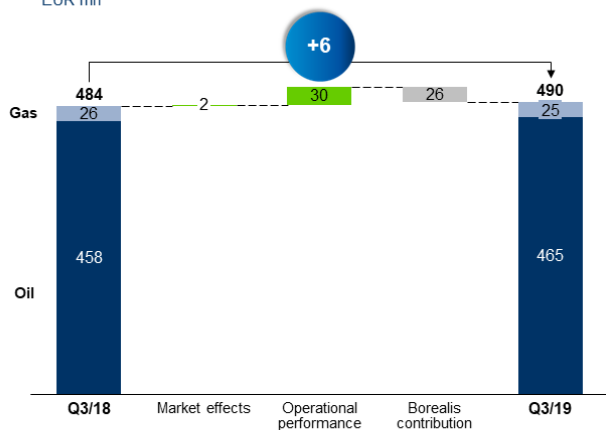
Our total sales volumes increased in line with production.

We reduced our production costs by 7 percent to 6.3 Dollars per barrel on the back of higher production and a favorable currency development.

Depreciation increased by 103 million Euros due to our acquisitions and higher production in Norway.

Downstream – Strong operational performance and earnings

Clean CCS Operating Result EUR mn



¹ Market effects defined as refining indicator margin and petrochemical margins

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Q3/19 vs. Q3/18

Oil

- ▶ Similar market environment
 - ▶ Refining indicator margin at USD 5.5/bbl (-4%)
 - ▶ Ethylene/propylene net margins at EUR 441/t (+3%)
- ▶ Strong operational performance
 - ▶ Refineries utilization rate at 96%
 - ▶ Improved retail margins and volumes
 - ▶ Higher commercial margins and volumes benefiting from regional supply issues
 - ▶ Lower contribution from petrochemicals (-20%) mainly due to an outage of the steam cracker in Burghausen
- ▶ Lower contribution from Borealis (-26%) mainly following negative inventory valuation effects and a lower contribution from Borouge

Gas

- ▶ Higher natural gas sales
- ▶ Brazi power plant insurance reimbursement recorded in Q3/18
- ▶ Negative storage effects; to be reversed upon withdrawals in the next winter season



Slide 7: Downstream – Strong operational performance and earnings

In Downstream, the clean CCS Operating Result increased marginally to 490 million Euros as compared to the third quarter of 2018.

The Downstream Oil result came in at 465 million Euros, supported by a healthy refining margin. OMV's above-average middle distillates yield of roughly 50 percent and very low heavy fuel oil yield allowed us to benefit from the strength in diesel cracks, while not being exposed to the downside of heavy fuel oil cracks.

Our operational performance was once again strong, reflected by a refining utilization rate of 96 percent and higher sales volumes. Retail volumes and margins increased as compared to the previous year's quarter and the commercial business still benefited from the regional supply situation.

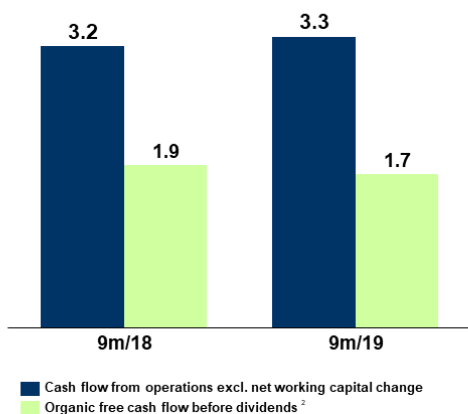
At 59 million Euros, the petrochemicals result declined by 20 percent, mainly due to an unplanned outage of the steam cracker in Burghausen. The contribution from Borealis declined by 26 percent to 75 million Euros, following negative inventory valuation effects and a lower contribution from Borouge. The integrated polyolefin margin was at a healthy level and the performance of the fertilizer business improved due to lower gas prices.

Following the closing at the end of July, the ADNOC refining business is consolidated at-equity and reflected in our books for two months. The rFCC, a key unit of the refinery to upgrade low-value fuel residue into higher value products, has been ramped up in the third quarter and is now running stable.

The clean CCS Operating Result in Downstream Gas was almost flat at 25 million Euros. Similar to second quarter, we have seen valuation effects from the gas storage, negatively impacting the result in the third quarter. We anticipate a reversal of the negative storage effects starting with the fourth quarter, when the gas will be withdrawn from storage. The weaker storage result was mainly compensated by higher result from gas trading.

Increase of cash flow from operating activities excluding net working capital effects to EUR 3.3 bn in 9m/19

Organic cash flow 9m/19
EUR bn



Cash flows 9m/19 vs. 9m/18

- ▶ Increase of sources of funds of EUR 106 mn
 - ▶ No interim Borealis dividends in Q3/19, to be paid in Q4/19 (Q3/18: EUR 108 mn)
- ▶ Net working capital effects of EUR (227) mn (9m/18: EUR 83 mn)
- ▶ Organic cash flow from investing activities ¹ at EUR (1,334) mn (9m/18: EUR (1,360) mn)
- ▶ Organic free cash flow before dividends of EUR 1.7 bn (9m/18: EUR 1.9 bn)
- ▶ Payment of dividends of EUR 772 mn (9m/18: EUR 693 mn)
- ▶ Inorganic cash flow from investing activities of EUR (2,665) 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 3.3 bn in 9m/19

Let's now continue with cash flow.

In the first nine months of 2019, the cash flow from operating activities – excluding net working capital effects – amounted to 3.3 billion Euros, an increase of 106 million Euros compared to the first nine months of last year. The prior year's period included the payment of interim Borealis dividends in the third quarter amounting to 108 million Euros. This year, the interim dividends will be paid in the fourth quarter. Taking into account this change, on a like-for-like basis, cash flow increased by 214 million Euros year-over-year.

Year-to-date, we recorded negative working capital effects to the amount of 227 million Euros, with a small positive net working capital release in the third quarter.

At 1.3 billion Euros, our organic cash flow from investing activities was slightly below the same period of nine months in 2018.

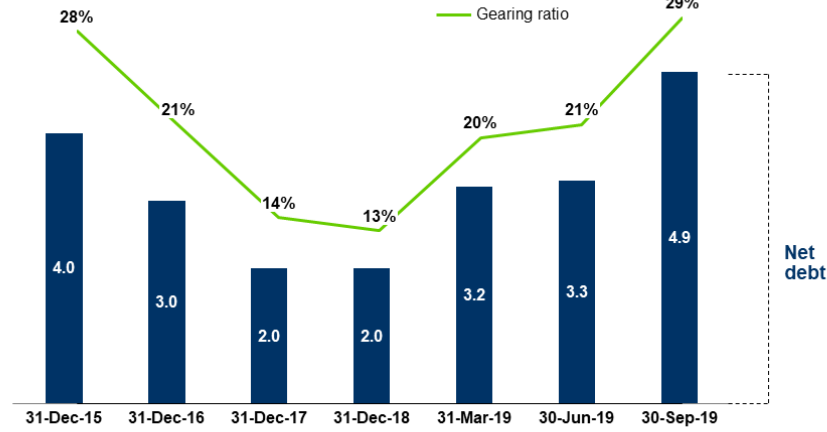
The organic free cash flow before dividends amounted to 1.7 billion. The decrease of 9 percent versus last year stemmed mainly from the negative net working capital effects.

The cash outflow for inorganic investments came in at 2.7 billion Euros, primarily reflecting the payment for the 15 percent shareholding in ADNOC Refining.

Healthy balance sheet and strong cash position

Net debt and gearing ratio

EUR bn



Cash position
EUR bn ¹
3.2

Undrawn revolving
credit facilities
EUR bn ¹
3.2

¹ As of September 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 3.2 billion Euros at the end of the third quarter.

Net debt rose from 3.3 to 4.9 billion Euros, due to the acquisition of the 15 percent share in ADNOC Refining and the to-be-established trading Joint Venture. Consequently, our gearing ratio increased to 29 percent. This includes the impact of IFRS 16 of around 5 percentage points.

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
OMV indicator refining margin (USD/bbl)	5.2	<5.0
Ethylene/propylene net margin (EUR/t)	448	448
Utilization rate refineries (%)	92	>92
Organic CAPEX (EUR bn)	1.9	2.3
E&A expenditures (EUR mn)	300	350

¹ Depending on the security situation in Libya.

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Slide 10: Outlook 2019

Let me conclude with the outlook for the full year 2019.

Throughout the first nine months of this year, we saw the oil price averaging at 65 US Dollars per barrel. Based on this, we reconfirm our Brent assumption of 65 Dollars per barrel for the full-year.

Coming into the cold months of the year, we expect an increase in gas prices in the fourth quarter compared to the third quarter. However, for the full-year gas prices will remain on average below the level of 2018.

We reconfirm the full-year production guidance of slightly below 500 thousand barrels per day. In the fourth quarter, we expect production to be above 500 thousand barrels per day, depending on the security situation in Libya. The increase is driven by higher volumes in Russia and Norway.

In Downstream, we saw a very volatile refining margin in the first nine months of this year, averaging 4.3 Dollars per barrel. We estimate an increase in the fourth quarter compared to the first nine months, primarily driven by the IMO regulation, which will come into effect in January 2020. However, for the full year we estimate the refining margin to average below 5 Dollars per barrel.

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

As already guided, organic capex is projected to come in at around 2.3 billion Euros, thereof 1.5 billion Euros in Upstream. Exploration and appraisal expenditures are expected to be 350 million Euros.

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