OMV Q2 2025 Conference Call – Q&A Transcript

OMV published its results for Q2 2025 on July 31, 2025. 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 clarity.

OMV Group

Dividend policy

Question by **Matthew Smith – Bank of America:**
At a possible CMD later this year the market is looking for an update on is the dividend policy post the BGI transaction. But as I understand it, that will be relevant for full-year 2026, which leaves full-year 2025 to come first. Will you be committed to the 20% to 30% CFFO ratio for the full-year 2025 given that the cash flows in H1/25 year-over-year are down 19%. Would you be comfortable reducing the dividend, at least in a total DPS perspective, for full-year 2025 before presumably returning to a growth trajectory with the benefit of BGI after that?

Answer by **Reinhard Florey**:
We can confirm that in the context of a Capital Markets Update, we will also comment on the dividend policy going forward with BGI then being present. As you rightfully say, this will be the relevant dividend policy for 2026. For the 2025 dividend, the current dividend policy will be applicable, and nothing has changed with this dividend policy. So still the 20% to 30% payout range will apply. We are still clearly below 30% leverage ratio, so therefore, the dividend will contain two parts, a base dividend, which follows the progressive dividend nature, as well as an additional dividend, according to the range of 20% to 30% of cash flow from operating activities.

Cash flow

Question by **Sadnan Ali – HSBC:**
If I look at your cash flow excl. net working capital effects, you have had quite large swings versus consensus expectations over the past few quarters. So, do you have any thoughts here on what is going on? Are we doing a bad job at modeling your cash flow?

Answer by **Reinhard Florey**:
There have been quite some swings. However, I have a certain suspicion that the market was not able to fully grasp the impact of the tax payments. So, while in the P&L, we are booking the tax as they actually come in the average of the year, in the cash flow, we of course, have to show what we are indeed paying, and we pay according to the required installments. And there are two special effects. First of all, in Norway, in the past and that still applied to H1/25, there were six installments, which were not evenly distributed throughout the year, but there was one in the first quarter, two in the second quarter, one in the third and two in the fourth. That means in the second quarter, we have double the impact in cash flow for paying taxes.

And the second applies to Romania where there is no tax installment in the first quarter, but then in the second quarter, the whole tax for the first half year. That means there is also an impact that there is a higher cash outflow from tax in Romania. That, of course, will smoothen now with the new tax legislation in Norway where we have ten installments, which means two in the first quarter, three in the second, two in the third, three in the fourth quarter. So that means it is not entirely even, but the impact of difference is much lower. And that I think helps also the predictability and the volatility of these cash flows. Then of course, compared to Q2/24, we have to see that, of course, also the basis for tax payments and the general cash flow from operations was significantly higher. 2025 was impacted by lower oil prices, by an adverse development of the exchange rates, and therefore, there is a seemingly lower specific operational cash flow number in Energy in Q2/25. But, this will level out in Q3/25 again and we are expecting a higher cash flow there.

Leverage ratio

Question by **Henry Tarr – Berenberg**:
Does the 22% rough gearing guidance after the BGI merger still hold?

Answer by **Reinhard Florey**:
That is exactly the prognosis because we have kept our leverage ratio now for Q2/25 exactly at the same level as Q1/25 at around 12%, which is, of course, an excellent level. Nothing has changed also with the magnitude of the equity injection, which at evaluation level of January 1, 2025 was EUR 1.6 bn. With all the balancing of the dividend payments it will be around EUR 1.5 bn and that is more or less the change in the leverage that we see. Other than that, we do not see a major deviation in the cash flows that we expect for the rest of the year.

Financing

Question by **Michele della Vigna – Goldman Sachs:**
What do you think about the relative attractiveness of hybrid bond issuances versus more traditional debt raising and how much would it increase the quarterly cost of your hybrid?

Answer by **Reinhard Florey**:
We always emphasize that hybrids are part of our diversified financing strategy and we have indicated that we will keep the hybrid issuance at an average level of around EUR 2 bn over the years and keep that relatively constant. We have an expiration of a hybrid bond in December this year and have already announced earlier this year that we repay this, so therefore, it was a good opportunity to then put up a replacement of that hybrid bond in Q2/25. Even though the markets have been challenging, the performance of this hybrid at issuance was excellent: We had a very high oversubscription and came out with a very good pricing of that hybrid so that I do not expect that there are changes in the financial result and in the overall interest payments compared to what we had in the past.

Of course, we will have a little higher interest in Q3/25, as we will only repay the old one by the end of Q3/25 and we hold the new hybrid now. But after that, more or less everything stays the same. The attractiveness of a hybrid bond is clearly that it has a very long-term perspective as an instrument, and a positive effect on our balance sheet. Under IFRS, we can show it as 100% equity. This clearly is an instrument complementing the majority of our refinancing that we do in senior bonds. And that is I think the diversification that we see and the window for a pricing was very favorable.

Borouge Group International

Question by **Joshua Stone – UBS**:
The European Commission opened an investigation into the Covestro acquisition by ADNOC under the foreign subsidy regulation. Is that something that could impact the BGI merger? Does that present any risk for you? Or is that something that should not concern us because of the approvals you already have?

Answer by **Alfred Stern**:
We are making very good progress on the BGI deal: We have many workstreams looking at the prerequisites for the

closing. We have also received approvals like the foreign direct investment in Austria, the merger control clearance in Europe, in China, other places and are moving this forward and have a good radar on monitoring the different aspects. At this moment, we do not consider FSI [European Commission's foreign subsidies investigation into ADNOC's acquisition of Covestro] as a hurdle for us. Of course, we always depend on the authorities and on other people and we have everything on the screen monitoring those things and, in that regard, we have also seen the Covestro proceedings. So far, we are on track for the closing in Q1/26.

Question by **Matthew Lofting – JP Morgan**:
Do you think there is a possible read-through or not from the recent developments on Covestro and ADNOC for the BGI merger? And as part of that, perhaps if you could clarify whether there are any further EU-related approvals outstanding in addition to the merger control clearance, which I think you said had been received already?

Answer by **Reinhard Florey**:
The scrutiny taken by the EU on the Covestro deal, of course, is a completely different setup compared to BGI. The Covestro deal includes a public takeover process. In our case, BGI is a merger of two companies in which both parties are already invested in, and ultimately, both parties come out with equal rights and equal shares. We are also seeing that there was no investigation hindrance or delay when the shares in OMV were taken over by ADNOC quite some time ago. So therefore, the whole topic that is now arising regarding Covestro did not apply in that case and we are not expecting it to be applied here. I think Alfred made it very clear, we can never completely anticipate what happens in authorities, but from the legal point-of-view that we see and just from the facts of this transaction, this is completely different and cannot be directly compared and with the preconditions set, we do not believe that there is any reasoning for a delay or a change in attitude of the EU. The EU has given merger clearance already and that is where we are continuing on that.

Question by **Joshua Stone – UBS**:
You have talked about having a Capital Markets Event in H2/25. Is that still your intention? Or would you rather wait until the BGI merger closes?

Answer by **Reinhard Florey**:
We have not revised our intention to give the market an update in H2/25. We have not come up with a concrete date yet, but it is clear that as we progress with BGI and with the considerations on OMV going forward, there are certainly some messages that we would like to give to the market in H2/25.

Question by **Bertrand Hodée – Kepler Cheuvreux:**
For Mr. Stern: Would you be keen on having a role at BGI going forward?

Answer by **Alfred Stern**:
I am fully focused on delivering progress with the strategy here at OMV. My term ends next August, and I will continue to focus on the advancement of the OMV strategy. For Borouge Group International, we have agreed with ADNOC on an Executive Board of three people, a CEO, a CFO and a COO and we have agreed that we will make a merit-based selection of those people, and the process has started. I am committed to participate as OMV CEO in the selection of these people according to that merit-based process.

CEO succession

Question by **Sadnan Ali – HSBC:**
Alfred, you have decided not to stand for re-election after your term ends next year. Do you have any thoughts or comments you would like to share on this and what can we expect in terms of the timeline of succession announcements and plans going forward?

Answer by **Alfred Stern**:
To not stand for re-election anymore is a personal decision that I took for myself. There is a right time for everything, and I thought this is the right time to hand the baton over to the next person here and take the next

steps. I think, so far, we were able to make very good and significant progress in the Strategy 2030 implementation and the transformation of OMV. And I am also confident that there are several things that we can move significantly forward or finish before the end of my term here, such as the closing of Borouge Group International, for example. And I am committed to make these things happen and drive them forward. I can see also in the company everybody is focused and we continue to work and be professional in driving this forward. As to the succession, this is actually a process that is driven by the Supervisory Board according to our governance structure.

But I can say that I wanted to make sure that enough time is available to run a proper process. And the Supervisory Board and I are committed to an orderly transition process. And of course, we will update you as soon as possible. Right now, it is a little bit too early, but we will come forward because that transition process is important to all of us.

Chemicals

Outlook

Question by **Ramachandra Kamath – Barclays**:
The sales volumes for Chemicals excluding joint ventures have improved but in your prepared remarks, you mentioned that there was a sluggish demand in Asia. How do you see the demand growth in Europe and possibly sluggish demand in Asia? And how do you see that in the second half of 2025?

Answer by **Alfred Stern**:
Indeed, as you said, we had a 5% increase in polyolefin sales volumes compared to Q2/24, including joint ventures at Borealis, which shows the strong sales performance. Despite the fact that our cracker in Burghausen, Germany, was temporarily on a planned shutdown for a turnaround on the crude distillation unit, we managed 82% cracker utilization. The European average was about 75%. So, you can see we are moving ahead quite well. I think that can be owed to multiple things. One is that we have made investments to position also our European crackers very well on the European cash cost curves. We have done that through in the Nordic crackers having flexible feedstock capability to take advantage of light feedstock such as ethane, LPGs, butane etc., and making sure we can use that. And in Central Europe, we benefit from the full integration of refinery crackers into our petrochemical assets. So that gives us that capability to drive this performance.

Some of the imported volumes, such as from Borouge and Baystar have increased the Borealis sales as a distributor. And here, I do think that is showing some of the strengths of the setup that we have. It was a little bit differentiated because we could see some strong growth in consumer products and infrastructure - pipe products - but also in the Energy segment. So, specialty went very well. In mobility, we are still also seeing healthy demand more on a flat year-on-year basis. But the specialty segments are, of course, important to us because they have high margins. The Asian sales were affected both by the market picture, but also by a Borouge 3 turnaround. And Borouge 3 is the biggest asset that we have in Borouge, so that definitely had an effect in Q2/25.

And finally, we had an upgrade to SAP S4 HANA at Borealis. That was in the beginning of July and went well. While this was a continuous operation without interruption, there was some pre-selling from that in Q2/25 to manage the transition. From our outlook - that we have revised - we went from 4.1 mn t that Borealis is intending to sell to 4.3 mn t. So, you can see that we have an outlook that this trend will continue in H2/25.

Question by **Matthew Lofting – JP Morgan**:
The EUR 200 mn operating profit for the division in Q2/25 includes the benefit of not depreciating Borealis. And the quantum of uplift on your full-year marker margins in the outlook seemed a little cautious perhaps relative to the run rate that we saw in H1/25 and Q2/25. So, I just wondered if you could share your latest feelings on the outlook for Q3/25 and beyond for the industry and the extent to which if there is some caution influenced by tariff inclusive factors?

Answer by **Alfred Stern**:
According to our revised outlook for 2025, we have increased the European indicator margin outlook for ethylene and propylene. When previously, we were at around EUR 520/t, respectively around EUR 385/t, for ethylene and propylene, we are saying now **above** EUR 520/t and **above** EUR 385/t. For polyethylene, we forecast previously around EUR 400/t and are now saying significantly **above** EUR 400/t and continuing **around** EUR 400/t for polypropylene [with previously above EUR 400/t]. At the same time, we are also saying that our [polyolefin] sales volumes will increase. Our outlook is going up from 4.1 mn t to 4.3 mn t.

In a difficult market environment, we do see that we will continue to push very hard to take advantage of the strength that we have in segments, in particular the specialty segment, but of course also, our setup on the cash cost curve in the European segments in particular. It will continue to be a market environment that will provide both challenges and opportunities and we will see how this continues to move forward. We are in a strong position with the high specialty portion that we have in our sales and with the feedstock flexibility that we have. At Borouge 3, the turnaround is finished. And while, of course, nobody can be happy with 15% tariffs, at least there is clarity now.

Bayport

Question by **Henry Tarr – Berenberg**:
Could you remind me what the loan to Bayport referred to? It is a sort of significant moving part in the cash flow in Q2/25.

Answer by **Reinhard Florey**:
Both parties, TotalEnergies as well as Borealis have provided loans to Bayport. Those loans were recently externalized, so that this loan was paid back to Borealis, that is the cash inflow, and Bayport took a loan from several local banks in the same amount so that the liquidity for the company is upright. Therefore, we can see this kind of liquidity increase and cash flow for Borealis coming in, in the magnitude of EUR 656 mn. That was the total of the shareholder loan.

Fuels & Feedstock

Refining margins

Question by **Michele della Vigna – Goldman Sachs:**
We are seeing very attractive diesel margins, clearly what looks like a brilliant outlook, especially for Q3/25 for you. What do you think about the sustainability of such high diesel margins at a time when the global economy is certainly not accelerating?

Answer by **Alfred Stern**:
We have seen the refining segment to be volatile over the last quarters and that increased agility is important. We were also able to implement this within OMV, enabling us to respond effectively. Last year, we have enlarged our footprint and bought into a commercial retail network to have better access to the diesel market because we see a change in the overall market composition. We see less diesel passenger cars but have observed the positive development of diesel cracks in the last weeks, driven partly by some changes in the supply chain, and by some outages in the production. We are well prepared to capture this.

As I said, we had short stops at the Burghausen and Petrobrazi refineries in Q2/25. And we have also seen July as a strong start with the refining indicator margin. As a consequence of that, we have significantly increased our outlook from previously [around] USD 6/bbl to above USD 7/bbl now, which is reflective of how we look at the rest of the year.

Energy

Exploration

Question by **Henry Tarr – Berenberg**:
Could you say a little bit more about what you are targeting in the new exploration in the Black Sea?

Answer by **Alfred Stern**:
The [Han Asparuh] exploration block in the Black Sea is a license adjacent to Neptun Deep, where we acquired the TotalEnergies' share in 2024. So, it is in the neighborhood of our Neptun Deep project where we believe there may be a similar geology, however, it's in the Bulgarian waters.. OMV Petrom is the operator and has brought in NewMed Energy as a co-investor. OMV Petrom is now targeting to start exploration drilling before the end of 2025, with the goal of completing two exploration wells to identify potential recoverable reserves.

Production cost

Question by **Ramachandra Kamath – Barclays**:
It looks like upstream production cost is moving up every quarter. I understand the declining production is one of the reasons, but do you see inflationary cost pressure there and could the cost per barrel go up further in the second half of 2025 with the drop in the production?

Answer by **Alfred Stern**:
Through the reduction of production volumes, mainly through the divestment of Malaysia, we see that the cost per barrel has increased slightly. However, our absolute cost has remained flat and that is an effect of some significant cost reduction programs that we have in execution and that we will continue to execute in order to counteract the effect that you observed there.

Gas and Power Eastern Europe

Question by **Oleg Galbur – ODDO BHF:**
Now that the regulation on electricity price in Romania has expired, where would you see the contribution of the Gas and Power East business? In other words, is it fair to assume that the business can reach the earnings level seen before the regulation was introduced?

Answer by **Reinhard Florey**:
Indeed, the difficulty with the regulation was that we were not able to really pass on the cost of the electricity production in an adequate way to the market. The EU supported our view and actually required deregulation which didn't happen for that period of time. This was for the local Romanian market and there was just a cap on that price, which now again has been lifted and the market is open again. Now, we are expecting that profitability will return. We are expecting that also no further regulations would be put in place. So, in principle, the old level can be reached. However, we are expecting that markets are reacting cautiously over time. So, this will be a recovery over a couple of quarters, and so therefore, there will not be an immediate full recovery in our estimation in Q3/25, but we see that as a very positive development that strengthens the profitability profile of OMV Petrom.

VAT Litigation

Question by **Oleg Galbur – ODDO BHF:**
Could you please provide some details on the nature of the litigation gains in Romania and maybe tell us how big was the impact in euro terms?

Answer by **Reinhard Florey**:
Regarding the litigation gains in Romania, actually this relates to a case from several years ago when a VAT dispute was raised. The VAT that OMV Petrom had to pay at that time was contested by OMV Petrom because they saw it as unfair. The litigation was successful, and therefore, this amount was awarded back to OMV Petrom. That is

currently still only visible in the books. The money still has to flow, and it contains of two parts. One is the award, the other is the interest, as the case dates back a couple of years. So therefore, this is a good development and a success for OMV Petrom, and we expect the money to be flowing then in H2/25.

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