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PRESENTATION

Florian Greger

Good afternoon, ladies and gentlemen, and welcome to OMV's Capital Markets Day here in London. I'd also like to welcome those of you who are following us via the webcast. Thank you all for joining us and for your interest in our company. We really do appreciate that.

I'm Florian Greger, OMV's Head of Investor Relations. And I'm very pleased that we have here today in London the entire Executive Board of OMV. Together, almost 100 years of oil and gas experience. And now let's have a quick look at what we put together as a program for this afternoon.

We will start with the keynote presentation from Rainer Seele, our Chairman and Chief Executive Officer, who will outline OMV's strategy 2025. After that, you will get more insights into our 2 business segments and in their ambitions going forward, which will be presented by Johann Pleininger, our Deputy Chairman and Upstream board member; and by Manfred Leitner, who is in the board responsible for the Downstream segment. And last but not least, Reinhard Florey, our Chief Financial Officer, will outline our finance strategy going forward.

After that, we have plenty of time to answer your questions. We have a Q&A session until roughly 3:10. And then Rainer Seele will wrap up the day with some closing remarks. And for those of you that have joined us here today in London, we have a reception where you can continue the discussions with the board and the Investor Relations team.



Before we start with the presentations, just a few more housekeeping items. I'd like you to -- I'd like to ask you to switch off your cell phones as it could cause problems with our technical equipment. I'd also like to remind you that this event is a live webcast and recorded. And thirdly, I'd like to refer you to our disclosure language, which is currently shown on the screen behind me.

And with this, I'd like to hand it over to Rainer Seele.

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

Thanks. Good afternoon, ladies and gentlemen, and a very warm welcome on behalf of the entire board to the Capital Markets Day of OMV, and thank you for your strong interest. I really appreciate to share the new chapter of our OMV strategy with you.

Why do I say a new chapter? I think it's not a new strategy we are presenting to you today, it is the next step. So let's remind what we have promised to all of you 2 years ago.

First, we wanted to gain back our competitiveness because we realized that our cost bases is too high, so we started a cost-cutting program. We reduced our costs by EUR 330 million in 2017. We have reduced our operating costs from \$16.6 per barrel to \$8.8. Then we have said that we want -- like to strengthen our balance sheet, so we have reduced our debt by EUR 2 billion, and we have a gearing ratio now of 14%.

Then we have said we would like to optimize our portfolio. The major idea for our strategy was, let's move into low-cost areas where we produce competitive, our oil and gas. So we have divested some assets with a high investment need and a high production cost, like over here in the U.A. -- in the U.K. And we have started a new projects in Russia with very low production cost in Yuzhno Russkoye. Then we have divested noncore assets. Just one big example was divesting our Downstream retail business in Turkey, for example, or just recently, our activities in Pakistan.

At the end of the day, we also have said we would like to implement a new reserve replenishment strategy. We said, "Okay, we are not the top performers in exploration, especially in greenfield exploration, therefore, let's change and switch into an M&A model and brownfield exploration." And we could show up now the second year in a row that we have a reserve replenishment rate of more than 100%, which we couldn't show up the last decade before. And then we have reduced our E&A budget from a level of EUR 700 million to a [level] of EUR 300 million, and it's sufficient.

Last but not least, we have said we would like to improve the profitability of OMV. And given the fact that we have published record earnings in 2017, the best in the last 5 years, I think OMV is well on track.

And if we look on the first chart, you don't have to read it. It tells you one sentence, OMV delivered. We delivered faster, and -- sorry, we also have over-delivered what we have promised 2 years ago. I don't know whether we can repeat it, but we will do our utmost that we also deliver on the new chapter of our strategy today.

The bars are going to show you that we really improved the profitability of the company. If you compare 2015 with 2017, where we had nearly comparable oil price of \$52 and \$54 per barrel, you will find out that we have, within that 2 years, doubled the performance and the profitability of OMV as a company [at all].

The next chart is showing you that, also, other KPIs are kicking in with impressive numbers. Very impressive is the oil price free cash flow breakeven, which we could reduce from a level of \$70 per barrel to \$25 per barrel last year. And I think we are one of the -- in the leading group of our peers that can show up such a low oil price breakeven.

What is the reason for that? First, I think it's the integrated structure of OMV, and that's one of my headlines today. I want to keep the integrated structure of OMV because Downstream business was performing and contributing on a higher level, especially '17 and '16, than in years when we have seen the higher oil price, and this was really giving us the back wind. And we have implemented, I think, a very professional cash flow management. All the promises we have done on cash flow and the increase of the cash flow, I will show you later, really kicks in nicely for OMV.

Given that, we have reduced our CapEx spending. We have reduced our E&A spending. We have implemented a cost-cutting program of EUR 330 million. All this was supporting the number we can show up with a \$25 per barrel, an oil price we need to come up with a positive free cash flow after dividends.

What is also showing a little bit of good track record as an after-tax number is the ROACE, which we could nearly double from the year 2015 to 2017 to an impressive ROACE of 14% last year.

This chart is explaining why I am so hungry for the integrated corporate structure. This is the real value of integration. If you look at it, it doesn't matter what oil price we have seen. It's the \$100 or the \$40, we always can show up an cash generation of EUR 3 billion-plus, so it doesn't matter. In times of a higher oil price, there was a higher contribution from Upstream; low price, higher contribution from Downstream, and that's the natural hedge. And what I'm going to tell you is, I would like to keep that hedge in place, but just on a higher level.

What we also can see is that, especially from the year '16 to '17, look, the oil price have recovered by \$10 per barrel, but we see that the cash generation in OMV Group really has reached a higher level of EUR 3.9 billion. And this is a cash generation, which is even higher than in the good old times when we have seen a triple-digit number, like in 2014. So we have done, I think, a proper job to turn OMV into a cash machine. And the higher cash flow we are generating we would like to use in OMV to be reinvested into growing the company.

There is a very small mathematics behind it. Until 2020, you will see OMV double the size, like today, like last year. This is more or less what we are targeting. We would like to double Upstream as well as Downstream, and I will come back to that.

Before I'm going to discuss with you the strategy, a new chapter we would like to open today, I would like to have a short look on the development of our key markets. And the first message I have here when we talk about the oil and gas markets, we are in a healthy business. When we look to the primary energy demand, there is one clear storyline. Well, [that's a good base] for renewable energies. The highest relative growth in the primary energy sector is coming with renewables.

But the chart is also telling you that, in 2030, more than 50% of the primary energy demand will be supplied by oil and gas. And this chart, I think, is not really reflected the pressure we are going to see in coal -- in the coal market because I think that, especially the environmental pressure coming from politicians, is bringing pressure on coal consumption, especially over here in Europe but as well in China.

The development in the oil and gas market, we see in OMV a little bit different. In the oil markets, we do see only a moderate growth in consumption. There is a little bit of growth, but the main growth and the driver for growth is going to be the Asia Pacific region, whereas, let's say, our home market is going to see challenging times because oil consumption is forecasted, long term, will decline in Europe, which is the base market. And the only recipe I can find for OMV is keep your competitive cost position in place. There will be a consolidation of our industry and others have to shut down capacities.

The storyline in natural gas is a more positive one. We do see a much higher growth in the global markets by 20% -- and more than 20% until 2030, but the growth will be in all continental markets. There will be also growth in our home market in Europe. We have changed our view of the European gas market because I think it's not a question if, it's only a question when Europe is going to step out from coal and on what level for power generation.

This is a huge potential to meet the CO2 targets. And therefore, I think there is a big chance for gas in Europe, and especially as OMV is a producer. The indigenous production in Europe is declining much faster, especially on short term given the fact that we are going to see some earthquakes in The Netherlands, and therefore, the production will be shut-in.

But the real fine-tune Mozart music you find in Asia. Again, a huge growth of natural gas consumption is in the Asia Pacific region. And that's the reason why OMV should think about, what are we going to do with the different markets?

The third comment I would like to make on fuels and petchem market outlook. The same story. In fuels, even more drastic. The only growth we are going to see in the fuels' market is in Asia Pacific region. Very, very healthy. But look, Europe, a little slightly moderate growth in the Middle East,



but look to Europe, it's my storyline. What I have said also on oil, we are going to see challenging times, especially in the fuel markets, knocking at the door in Europe, and that's why I think we should also look into the Asia Pacific.

The petchem market, a bright story. Everybody has realized now in the industry, strong growth all over. Growth in Europe, growth in Middle East, extremely strong growth in the Asia Pacific region. That's the headline.

If I take all these market developments into my hat and thinking, and what is the conclusion for our strategy as OMV? What is the message? First of all, there is a brighter future for gas. Therefore, OMV should have a stronger interest in gas production.

Second, the European gas market is becoming more attractive. So the natural gas Downstream business should benefit from a grow -- more growing market in the future.

Third, we should invest into the value chain. The strongest growth we do see in the value chain is the growth in petchem. There is a strong growth, especially in fuels petchem, in natural gas and in oil in the Asia Pacific market. So therefore, the story is, why don't we target the growing markets, which are obviously in our forecasting, clear message, the Middle East and the Asia Pacific region.

So let's talk about the strategy now. Now before I do that, first a market assumption, but that's a guideline for you. How do we see the oil price in mid- and long term? It's something in the \$70s. What is the gas price, especially in Europe? It's something in the low EUR 20s. And what is the indicator refining margin? It's something around \$5 per barrel. The exchange rate for the dollar is something between 1.15 and 1.20. 1.20 is more in the mid-term.

So now talk about our strategy. What is the headline of OMV's next chapter of the strategy? What is that key message? OMV is striving for value-added growth. Nothing else. It's going to be an integrated growth waiting for you, so we are growing Upstream as well as Downstream. That's new. 2 years ago, we haven't talked about a growth story in Downstream. Now we are telling you we would like to keep our natural hedge, and we bring both business units on a higher level. We will grow in Upstream and in Downstream. The growth will be also an international growth.

In Upstream, it's a broadening of our operations. We will go into new core area, Asia Pacific, in the long term. We will invest into the existing core areas to bring the production up.

In Downstream, it's a twofold strategy. On the first hand, as I said, as a message from the market, OMV will invest into the value chain, especially in Europe. So we will catch the higher yields of the products in the value chain, and OMV is moving more -- a little more towards petchem and jet fuel products and reduced middle distillates.

And the message in Downstream also is that we are going to export our successful business model from Europe towards the growing market. If we are a top refiner in Europe, if we are a petchem specialist in Europe, who survived this heavy competition, which we are used to in decades, why shouldn't be -- we an attractive partner in other regions? I think we can contribute a lot, and it would make sense for OMV to be also a growing partner for the Upstream -- for the Downstream business in other regions.

If -- and a last comment in Europe: what is the strategy in Europe? It's a volume growth strategy. We will catch market share very aggressively, and we need to catch this captive gas market because we are growing our production, especially in the surrounding of the European gas market. It's the North Sea and Russia as well. So if we are going to execute this strategy, we will drive our operating result and the cash generation.

So what is this -- the growth story in Upstream? It's a production growth. We would like to grow -- we would like to double -- nearly double the production from a level of 300,000-plus last year to a level of 600,000 in 2025.

This is not a fantasy story. I'm now talking about the existing pipeline we do see as a board in our company, and we are well on track when we talk about the growth story. Already this year, we are committing to a 400,000-barrel-plus production. And I am more than confirming that we are going to reach our target also in 2020, where we are going to show up a 500,000-barrels-per-day production.

What we also would like to have is a combination of the production growth. It should be a value-added. So therefore, we should have a look on our cost level. So we want to keep the production cost on the level below \$8 per barrel. So we will move and grow our production in low-cost regions.

It will be a focused growth. The story has changed from 2 years ago. 2 years ago, I said 3 plus 1: 3 core areas and another 1. The plus 1 was Russia.

Now we have Russia, so I'm going to tell you 4 plus 1. So we will grow in the 4 core regions with that focus, and we will prepare the next chapter of our company, which is a chapter of telling you that OMV is more driving for the market in the Asia Pacific region.

It will be a sustainable growth. So we will not just lift our reserves in 2,000 meters depth and just show the production, we will also double our reserve base. And we will continue to convince you that OMV is a good sustainable investment because the reserve replacement rate will be at least 100% and more.

What is the growth story in Downstream oil? Well, it's summarized in the headline. We will further strengthen European position -- our European position and grow internationally. We are going to invest to grow into the value chain in Europe, and we will invest to produce more high-value products, especially in Europe.

Manfred will elaborate on this a little bit more. We do have good chances to go for an FID into our refineries to upgrade the output. We will then target an increase of the captive sales behind our products of more than 50%, and we would like to export the business model -- the successful business model we have run over the years here, reducing costs in our refineries, into growing markets, as I have mentioned earlier. And on a long-term basis, which means until 2025, OMV is targeting to double the capacities in petchem and refining.

The growth story in natural gas is market-driven volumes. We have to catch the market. We will double our sales of natural gas to 20 bcm in Europe. We would like to monetize our equity production on a higher level. And all we have to do is catch the market.

Catch the market, this is what we did since 2 years. Manfred will give you later on a little bit more numbers on that. But what he also successfully did, he monetized our sleeping LNG regas capacities in Rotterdam. This was a big cost pressure on us, and we couldn't market it because we were missing the customers. And now we catch the customers, and now we can monetize it. And that's one of the main reasons why we have improved the profitability also on natural gas. 2 years ago, there was no positive black number. Now we are talking about a triple-digit million euros contribution to the overall performance of OMV. Well done, and we will continue with that.

We will also improve our transportation business, and the key project behind is Nord Stream 2. OMV stays committed with Nord Stream 2. We will finance the project, and we are highly committed that we can make this pipeline a success because it's of strategically high importance for OMV.

When we grow our strategy, we are growing also our financial targets. KPIs will grow in line. And what you can see over here is that we are going to increase our clean CCS operating results and our plans from a level of EUR 3 billion last year to a level of more than EUR 4 billion already in 2020. And we will have, at minimum, another EUR 1 billion on top in the long term in 2025.

What you can see is also that the contribution from Upstream mid-term is a bit higher than long term, where we're going to see an equal contribution from both business units to the overall performance. And the overall performance, we are generating the growth story in line with our financial framework, which is defined by the right and which is nothing new to you because this is something we have committed 2 years ago in our strategy when we have said we would like to have a positive free cash flow after dividends, so we are not increasing debt to pay dividends. We would like to have a long-term gearing ratio target, which is below or at 30%, and we would like to continue with our progressive dividend policy, which means we would like to grow the dividend year-by-year or keep it at least on the previous year level.

What do we have to do to finance our growth story? What you see on this chart is that this is not an investment-driven growth story -- strategy. We are sufficient with the investment level we have seen in the last years, which was an average EUR 2.1 billion. And what we have in our plans to finance the growth, we are -- we think it's a sufficient lever of EUR 2 billion to EUR 2.5 billion in average until 2025.

So the growth story will -- more and more also driven by an acquisition plan we have in mind. We have increased our budget for acquisitions. You can see the last 3 years, it was EUR 1.8 billion, and we have now foreseen for the years up to 2025 a EUR 10 billion investment -- acquisition budget. And it goes equally, equally in Upstream and Downstream.

So the growth in Upstream as well as in Downstream will be financed by acquisitions and by investments. Why acquisitions? It's accelerating the growth because OMV has a preference to farm into producing fields, and that's the reason why I think we can show up also impressive cash flow numbers.

What are the capital allocation priorities of OMV? First of all, we have to reinvest the money we are generating into our business. Now even more, we have to invest it into growth of OMV to make the company bigger for you. And it means that the first priority has CapEx and acquisitions to reinvest and to keep our business running and growing. The second priority is growing the dividends with a new policy I have mentioned. And the third is debt reduction. But ladies and gentlemen, although we are growing the company, the OMV board is committed to a ROACE target of at least 12% in average.

This chart is explaining that the growth strategy will be implemented in a safe, responsible and carbon-efficient manner. This is an important chart that's telling also numbers, but behind the philosophy of this chart is OMV's license to operate.

If we don't follow the philosophy behind this chart that we take care of the environment, that we take care of the safety and security of the people working in OMV, we have a huge risk in our company. And the commitment is there, and we can prove that OMV has a sustainability strategy, which kicks in nicely.

If we look into the safety track record, you can see that over the years from 2014 to 2017, we have reduced our LTI rate by 23%. The process safety events, even on a higher level in the time frame from '14 to '17, we have reduced by 74%. And then going forward, there is a clear commitment of OMV to our new HSSE strategy, which says ZERO Harm -- NO Losses. That's a clear target.

The same accounts to the carbon intensity, which is defined that these are the greenhouse gas emissions per unit, and we have to differentiate which are internal targets and external targets. The internal targets is, how much of the greenhouse gas emissions have we reduced in our operations? Well, we have reduced it from 2010 to '16 by 15%, and the outlook is that we can reduce it by another 19% until 2025, especially by implementing our zero routine flaring and no venting activities. And we have committed already in the World Bank initiative 2 years ago as OMV, and that's why I think the target is well on track.

The external product sales we could keep it stable in the time frame of '16 to '20, but we think that we can reduce it by 4% by especially focusing on natural gas as a growing product in our portfolio. And the ecological benefits of natural gas, especially in the energy supply, is well known to all of us.

So let me summarize by explaining to you why I think OMV is a very good investment. We are well positioned for profitable growth in OMV. We have managed a strong cash flow. We have a very high financial flexibility in the company, and we can grow the company by further efficient production and by acquisitions as well as investments.

So the financial power is not only in my body, it's in the company. And we are going to strive cash flow generation.

OMV, we have changed. Remember the chart that we have grown the cash generation to EUR 3.9 billion. I think we are well on track to further professionally manage cash flow, and OMV will have a solid base for growth in dividends because of the high cash flow generation.

We will keep the success -- the secret of success in place, the integrated structure. While we're growing the company, we will grow both units, Upstream as well as Downstream. And of course, that's also most important for all of you, we are driving an attractive shareholder returns so that the investment really kicks out with a good return for all of you.

Now I would like to hand over to my colleague, Hans Pleininger, who will explain to you a little bit more what is waiting us in Upstream. Hans?



Johann Pleininger - OMV Aktiengesellschaft - Deputy Chairman of the Executive Board

So good afternoon, ladies and gentlemen. Very warm welcome also from my side. My name is Johann Pleininger, and I'm the Executive Board for the Upstream business. I'm already more than 40 years with OMV, so I'm contributing more than 40% of the 100 years of experience in our board.

Since we have announced our strategy some 2 years ago, we have not only reshaped our Upstream organization, we have also reshaped our portfolio, resulting in lower costs, more reserves, higher production, and stronger cash flow generation from Upstream.

Looking at Upstream at a glance, we have a strong track record on HSSE and safety; we had no fatality in 2017; and an LTI rate -- incident rate per 1 million working hours, well below the European benchmark.

Especially proud, I am, of the record high of our production in 2017. So close to 350,000 barrels per day we produced in 2017. We had also a record high on a quarterly basis in Q4 2017 with 377,000 boe per day. And we had also a record high on the monthly basis, in January as well as in February, we produced beyond 400,000 barrels per day.

Very proud, we are, also of our production costs. When I took over in 2015, I started with production costs at USD 16.6 per boe. So we almost halved our production costs, and we brought it down to \$8.8 per boe. In 2018, you can even expect lower production costs, so we are aiming for costs below \$8 per boe. We are producing -- more than 80% of our production is coming from Europe or from OECD countries.

As Rainer said already, OMV delivered what we have been promising in 2016. If you look at the cost development, we brought our costs substantially down. We cut it by more than 40% compared to 2015. And if you compare it with 2014 when we took over, it's even more than 50%.

So we cut our CapEx down to around EUR 1 billion E&A, we cut it down from EUR 700 million in 2014 to below EUR 300 million in 2017. And production costs, when I took over, we had EUR 1.33 billion in absolute amounts, production costs. And 2017, we finished the year with EUR 940 million of production costs.

In the same time, we increased our production from around 300,000 barrels per day to almost 350,000 barrels per day. Even more impressive figures we can show on the clean operating results. If you compare 2015, we had around EUR 100 million, and we increased it by more than EUR 1 billion, 10x bigger, at similar oil prices, once you compare it with \$52 in 2015 and \$54 average oil price in 2017.

Reserves replenishment was also one of our clear key targets as we presented our strategy in 2016. We've strengthened our reserves base. We increased our reserves by more than 100 million boe since 2015. Regarding reserve replacement rate, we are outperforming our peers. As you can see, the mean of our peers stays at 77% reserve replacement rate. OMV achieved 116% on a 3 years' average. Reserve replacement rate costs, we brought down from roughly \$60 to \$10 per boe, also around 1/3 compared with our peers.

We are more focused than ever. As you can see, we divested from the high-cost areas in U.K.: West of Shetland, West of Britain. We started to increase and to improve the profitability in Romania. We sold the first bunch of marginal fields. We sold 19 fields out of 200 fields where we are operating in Romania. We sold our high-cost asset in Tunisia, Ashtart. And we divested from the Sub-Saharan Africa region, Gabon, Namibia and Madagascar.

Just recently, we announced that we divested from Pakistan, and we strengthened our position in Libya with the acquisition of the Oxy assets end of 2016. And I would say, in a record time, we've developed Russia from a development area into a core area within 2 years. We are producing already more than 100,000 boe out of Russia.

Looking ahead, going forward, what are we targeting? We further want to renew and improve the quality of our asset base. We want to target their reserves until 2025. This is the basis for our production growth, from 300,000 to 600,000 barrels per day. We'll further continue and push forward our operational excellence, which is one of our core strengths in the Upstream business, and we will further increase the cash generation in Upstream.

Coming to production; 350,000 -- almost 350,000 in 2017, we are aiming for 420,000 in 2018. You see also clear targets set for 2020 and 2025. So 500,000 and then aiming to produce 600,000 barrels in 2025.



You see also where it should come from. So the organic growth will come from our key projects, which we have already in our pipeline. It's not a fantasy, as Rainer said, it's what we have already in our pipeline. So in the near term, it should come from Aasta Hansteen going onstream end of this year; Nawara going onstream next year; mid-term, Neptun; and long term, Wisting.

Also, acquisition will play an important role also in the future to ramp up our production to 600,000 barrels per day, and we want to keep the costs low, below \$8 per boe, also for the upcoming years.

Reserves replenishments, clearly the future for our company because if we don't replenish our reserves, we will run out of production. So what we are aiming for until 2025 is, on the one hand, we are producing already roughly 1 billion boe until 2025. So this needs to be replaced. And in addition on it, we will double the reserves. So in order to keep the reserves' life of 8 to 10 years, and clearly, the reserves replacement rate on a 3 years' average should stay above 100%.

And in the future, because this is always a question, do you become more gassy, more oily? Right now, as you have seen on the first slide, we are producing 52% oil and 48% gas. This will change rather to gas. Why? Because those projects, what we have in the pipeline, Nawara is gas; Aasta Hansteen is gas, we'll talk about when we come to Russia; Achimov IV/V is gas, so we'll produce more gas in the future, which fits perfectly with our strategy.

Where should the growth come from? What you see in North Sea. Here, we are targeting to stay at a level where we are right now. We are producing close to 80,000 barrels per day. That's what we want to keep also in the upcoming years in the North Sea.

CEE, the growth will come from Neptun. So we're producing right now 155,000 barrels. So with Neptun, we will target around 200,000 barrels per boe.

In Romania, MEA, we will strengthen our position in Libya as well as in Middle East. And Russia, as Rainer mentioned, we want to finalize and conclude our project, our asset swap in Achimov. So we are expecting around 150,000 boe production from Russia in 2025, coming mainly from Yuzhno Russkoye and the Achimov IV/V. And additional growth should come from our new development area, which is New Zealand, where we have a strong position there. And from New Zealand, we would -- we are looking into the wider area towards Southeast Asia, we want to grow the business there.

Exploration. Exploration in the past, we were too spread out, I have to say. This was also one of the reasons why we changed our exploration strategy. We changed from frontier high-risk operations to near-field low-risk and much faster monetization. So comparing, let's say, Sub-Saharan Africa, if you would have been successful with a discovery in Gabon or Namibia, there would have been no infrastructure nearby. So you could expect it would have taken 10, 15, maybe 20 years until we could earn the cash back, what we would have invested there.

We changed to a near-field exploration strategy, so we're focusing on our core areas, and we are focusing on those areas where near -- where infrastructure is nearby. As an example, we go also for frontier drilling for -- in new areas, also in Romania. So some years ago, we made one of the biggest discoveries in Romania in Totea. But we bought it -- brought it onstream within 2 years. So if -- you get the cash flow back much earlier. We will spend around EUR 300 million per year on E&A, and this means drilling around 15 to 20 wells per year.

Technology. Technology is also the backbone of our company. It means operational excellence. It drives recovery, as well costs, because I get, especially from you guys, very often the question, "How could you cut the costs or how have -- did you bring the cost down from \$16.6 to \$8.8?" One thing is cutting costs, and you can believe me, I'm with this company's -- already more than 40 years, I know exactly where to cut costs. But second reason is already technology, and I will give you some examples.

For example, in Austria, we improved and we increased the run time by another 30% of our wells, which means to maintain our wells changing the [Siccar road] or changing the Siccar road bump, we do only every 5 years. This is really top class in our business and just how much it could have an impact on costs.



Example, in Romania, when we took over and when we joined Petrom, we were doing around 150,000 well interventions per year. 2018, we are planning for less than 6,000. And if you just take the rig costs, the rig costs for one well interventions are around EUR 5,000 in Romania, so you can make an easy calculation how much the impact is on our costs. Also on drilling, we are a top quartile low-cost drilling company. Also in drilling, we hold several world records. We have drilled the most [challenged] onshore well in Suplac in Romania. We have drilled the most challenged offshore well in Wisting. And we hold several world records and European records in casing whilst drilling.

We set also a clear target. We want to increase our ultimate recovery rate by 10 percentage points in selected fields. And we go for deploying new technologies, like nanotechnology and digitalization.

Digitalization, I would like to spend one slide on it. I just came back from Silicon Valley this weekend, visiting Schlumberger's innovation center in Palo Alto, and Google's Google Cloud center also in Palo Alto. So the world will change also in the oil and gas industry. So we will change what we are doing and how we are doing it. And our clear target is to transform OMV Upstream into a top digital player.

I'm sharing our DigitUP, our global worldwide project. I can tell you already some steps which have been taken already starting last year. So we'll go live with our drilling cockpit center in our head office, where we will monitor and guide all our drilling activities worldwide from Vienna. We will be online, live, on each of our drilling locations and we are drilling more than 150 wells in 2018.

We opened up already and implemented our 3D visualization center, where we are supporting the work in exploration as well in reservoir engineering, and we started the first pilot projects on machine learning and cloud solutions.

Starting the tour through our regions, CEE. Main focus in CEE is keep production up and keep costs low. How will we do it? Infill drilling, workover, selected field redevelopments. And of course, we're applying strict cost management also in the future in our core mature assets.

One of our key projects is Neptun. We'll bring Neptun onstream until 2020 plus. And as I said already before, Neptun will bring production up in Petrom beyond 200,000 boe, again, as we have been after the privatization.

We also go for international growth in Petrom. So Petrom goes international. We are not competing in the same regions with OMV. Petrom is looking into areas like the Caspian Sea, the Black Sea and the Eastern part of the Mediterranean Sea. And we will also optimize and improve profitability in Petrom. How we are doing it? We are divesting from marginal fields, meaning from high cost, low profitable fields. So we sold already 19 fields last year and another 50 to 60 fields we will sell in the upcoming 2 years.

North Sea, as I mentioned already, we are producing around 80,000 boe per day. It's mainly oil. Here, the key focus is on exploration. We have a quite good exploration portfolio in Norway. We are drilling right now an exciting well in the North Sea, Hades & Iris. Hope I will report quite soon success on it, but it's too early today.

We are focusing on our key projects. We'll bring Aasta Hansteen onstream until end of the year, which will give us another 18,000 boe per day of production. And we are working quite, maturing Wisting, where we expect FID, Final Investment Decision, can be taken until 2020 and first oil we hope we will see then in 2025.

Russia, here you see one of the most modern facilities from Yuzhno Russkoye. We are producing already more than 100,000 barrels per day. It rock-bottom production costs, so production costs are below USD 2 per boe. We [want to] Build on our strengths in Russia. We hope we can, or we will conclude our project, our asset swap for Achimov IV/V until end of the year. And both projects Yuzhno Russkoye and Achimov IV/V will produce around 150,000 boe per day in 2025. It's also, a big part of our reserves replacement rate will come from these 2 projects, more than 1 billion boe on additional reserves, recoverable reserves are coming from Yuzhno Russkoye and Achimov.

Middle East, here you see a picture from our gas treatment plant in the northern part of Tunisia. We are producing almost 50,000 boe in our MEA region, Middle East and Africa. Majority of the production is oil. So we want to build on our strengths and -- in Libya, to deliver the Nawara project in Tunisia until mid of 2019.

We've starting already right now to develop further our fields in Kurdistan, the region of Iraq, Khor Mor and Chemchemal. We start to drill the first 3 wells already this year. And we will build a strong position in U.A.E. and neighboring countries. So where we're looking right now is opportunities in Iraq and Iran, for example.

We already since more than 20 years in New Zealand. New Zealand is a strong cash flow generator, so high profitable barriers there. We have very exciting exploration portfolio in New Zealand. So we want to build on that. So we want to strengthen our position in New Zealand via exploration, but may be also via acquisition. And we want to look in the wider area. So we want to develop a new core region towards Southeast Asia, towards Australasia.

Summarizing what are our key targets, what should be the key takeaways for you? So we will continue to renew and improve the quality of our asset base. We will double the reserves and double the production. We go ahead with operational excellence, and we will increase cash flow generation from Upstream.

Thank you, and with this, I would like to hand over to Manfred for Downstream.

Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

Thank you, Hans. Good afternoon, ladies and gentlemen. I would like to take you to the OMV Downstream division now. But I would like to mention before that I'm adding as well more than 30 years and [have] by more than 30% to the 100% experience, for which we have actually got as an introduction here. 20 years -- more than 20 years thereof in the OMV Downstream division, responsible for Downstream Oil since 2011 and since 2015, for OMV Downstream, a combination of Downstream Oil and Downstream Gas.

Here you see by the way, the Schwechat refinery, which you hopefully know anyway, if you come to Vienna and you are landing at the Schwechat airport, you cannot miss it.

Downstream in OMV, yes, we focus on HSSE as well, of course. Last year was not our best one, I have to say. We came out with a lost time injury rate of 0.4. That's in the first quartile of the industry, if you go through the international benchmarks, but still not satisfying. So we have to concentrate even more there.

We are running 3 refineries, 1 in Austria, 1 in Germany, 1 in Romania, at the total capacity of approximately of 18 million tons. We're having petrochemical production capacity of 2.5 million tons in our refineries. We're running more than 2,000 retail stations in 10 countries.

I have to mention as well at the beginning already, the 36% share in Borealis, the global polyolefin producer. You will see more on the value of that. And on the Downstream Gas side, we have been selling in 2017, 11 billion cubic meters of gas. We are running 2 gas fired power stations, 1 in Romania, 1 in Turkey. And we are having a 51% in gas transportation company of Austria, that's Gas Connect Austria.

Coming back to what we have been -- I have been communicating in February 2016, as you have already heard in the other parts of OMV, very successfully, and we have delivered all our promises. We have in Downstream further worked on the portfolio. The main step was to divest our Turkish Downstream oil operations, Petrol Ofisi, with the closing in June 2017. We have acquired a discount retail network, doesn't sound that sexy. You will see the [rosta] then a little bit more, what the fantasy and the strategy is behind? Discount retail network in Austria, which is a new segment, where we sell our products, the refining production.

We have divested the wind power plant in Romania as a noncore business. We have sold 49% in Gas Connect Austria in the meantime for EUR 601 million. And we have signed the financing agreements from Nord Stream 2 to main -- the main portfolio achieved here.

What we have as well done, obviously, we have improved operational excellence further. And I think one of the evidences, therefore, is that we have been running our refineries consistently over 90% capacity utilization, even in the last 2 years when we had planned turnarounds in the operations there.



We have maintained strict capital and cost discipline. And on a Downstream Gas the last 2 years have been mainly restructuring. We bought the 100% of the shares in one Austrian gas sales company called EconGas. We merged it with our existing gas sales company that had been working in the same area, more or less, when we're trading. And therefore, we have actually now a basis to expand our gas sales in a very, I think, efficient and lean way, have reduced costs, by the way, by more than 30% in that region -- in that area.

And here, you see the result out of a lot of those efforts. If you go to the left-hand side, that's the clean CCS operating result, just a few remarks here. You see below the refining margins, that have been at significantly different levels over the years. But what you see as well, is there is already a pretty reliable stability in what we are contributing. So even in the year 2016 when the refining margin was at 5 point -- \$4.7 per barrel only, we came out at \$1.5. In 2017, we actually delivered EUR 1.8 billion and this was the record result in OMV Downstream in history.

One remark there as well, if you look into 2015, when I took it over, it was a loss-making business, Downstream Gas, and we have managed now to turn it around and the contribution last year was already over and above EUR 200 million.

Strong cash flow generation, this is what we are focusing since years. Last year, we came out with the free cash flow of EUR 1.7 billion again.

And to the right-hand side, this is my real focus since the beginning. That's the return. And since we do not have divisional balance sheets, we just have an approximation here, which is return on net assets. But last year, we came out at 18%. And I think we have set a new benchmark in the European Downstream industry here mainly because we have sold low return Petrol Ofisi. That's one of the main last steps in order to really get at these attractive levels.

What are the key success factors for us in OMV Downstream? It's of course, the quality of the refining and petrochemical operations, first of all. We have a high share of stable, reliable sales outlets. And this is a prerequisite to run your refinery as hard as you can because you have to sell the products. Otherwise, it doesn't make a lot of sense.

We have strong retail brands and we'll come to that a little bit later as well. And we have developed a premium fuels offer in the meantime, which is very well-accepted by our customers. And over and above, I think we have in the meantime achieved the quality of managing the Downstream Oil value chain that is ahead of competition.

Coming to Downstream Gas. Here, I think the main arguments are, we are an integrated gas company. What we're doing is, we are producing -- Hans is producing, I'm not producing the gas, but I'm selling what he is producing. We're transporting, we're storing and we're selling the gas. And that's a very strong claim to our customers even -- especially if you look at the security of supply.

We have very long-term relationships mainly with Gazprom. We will have the 50th anniversary of our gas supply contract with Gazprom this year. And moreover, we are located in the center of the future center of the Central and Eastern European transition network, and that is Baumgarten in Austria.

Coming to the future. What are we aiming for? Two sides: Europe, Europe Downstream Oil. What you will be seeing is more of the same, very simple, more of the same. This is meaning that we are further strengthening our competitive position.

Downstream Gas, the ambition is here to become the leading integrated supplier of natural gas with a strong market presence from Northwest Europe to Southeast Europe.

And if you then go to growth -- to the growth part, there, obviously Europe is not our focus because the market will not be growing apart from the gas market. But the Downstream oil markets are significantly growing, Far East, in the Middle East, and this is where we would like to actually export our strength and know-how, how to value, how to manage the Downstream value chain too in the future.

First of all, Europe. Further grow competitive position, what is behind? Not a lot of secrets, but not very difficult to deliver. One is operational excellence, of course. We will have to further concentrate on improving our operations. They are really, I think, best-in-class, but there is still potential to go higher.

We will shift our production yield in the refineries not only to higher value production, but as well, away from those products where demand is going down, shifted to those products where demand is still growing.

We are working on further increasing the sales in our captive sales channels, so to increase the sales volume there as a backbone for running our refineries at a high capacity utilization.

And on the gas, it's a volume game, as Reiner has already mentioned. We would like to participate in the growing gas market, and we would like to double our gas sales volumes until 2025 to over and above 20 billion cubic meters per year.

For both segments in the division, of course, further stringent cost management because this is what you need to do in order to be competitive in our industry.

Coming to the refineries, what you're seeing here, let me start from the bottom. There will be a decline in demand for heavy fuel. That's totally clear. There will be a declining demand as well for automotive fuels. That's clear as well. But there are 2 growth areas still, 1 is petrochemical products and the other 1 is jet fuel. And jet fuel is increasing in terms of demand at a pretty high rate. So what we will be doing is, we have planned to invest up to EUR 1 billion, until 2025, in our 3 refineries in order to adapt the production yield to those developments. We will increase the petrochemical production and I'll come to that in a little bit later in more detail. We'll maximize the jet fuel production. We will become heavy fuel oil-free in our refineries, and we will upgrade to higher-value products in Petrobrazi as well. At the same time keeping the capacity at the same level, so we'll stay at the 18 million tons per year.

If you look at our 3 refineries, the USP or the nice position is, that they're in such a proximity to each other, that we really can run them as one integrated refining system. As an example, what you will not do in such a system, to invest in each refinery in each unit that you need after the crude distillation. What you will be doing is, you maximize the capacity utilization of the so-called secondary units by moving the intermediary products from one refinery to the other refinery where you have that gap still, and to use that capacity in order to increase the overall value of our production.

At the same time, what we are doing is -- and that's a must in the industry, to look at high-margin feedstocks all the time and that's on a continuous basis. As an example, last year we ran something like 35 different crudes in the Schwechat refinery, just in order to maximize the margin between the crude and the sales. And we believe we are bringing something like EUR 50 million per year as an advantage by having that position.

Coming to retail. Retail, colorful picture. Hopefully, you'll know the stations anyway by yourself. If not, then you should try it, if you go through the countries, there -- where we are, by car.

I think the main message on that one, that I would like to give you is, that we are covering all customer segments with our retail brands. If you go to the left, that's OMV. That's high value, that's high quality, that's premium brand, that's high convenience offer. I think with the VIVA convenience offer, we have the best offer in Central and Eastern Europe. And in the meantime, the retail margin is more or less coming 1/3 out of our nonoil part.

If you go to the -- further to the right, you find Petrom. Why Petrom? Petrom is one of the -- actually, in Romania, it's the brand of choice. What we see is extremely well-accepted by the customers there. We have a very high average throughput and a very profitable operation.

And then if you further go to the right, we have added a kind of a bargaining offer, which means that we are actually, as well, offering quality products to cost sensitive customers, a customer segment which you cannot afford to not offer to, if you would like to maximize the sales of your refining production into retail sales. These are stations that are unmanned, low investment, very low cost and therefore, very low prices.

If you see the development in retail, the profitability has really gone up, 2012, for instance, in terms of operating result per station, we have been close to breakeven. And last year, we came out at EUR 160,000 per station. And that's coming not only from the oil, but that's coming as well from the nonoil part, of course. We will aim to stay at that level. It will be not easy, but I believe because of our strength in the sales and in the brands, we will be in a position to deliver that.

One of the key KPIs behind that, that's the capacity utilization of the retail stations, that's the average throughput that you are seeing on the right-hand side. And the green bar is ours and the green bar is showing 3.7 million liters on average per station. That's a very, very good number because if you compare to the average of our main markets, that's Austria, Romania and Germany, you see that we are clearly above all of the other companies that are making business in the markets where we are present.

We believe and aim to increase our sales volumes by selective investments into all the brands, but especially by increasing the market share of our discount retail network, which is having approximately 220 stations now in Austria, and we would like to increase that number further in the orbits of our refineries, as long as we can transport the production to those outlets.

We have a very strong petrochemical position already in Europe. We are running 2.5 million tons of petrochemical production capacity in our 3 refineries, and we have identified further projects to actually squeeze our production yield more into the petrochemical side of products.

We are currently working on increasing our steam cracker in Burghausen by another 300,000 tons per year. This is exactly going into that direction.

I have mentioned here as well, that we will increase the production of the higher value butene, that's just, that you take out a certain higher-value product out of the feedstock stream for the steam cracker and actually produce it into a different quality with a very much higher price, which is giving you the economics for the investment, of course. And if you see on the right-hand side, we have already last year, actually, seen a clean CCS operating result in our own petrochemical part -- OMV petrochemical part of EUR 245 million.

And I'm coming now to our 36% share in Borealis. That's our petrochemical part as well, of course, because Borealis is #6 in global polyolefin production. Together with ADNOC, they are running the biggest polyolefin production location worldwide in Abu Dhabi. That's having 4.5 million tons of polyolefin production capacity.

Borealis is having a 40% share in Borouge. And if you look at the contribution that is coming out of Borealis, you'll see that last year, our 36% share has already resided in some EUR 400 million into our operating result. And there are certain projects that will further grow this result because Borealis is currently investing, or actually planning to invest, in a further increase of the production in Borouge. And as well, you might have read, that anyway, they are together with Total and NOVA in the U.S. now, actually going into a project to have an ethane-based steam cracker produced -- actually invested there in the polyolefin -- polyethylene facility after the cracker.

This is all about this captive sales channels. If you look at the captive sales volumes, and in my opinion, for us, the most reliable sales channels is our own retail and is our petrochemical business because petrochemical products, you usually sell on a long-term basis. So there are long-term contracts behind. For instance, in Schwechat, we have sold our products already until 2028. And so this is very reliable volumes that you really can sell, and therefore, easy to plan. Therefore, you can run your refinery at the highest capacity utilization possible.

Currently, we are selling some 47% of our refining production in those captive sales channels, and through our investments and our plants, we will go to 55% in 2025. If you today -- I don't know where the competitors will be in 2025, today, they're approximately 30%. And the beauty of that is as well because it's a highly competitive industry that these are the volumes that we obviously have taken away from competition as well. They are not for -- they are not reachable for competition, and that's the guarantee for us, that we will further go with our refining capacity utilization in excess of 90%.

Let me come now to Downstream Gas. The headline is, Europe needs more gas. And Reiner has mentioned, we believe that the gas demand in Europe will grow. Gas is poised to replace coal in power production. This is a -- I think that is very clear to everybody, it's just a matter of time, but we believe that until 2030, the demand for natural gas in Europe will go up from 460 billion cubic meters to approximately 500 billion cubic meters. And at the same time, this is the bright blue part of the graph here, you see that the production in Europe is going down from 130 billion cubic meters to something like 85 billion cubic meters. And this means that the import gap -- the import need for Europe, is growing significantly.

And what are we doing? What -- we would like to benefit out of that development in 2 or 3 ways. First of all, we see that the market is growing, and we will be growing our sales volumes. That's the rationale as well behind our target to double the gas sales until 2025, to reach more than 20 billion cubic meters in sales volumes and to have approximately 10% market share in Germany, the biggest market in Europe.



If you recall the import gap that is building up, you better understand why we are so committed that Nord Stream 2 is coming into place because we believe that pipeline will be needed, in order to really get Europe into a -- or keep Europe into a situation of supply security for natural gas. There is no alternative in our interpretation. We will secure utilization of our LNG -- of our underutilized LNG facility that we're having in Rotterdam. And I've already mentioned that we would like to more than double our sales volumes of 2017. We do not rule out to actually go into inorganic growth options, as long as there are opportunities that would fit into our strategy.

And now coming to a different part, a new part, and as well Reiner mentioned it, this is new. That's growth in Downstream. If you look into what we are doing, we have already in Europe, I believe, developed a very high quality of the management of the Downstream Oil value chain especially. We have gotten to a certain level of operational excellence, in terms of project management, in terms of organization, in terms of seamless cooperation in managing the value chain, that this would be an ideal basis in my interpretation to export that know-how and that strength to locations that are fit to serve the growing markets. And the growing markets in petrochemicals and refining products will not be in Europe, but they will be in Middle East and they will be in Asia. And that's the reason why we would like to increase our presence there or actually to build it up. And we have earmarked some EUR 5 billion as an acquisition budget until 2025 for that plan.

Here you see the majority of the demand growth. Fuel products in blue; petrochemical products in green. And I think it's very clear what you're seeing here. You see a decline in Europe on the fuel products. You still see growth in the petrochemical products. You see growth in fuel products, obviously, Middle East, Africa and especially in Asia. And more or less the same goes for the petrochemical products. We have, as well, growth in Russia, but the majority of the growth will take place in Asia.

And to summarize that, 90% of the increase in demand for fuel products will come, until 2030, from Asia and 70% of the petrochemical demand growth will come from there, whether it's 70 or 68, I don't know exactly, but what you see on the next page is where our rationale is going to. Because if you look on the left side, that's the global refining capacity versus demand, and if this demand is growing up, then what you see is that 450 million tons potentially will be missing from today's capacities to the demand, that would be building up until 2030. 200 million tons of that is already covered by announced projects, but there is a magnitude of 250 million tons still missing. And that's exactly the part that we are interested in. This is something like 25x the Schwechat refinery capacity, which will be built where the projects are not defined yet, and which is our target on the refining side.

If you go to the right side, you see that on the petrochemical products, there will be an increase of 300 million tons until 2030. And again, if you do the same calculation here, then we have found that 145 million tons are covered by announced projects, but more than 50% of that is still missing. And just to put that in relation, this would mean 35 of more Borouge's. And Borouge, as I said, is the biggest polyolefin production site in the world today with 4.5 million tons of production capacity. And that's exactly the combination that we would be most interested in, because that's exactly our core know-how that we could bring into those markets.

Obviously, as a consequence of that, what you see here is the capacity utilization. They will be high, Russia, Middle East, Asia, and as well, this will be reflected in refining margins and -- I mean, it's totally logical that they are forecasted to be pretty much higher than in the European markets.

I'm coming to the end already to wrap up. Europe Downstream Oil, stayed a European Downstream champion. In Downstream Gas, double sales gas volumes, become the leading integrated supplier of natural gas from northwest to southeast. And in the growth part of Downstream in the future until 2025, to really export our core know-how that we have developed in that highly competitive European market and to export that to a location, to a project, that is fit to supply the growing markets, this will be Middle East and Asia, as you have seen.

Thank you. And I'm handing over to our CFO, Reinhard Florey now.

Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

So thank you, Manfred. Very good afternoon, ladies and gentlemen, also from my side.



I'm pleased to provide you some insights about the status and the prospect, not only about the financial performance, about the financial strategy of OMV. My name is Reinhard Florey, I am the CFO of OMV. I've joined in 2016, coming from previous CFO positions in the U.S. and Germany and Finland, and I'm looking back on 20 years' experience in the international process industry.

Now in the last 2 years, we have permanently reshaped the financial performance of OMV. We have transformed the company towards a lower-cost model, and we have taken a stance at a stronger balance sheet, and we have looked at very strict and disciplined use of capital measures. So this brings us to a position where we can look ahead into a growth strategy, and my colleagues have lined out what their plans are.

So the CFO's ambition now is to keep that as the financial stability to enable this growth, to make sure that we drive the performance to even higher returns and to reward our shareholders.

If we are looking into 2016, we can say we are very proud that we not only delivered on the promises on the operative side, but also on the financial side. We committed ourselves to focus on cash and costs.

And there, on the cash side, we have clearly looked at cash flow breakeven, which is quite unparalleled in this industry. Reiner has already lined out that we have reduced our cash flow breakeven to a level of \$25 per barrel. And we have delivered free cash flow after dividends, in 2017, of more than EUR 1 billion.

On the cost side, both in CapEx and OpEx, we have clearly cut, to make sure, that the cash flows can be enabled. We have reduced our CapEx levels from 2015 to 2017 by 40%. We have reduced our OpEx levels, above the targets that we have set to ourselves, to a level of EUR 330 million that we have delivered in 2017. And in total, also our balance sheet looks much stronger. We have deleveraged the company coming from a level of EUR 4 billion net debt to only EUR 2 billion net debt, and we have built up a very strong cash position going ahead.

As I have mentioned, returning shareholder value and creating shareholder value is very much one of our top priorities. Now 2017, of course the capital market also [rewarded] very much with the performance of the achievements of OMV, and we had recorded an increase of our share price by clearly more than 50%. This resulted into a total shareholder return of 61%. Clearly ahead of our peers, clearly ahead of the indices.

But it was not only this very exciting year 2017. If you look to a 3 years' average, if you look to a 5 years' average, there OMV is also clearly outperforming the peers and outperforming the indices.

One contributor to this change of the performance, this transformation, was an active portfolio management, which contributed to a lower cost base -- cost basis, to longer-term reserves and higher cash flows.

Hans and Manfred have already summarized the key transactions that have been taken there. I think it's fair to say that on the disposal side, we have not only successfully disposed of the core assets U.K., Petrol Ofisi, and minority stake in GCA, but we have also gotten very good prices for that. So we managed to have a cash impact from the disposals of EUR 2.7 billion in quite a challenging environment.

But on the other hand, we also captured opportunities on the acquisition side. We deployed some EUR 1.7 billion in new acquisitions. In very good opportunities in Libya, the Oxy assets that Hans has talked about, EUR 1.6 billion in Yuzhno Russkoye, and then also future-prone business models like the unmanned filling stations and SMATRICS in Downstream.

The second pillar for the success is the cost discipline. And the cost discipline is probably most clearly displayed, if you look at how we overachieved the targets that we have set ourselves on the OpEx side. In 2016, we started with an ambition of EUR 100 million and displayed EUR 200 million of savings. In 2017, we aimed for EUR 250 million and we came up with EUR 330 million of savings, each compared to the cost basis of 2015. And there's more to come and I will come to that later.

But also, on the CapEx side, I have mentioned that we have taken down, according also to the changes in the portfolio and to a very clear screening of our priorities, the CapEx by 40%, reaching a level of EUR 1.7 billion in 2017.



These all contributed to a significant better financial performance also in our returns. Reiner has shown you the clean CCS operating result. Here, I'm showing you the clean CCS net income attributable to shareholders because, of course, that is even closer to the real impact that shareholders have here.

And here, you can see, that in spite of a quite similar environment, in terms of both the refinery margin as well as the oil price, the performance was increased significantly from 2015 to 2017 from EUR 1.1 billion to EUR 1.6 billion. The clean CCS EPS has risen to almost EUR 5. And the clean CCS economic value-added -- and this is where we are specifically proud of, has risen to EUR 1.1 billion, compared to EUR 100 million only, in 2015.

What is very important, is that all the growth plans and all that is backed up by steady cash flow development, and the build up of a financial basis that is stable also for the future steps. Here I'm showing you the strong organic cash flow generation that we have achieved, and in 2017, it was a EUR 1.2 billion positive organic free cash flow generation after dividends.

Now that has changed significantly compared to 2015 where this ratio still was negative. And we have increased the dividends between '15, '16 and '17. So that has delivered both the deleveraging of the company, strengthening the balance sheet, and also contributing and returning value to the shareholders.

If we are looking to the balance sheet, it was not only the deleveraging of our net financial debt that I have mentioned, it is also the gearing ratio, that we have significantly brought down below our target of 30% that we see as our mid- and long-term target. We are now in 2017 at 14%, and this 14% are after the acquisition of Yuzhno Russkoye. So we have EUR 2 billion of net financial debt after the acquisition EUR 1.7 billion of Yuzhno Russkoye.

Within this EUR 2 billion of net debt, we have a cash position of EUR 4 billion and additional liquidity opportunities from undrawn credit facilities of EUR 3.5 billion. So you see we have quite some headroom, quite some firepower, to enable our growth plans.

Now let's have a look at the financing side of OMV. We have managed to reach a very balanced maturity profile of all the financing means that we have in our portfolio here. So through all the years, you see the stress from repayment obligations at or below EUR 1 billion per year only. So we can see that this has been evenly spread over the duration of the maturities, and we have contributed also to the cost of our financing by reducing that by 31 basis points between 2015 and 2017.

One of the key elements to that certainly was also, the new bond that we have given to the market in December 2017, where we achieved EUR 1 billion bond for 9 years at a coupon of only 1%. This has been, of course, also honored by the rating agencies, and we can display a very strong investment-grade rating with both Moody's with a Baa1 rating, as well as Fitch with an A- rating.

For all these growth plans and the stability going forward, it is important that we follow a clear financial steering framework. While we are aiming high for the shareholder return and the strong rating, we are focusing on the cash side very much, on the growth and profitability, and an adequate liquidity position. And on the value side, not only on the steady value enhancement within our portfolio, but also at the strength of the balance sheet.

We have boiled down the key performance indicators to 4, and those 4 resemble our key steering values that we have for the company. It's return on capital employed, or if you take in absolute terms, economic value-added; it is the gearing, as well as the free cash flow after dividends; and then of course, from the profitability, the clean CCS net income, respectively, NOPAT, as Manfred has also displayed, for the operative areas.

In this, we follow very clear principles, and these principles follow the efficiency increase that we have on the CapEx and the OpEx side, so the operational efficiency, but also the capital efficiency having very clear and strict discipline in the capital spending. But also regarding the financing and the cash efficiency, where we are striving to get lower and lower interest rates and having a stable maturity profile, as I've displayed before.

The portfolio, we have shown it, is a future-oriented low-cost performance with long-lasting reserves. And all that is complemented by a comprehensive risk management and compliance management of the group.



Now I have promised you that cost savings have not ended with the EUR 330 million that we have achieved in 2017. We have now set up a new cost savings target for the years 2018 to 2020, now based on 2017, with another EUR 100 million of savings. Of course, if you have done a lot of cost savings, this doesn't come easy on top. But we already know how we are going to achieve that.

Here, you find the key levers. Of course, we will continue our operational efficiency increases in both Upstream and Downstream; but we'll also concentrate on the overhead cost reduction, while capturing economies of scale, for instance, in our shared service center in Bucharest where we have also a good labor arbitrage; where we can also have a strict management of the overhead costs with process optimization and process harmonization; and the deployment of digital and robotic solutions and specifically optimizing the IT processes.

And in addition to that, we have set up a sourcing excellence program, which will contribute also from the procurement side. And there, we will see the impact also coming through in the years 2018 to 2020.

Now to the CapEx side. I have mentioned that in 2017, we have reached a CapEx of as low as EUR 1.7 billion. This will be a little bit higher in the years coming forward because of the change in our portfolios and because of our growth opportunities there. It will be, as in the years before, shared 1/3 Downstream, 2/3 Upstream, but more importantly, on top of the 1/4 of it, that we keep for our saving on the substance with maintenance and mandatory investments, 3/4 of these investments are focused already at value enhancement and growth on the organic side. So we will see a level of EUR 2 billion to EUR 2.5 billion for the years to come between 2018 and 2025. The EUR 2 billion -- EUR 2 billion more on the beginning of this period, the EUR 2.5 billion more towards the end of this period.

If we are looking now at the second part of our investments, the inorganic investments, we are seeing that there is high goals and good opportunities on the M&A side. But we keep a very strict and disciplined way, how we are looking at the M&A opportunities. Not only that they are, of course, following strict strategic criteria, which will be provided from Hans and Manfred's operations and fit to the portfolio in a most ideal way. We together look at the financial criteria specifically on the cash profile and on the return profile. And on the cash profile, our priority is to come up with opportunities that have a fast cash turnover, so that we have cash back flows very early, and that we see cash positive -- cash generating assets, as priorities in that sense.

And on the return profile, we are clearly differentiating according to the risk profiles, to the technical risk, to the regional risk, to the execution risk that we have in these opportunities, and we are putting our hurdle rates according to this.

All M&A opportunities have to consequently be accretive for the company and contribute to our larger than 12% ROACE target.

Now as we have been talking a lot about investments, I thought it would be useful to give you a little bit of an example how this will work out, in terms of financing this growth.

I have done the math for the first 3 years, just to give you an example. If you take it from a basis of 2017, and if you just add up the 3 years of operating cash flow, the gearing headroom that we have up to a level of 30%, and in addition to disposals, like the disposal that we have in Pakistan now and the cost optimization, net working capital measures and all that, you easily come on a [sources] site of about EUR 14 billion. And on top, you would have still contributions from the ongoing M&A activities that we have.

And on the uses of cash, if you deduct there the EUR 6 billion of CapEx that we have displayed, EUR 2 billion roughly a year, then there is EUR 8 billion or more, still available for M&A activities, for returning value to the shareholders in dividends, and eventually also through deleveraging.

So this is just to give you an example that this is not just a fantasy to go ahead, and we have good opportunities, we think based on the very solid finances that we have, that this is affordable and this is easily manageable.

One clue for that is that we have achieved a quite significant resilience also against the fluctuations in oil prices when it comes to cash flow.

In 2017, we have reached a cash flow breakeven of \$25 per barrel. This means that even if the oil price goes down to \$50, it goes up again, and the fluctuation is there, we're always producing positive cash flows, and we are aiming at keeping this level of the \$25.



This, of course, doesn't come easy. And of course, we have to continue with the measures on the CapEx and on the OpEx. But specifically, it comes with the portfolio. On the one hand side, to make sure that in the portfolio, we have high cash generation assets, and on the other hand, our ability to always streamline the portfolio in terms of cash generation here.

Now I have talked about the importance of returning value to the shareholder. For 2017, we have proposed a dividend of EUR 1.5 per share. This is the highest ever dividend that OMV has paid out in the history. This is also in accordance to the dividend policy that we have given to the market, which is a progressive rising dividend policy.

So just to reiterate that again, that we have a dividend policy that says that OMV aims to progressively increase the dividends or at least maintain it on the previous years level, in line with the group's financial performance.

To make sure that this value distribution to the shareholder can take place, we have defined a steering framework for the company. I have mentioned there are 4 KPIs. And here, we are giving you the long-term, midterm targets for these KPIs: the free cash flows, to be positive after dividend; the gearing ratio, to be at or below 30%; the return on capital employed, to be at or above 12%; and a clean CCS net income, accordingly growing to support all these other KPIs.

With this set, we are sure to deliver OMV as a competitive shareholder returning yielding company and having a strong investment grade credit rating.

Now in a nutshell, what is the financial strategy? It is enabling growth through a high cash yield, driving performance through keeping up the measures on the CapEx and the OpEx and the portfolio change, and rewarding the shareholders according to our dividend policy.

Thank you very much.

With that, we will be ready, all the 4 of us, to take the questions. And I give back to Florian.

QUESTIONS AND ANSWERS

Florian Greger

Thank you, Reinhard.

Now let's open the floor for Q&A session. Please limit your questions to 2 at a time that we can take as many questions as possible.

Let's start on this side of the table, with Table 18B, Matt Lofting, and then after that, table 11B, Mehdi Ennebati. Okay, take the mic.

Matthew Peter Charles Lofting - JP Morgan Chase & Co, Research Division - VP

Matt Lofting, JPMorgan. 2 questions, please. First, just sort of coming back to the acquisition budget and the EUR 10 billion to 2025. Can you just talk about how sensitive that is to your reasonably constructive view on medium-term operators? I think you talked about sort of 70 to 80 longer term if we see weaker oil prices. On a medium-term basis, how you think about adjusting that framework accordingly? And with that in mind, what do you then think about organic CapEx and the range in terms of EUR 2 billion to EUR 2.5 billion? What the sort of the key levers of flexibility are within that range on a medium-term basis? And then, second, if you could just talk about, on the Upstream side, the growth angle around Asia-Pac in particular and sort of leveraging the position in New Zealand granted? But then sort of beyond that, where specifically do you think OMV can add value within the Upstream value chain in Asia-Pac?

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

Well, Matt, of course, the acquisition budget is also sensitive to the oil price. But as we are driving OMV with a portfolio, that the sensitivity of the oil price is getting less and less. Just remember my chart I have presented to you with the stability of the company, we have reached now with the internal hatch of Upstream and Downstream. So we should not only look to the oil price. I think it's more a question of the cash we are generating in the business here. And if we have, let's say, a very challenging tough environment, we might take a break in our acquisition strategy. So then that's why we have said over that time frame until 2025, we are going to have a EUR 10 billion plan for acquisitions, but it's of course, depending then on, first of all, how is the financial situation of the company; and secondly, what kind of opportunities are popping up in the market. Yes? We don't want to be now in a hurry to go for a [shopping tool]. We are just waiting for the right opportunities in the market. And I think the M&A window is still open for us, and that's why I think we are going to be very active. As you speak about the spreads in the CapEx spending, EUR 2 billion to EUR 2.5 billion, well, you're absolutely right. It's a little bit depending what kind of acquisition projects are coming in with which is CapEx commitment. We don't know. That's why we do have a range. Yes? We do have a preference not to acquire development project in the first instance, so we don't want to be too heavily driven in CapEx spending. We just like -- as Reinhard has said, we like the cash flow we are going to acquire, so that we [don't] -- have an early repayment of the capital we are spending. And I think you can talk on New Zealand.

Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

Second question regarding New Zealand and growth in the Australasia region. So we have a strong position in New Zealand since more than 20 years. New Zealand is one of our strongest cash generator. So we have a strong exploration portfolio as well in New Zealand, so you will see some organic growth coming from this region in the future. That's what we are expecting. What we are doing right now, we are looking for growth opportunities, building on these strengths, which I mentioned before, growing the business in New Zealand, either via organic growth, but also maybe via acquisitions. There are some opportunities there as well. And what we are looking right now is in the wider area, meaning in the neighboring countries, down at Southeast Asia, for growth opportunities. What I can't tell you right now is which countries we are targeting right now. Is this is a part of the screening what we are doing right now? I can tell you maybe more at the end of the year once we have finished the screening. And what we said as a target, we want to develop New Zealand and Australasia into a core region in the next 2 to 5 years.

Florian Greger

Okay. Next, Mehdi, Table 11.

Mehdi Ennebati - Societe Generale Cross Asset Research - Equity Analyst

Mehdi Ennebati, Société Générale. Thanks for the presentation. So 2 questions. First one, on the M&A. So you are targeting a minimum ROACE of 12% on your, let's say, M&A targets, while in 2017 you've got a ROACE of 14%. So it looks like the value creation from the M&A, doesn't appear as something really important? Wouldn't be really important? So in that case, why don't you provide back -- why don't you provide the cash diluted to the shareholders by increasing the dividend much more, rather than doing acquisitions with a ROACE of 12%? So that's the first question. Second question is just regarding the timing. I just would like to come back to the timing of the Capital Markets Day. So first, it was scheduled in September, then it has been postponed to March, and that coincided with the expiring of the ADMA-OPCO concession. So some of the people here were expecting maybe some announcement in -- with Abu Dhabi. Nothing happened, whereas some other companies already announced some acquisitions through ADMA-OPCO. So a very simple question. Is there any chance that you enter into this concession in the short term?

Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

Yes. Let me come back to your first question regarding whether the target of 12% ROACE is adequate in an M&A strategy. I have to say this is, also among the industry, a very ambitious target if you go on a growth strategy, because of course, you get first the capital employed on your balance sheet and the returns come over time that you have in these acquisitions. So the acquisitions, as such, will build up the value over time, first of all, with the depreciation of the capital employed, and secondly, with the increase of the return. We think in the combination of the assets that we have today and the ability to display a quite significant positive impact, this is an ambitious target. And the ability to display that on a long-term

perspective is something that probably is quite superior to paying out immediately to the shareholder because it's a return rate that you currently cannot very easily achieve in the markets. So there is value growth opportunities in the company, which we would want to share with our shareholders by investing for the company.

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

Mehdi, the shift of the Capital Markets Day has nothing to do with Abu Dhabi. Yes? Originally, in September last year, we have planned to go for a Capital Markets Day on Downstream. This was the original idea, but then we found out that the execution of our strategy was so quick that we had to start a process of elaborating, working on a new strategy. And the approval process in OMV took some time to get also the green light from our Supervisory Board. That was the main reason why we have shifted the Capital Markets Day to March this year because we changed the topic -- the main topic of the agenda, because -- and we wanted to present the next chapter of the strategy. That was the reason why we have shifted the Capital Markets Day. Coming to the point, what's going on in Abu Dhabi? Well, I don't -- what's straightforward, OMV do have an interest to cooperate on an integrated basis with ADNOC. We have signed in May last year already a memorandum of understanding, so we would like to be a partner of ADNOC along the value chain. So far, so good. As we are sitting together and discussing it, so far, we haven't reached a certain point that we can say anything about our negotiations and whether or not this will kick in. But I have to ask your patience, maybe something will come in the future. The strategy we have presented to you is not a strategy from today. It's a strategy for the next years to come. And if we are going to realize the strong growth in production, it has to come from somewhere. The interest is still there that we would like to have an intensive cooperation with ADNOC. But at this point of time, we can't really say something firm to you.

Florian Greger

So we take one more question over on this side, Table 12B, Yuriy Kukhtanych, and then we move to this side.

Yuriy Kukhtanych - Deutsche Bank AG, Research Division - Research Associate

Yuriy Kukhtanych, Deutsche Bank. I have a question regarding the Nord Stream 2 project. If we assume that this project continues to advance, my understanding here is that it is very likely that it will fall under the third energy package regulations. And it is also likely that it will be classified as a transmission pipeline. And that brings some -- brings up some questions in my head. And the first one is, your Achimov swap deal in any way dependent on the legal status of the Nord Stream 2 project? That will be the first question. The second question is, is there a legal way to have a Nord Stream 2 classified as a transmission pipeline on one side, have an ownership in that project on the other side, and be a supplier of gas to the pipeline at the same time? So the unbundling clause, whether it is applicable to OMV. And the third question I have is, if OMV does not have a chance or does not become a shareholder in the Nord Stream 2, what is your economic interest in financing that project?

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

All right. First of all, I think I disagree that Nord Stream 2 pipeline will fall under the third energy package. If we look what has been published by the legal service in Brussels, it's a totally different question. I think the main question is whether or not the EU Commission is successful to change the energy package just to bring also a Nord Stream 2 pipeline under regulation. But let's assume it's going to happen, then the pipeline was going to be regulated, then I will get also my return for the money I have spent into the project. So this is just in case. But the probability, from my point of view, I think, the legal service provider does a clear answer on that. Is there a dependency between the Nord Stream 2 project and Achimov IV/V? Not at all. So it's not at all. So there, we have independently not Achimov IV/V in our pipeline. And your third question, can we supply gas into the pipeline in case it's going to be unbundled? We are not supplying gas into the pipeline on Russian territory. We do have an agreement with Gazprom in place that we are going to sell our gas at the wellhead, and we are not shipping gas, and we don't have the transit and export risk with our production we have in Russia with Yuzhno Russkoye, for example. So Manfred, maybe you want to add something on Nord Stream?



Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

Yes. I mean, coming to your last one, we have not been a shareholder of Nord Stream 2, and we will not be shareholder of Nord Stream 2. We are financing the project as the other 4 European companies, as you know. Why are we doing that? First of all, we are pretty satisfied with the return of the project. And on top of that, as you have seen in the presentations, what we believe is that the pipeline will be necessary to bring the gas to Europe in order to fill this import gap that is building up. And therefore, we see a certain support for our gas sales activities and as well as the Baumgarten hub, which is very important for Austria and for us.

Florian Greger

Okay. So we go to this side, Table 14B, Michael Alsford. Then Table 26A, Henri Patricot.

Michael J Alsford - Citigroup Inc, Research Division - Director

It's Michael Alsford, from Citi. So a couple of questions from me. I think, firstly, on one of your slides, I think it was Slide 16, you talked about operating profit, sort of rising to over EUR 4 billion in 2020. I just wanted to get a sense as to how much of that was kind of the existing portfolio and how much you expect that will be, relating to acquisitions, of that EUR 4 billion? And then, secondly, sorry to throw it back on acquisitions and the strategy there. But you clearly outlined -- you showed today how your strategy makes sense, but you're clearly not the only ones that want to sort of develop into sort of growth areas in Asia and other parts of the world. So I was just wondering, can you give a sense -- to deploy EUR 10 billion is a big sum of money? I was just wondering what your pipeline is, in terms of how big an opportunity set do you see today to get a sense as to sort of the potential to deliver that EUR 10 billion of investment, but equally to deliver the returns that you've targeted as well?

Florian Greger

Reinhard, (inaudible).

Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

Regarding the EUR 4 billion, the stance is that there would be an impact of M&A, but it would be clearly the smaller part of the increase. Why? Because this would, in the first instance, have the unfolding of the acquisitions that we have taken already in 2017. So when we see already Yuzhno Russkoye contributing significantly, when we're seeing also the Libyan assets to contribute to that, and also have the Romanian, Norwegian assets contributing to that. So of course, there will be -- if there is timely M&A activities, there will be also a part contributing to that, but by far, the smaller part in that.

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

Well, Michael, we have 8 years, yes? 8 years for spending EUR 10 billion, yes? Right now, we do have a very attractive pipeline, some projects in the pipeline. If I look back, the track record we have shown in the last 2 years in realizing the pipeline, okay, then there is something to come. Where -- whether -- when it is coming? I don't know, yes? But we are now working on our acquisition projects we do have in the pipe. We have started this year not with an acquisition, with a divestment. So I would like to -- pay us your attention, that we continue to further upgrading our portfolio. So we have divested our Upstream activities in Pakistan. But I don't open the window today for you to look into the pipe, yes? I try to make that a smooth diplomatic answer. But straightforward, I think you have to wait and see. But we do have attractive projects in the pipeline of -- to make acquisitions.

Florian Greger

Okay. Next table 26A, Henri Patricot.



Henri Jerome Dieudonne Marie Patricot - UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst

Yes. Henri Patricot from UBS. 2 questions on the Downstream from me. The first one, you mentioned investments of EUR 1 billion on your existing refineries. So I'd like to have a bit more detail in terms of what units you're investing in, and what the timing is in terms of start up. And secondly, to follow-up on previous questions on M&A. The EUR 5 billion acquisitions in Downstream. Are you considering investing in [distinct] refineries or greenfield projects? And do these refineries need to have petchems with them or retail operations? Or would you do a stand-alone refinery?

Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

Yes. First of all, the investments on the 2025 in our existing 2 -- 3 refineries. What we are focusing on is -- and I've mentioned that to increase our production in petrochemicals. So very specifically, to increase the capacity of our steam crackers. This is the main focus. Obviously, we need to have customers for the higher production then. And we are well aware that in Burghausen, this is, I think, in a pretty advanced stage already. We are evaluating the same too in Schwechat refinery, of course. There, we need Borealis, and we are reevaluating an increase in the production capacity there. And we have some projects as well in the Petrobrazil refinery in Romania. This is going more into the aromatics production. For instance, we can produce more propylene there, bring it then potentially to our sites in the Western European countries to Borealis to produce out of that then polypropylene. So there are projects on the table. We have not taken FID on those, but I think we will do that within the next 2 to 3 years. Burghausen if -- and I mentioned that I think if this is going into operation, usually what we are doing is you use a turnaround to invest in those units that you don't have to stop the refining operations, especially for the investment, and this will be in 2021. The next turnaround in Schwechat will be in -- big turnaround, will be in 2024. I do not 100% expect that we will already then invest, but then it will take most probably even 2025, 2026 for Schwechat. In the projects that are materializing in Petrobras, some of them are already in the investing phase, but 2 or 3 others will come in the next 2, 3 years.

Florian Greger

Okay. And so we move over to this side.

Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

I think there was a second question.

Florian Greger

Sorry.

Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

The second question was -- and what can I tell you? If you give me a menu, and I could choose, what I would do is I would go into an existing refinery with potential petrochemical integration, with the potential to even further go into the petrochemical production capacity. So this would be our wish. But whether this is realizable, this is difficult to say. Of course, this would exactly be where we could really bring in our know-how that we have built up in Europe, and that's, I think, the biggest value we can bring to the table here.

Florian Greger

Absolutely. Okay, now, let's come back to this side. Next question, Table 22A, Marc Kofler. Then Table 11A, Josh Stone.

Marc B. Kofler - *Jefferies LLC, Research Division - Equity Analyst*

It's Marc Kofler from Jefferies. I also wanted to ask one Upstream question and one Downstream, please. So on the Upstream, could you talk a bit more about potential FIDs in the next 12 to 18 months? And particularly, any incremental color around Domino? And how you're thinking about that at the moment? And then just secondly on the Downstream. I think this morning, you talked about moving up to 10% market share in Germany, in terms of the gas market there. Can you put that into context of where you are today and some of the critical elements to achieving that 10%?

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

Yes. I'll take the first question. So what I have presented it so Aasta Hansteen will come onstream end of this year; Nawara, mid of next year. FID for Neptun will be taken second half of this year, expecting first production 2020 plus. And the next big project is then Wisting, where we will take FID until 2020.

Rainer Seele - *OMV Aktiengesellschaft - Chairman of Executive Board & CEO*

To the Downstream, this 10% is obviously an ambitious target because it's a very competitive market. I think the 3 main contributors would be from -- and all of them coming from the supply side. I mean, first of all, it will increase our equity cash production in Europe. This will be one source. What we are aiming to do, and we're in discussions on increasing third-party supply, I do not have to mention the company. Maybe you can have it -- actually try to understand that we are increasing where we have already a lot of volumes coming there. And this is something which we have to see in connection with Nord Stream 2 as well. That's not our equity gas there, but this gas will come to Europe. And obviously, out of the corporation, and tell you now that with Gazprom, we will believe -- we'll be leading to increasing the supply volumes from them as well. And there is a third one, which is significant, but will not be, I think, the majority of the contribution, that is we're having already signed some LNGs and import contracts as well that will be coming in Rotterdam through our gate terminal.

Florian Greger

You need the mic.

Marc B. Kofler - *Jefferies LLC, Research Division - Equity Analyst*

Sorry, just on Neptun, just the critical elements to FID in the back half of this year?

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

The project is progressing very well, so there is no critical element from a technical perspective on Neptun right now.

Rainer Seele - *OMV Aktiengesellschaft - Chairman of Executive Board & CEO*

The critical elements are on the infrastructure, to sell the gas, to bring the gas into the market. So I mean the project, I think, is on the Upstream end, well under control. But obviously, we will just only take FID once we are having a certain assurance that we will bring the gas economically into target markets.

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

And on the financial side, it's, of course, important to have a stable and clear offshore taxation in Romania.

Florian Greger

Okay. Now let's come to Table 11A, Josh Stone.

Joshua Eliot Dweck Stone - *Barclays Bank PLC, Research Division - Analyst*

It's Josh Stone from Barclays. 2 questions, please. Firstly, on the dividend. You talked about increasing in line with the group's financial performance and in the press release mentioned both free cash flow and earnings or net income, I should say. Is there a particular weighting between either of those 2 metrics? And in a scenario that, say, earnings or free cash flow was stable, but actually, the medium-term outlook was still very positive, would you still be willing to increase dividends? And then secondly, on renewables. There's been an absence of a mention of renewables in the release. What would it take -- firstly, why is that? And secondly, what would it take for you to change your mind on renewables and perhaps allocate more capital to that place before 2025?

Rainer Seele - *OMV Aktiengesellschaft - Chairman of Executive Board & CEO*

To your first question, on the dividend scenarios. First of all, if we mentioned that it is in line with financial performance, and we mentioned that it's specifically free cash flow and net earnings, I wouldn't go so far to say that we have a clear prioritization. It is very much to say if we are stable in our development and according to the plans, then there is nothing that can speak against the full execution on the progressive dividend policy. And if you were putting that scenario to say, what if, if you are just stable and -- but there is good prospect? I would give you the example of 2016. In 2016, the oil price was the lowest ever with \$44, and still we increased from EUR 1 to EUR 1.20, because we already saw the turnaround of the company. We saw already that the strength of the cash flow profile of the company was turning around. So I would always see that the strength that we can build by the portfolio and the resilience that we can build, will be a trigger to say, yes, we can execute on the prospect of the dividend policy.

Manfred Leitner - *OMV Aktiengesellschaft - Member of Executive Board*

Josh, on renewables, that's my favorite topic, to be honest. Well, a clear answer, we are not a power company, and we stick to our roots. I have one power plant for you. If you like to have it, I can give it to you for a good price in Turkey. So we are not -- it's not in our DNA that OMV is good in electricity. That's what our track record is. And the second point, others do have a main interest to invest into renewables. Let them do the job. And the third is, I have also limited budgets. I can't do anything or everything, so therefore, I need a lot of cash to drive the growth in my existing business. When it comes to the point of -- that we have to contribute to reach our climate targets, I think you can read it in our strategy that we are moving more towards gas. And I think that, especially in the short and midterm, the contribution we can get, especially from moving into natural gas, it's great. As far as we speak about power, I think we have an engagement in SMATRICS. It's a small business, but we prepare ourselves for e-mobility that we are investing into the infrastructure to provide fast e-charging system for people who are buying the e-cars. That's our contribution. But we will not change OMV into a power company. No, no way. Nothing can change my mind. That's our strategy.

Florian Greger

Okay. And we take one more question on this side, Table 35A, Christopher Kuplent.

Christopher Kuplent - *BofA Merrill Lynch, Research Division - Head of European Energy Equity Research*

Chris Kuplent from Bank of America. I've got 2 financial questions. Rainer, you made a very good point at the start saying the oil price volatility is not very visible in your earnings, but I'm going to have to ask you anyway because you were referring to a \$25 breakeven. What is the sensitivity? It's a terribly academic question. But what is the sensitivity, famous words, all other things being equal, if we were to assume \$10 more or less in oil prices?



Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

Did you say Rainer or Reinhard?

Christopher Kuplent - BofA Merrill Lynch, Research Division - Head of European Energy Equity Research

Rainer.

Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

I'll answer anyway, I have heard Reinhard.

Christopher Kuplent - BofA Merrill Lynch, Research Division - Head of European Energy Equity Research

If you like, Reinhard, I've got a question for you as well. And that would be, again, trying to be not too simplistic, but this is a simple mind speaking. 12% return on capital employed. As I understand it, that is measured on a post tax basis, so if you can confirm that. And would you terribly mind if I just said EUR 10 billion spent on acquisitions by 2025, EUR 1.2 billion post tax return? I know there is project financing, et cetera, [frankly] ways for you boosting that return further, but would that be terribly wrong?

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

Yes. Maybe coming to your first question about the oil price volatility. We have been giving these kind of volatilities, and we have been updating that. So if you take USD 1 up and down, so that would have an impact on our operating result of some EUR 45 million. And if you take it from the cash flow perspective, so in the after-tax, that would be about EUR 30 million. So if you multiply it by \$10, if you wanted to have the sensitivity for \$10, then it's EUR 450 million, respectively, EUR 300 million. On your second question, can you remind me what was the second question?

Unidentified Company Representative

[EUR 10 billion] spent on acquisitions, what percentage was...

Reinhard Florey - OMV Aktiengesellschaft - CFO and Member of Executive Board

Yes. Let me put it like that. The 12% is always for the full portfolio, and what we are adding is the EUR 10 billion. In principle, of course, you're right. But first of all, all acquisitions have to be accretive for the company, and then they have to contribute that we would keep the long-term target of the 12%. But of course, we do not take out of our consideration the asset base that we have today and the return that we get on the asset base that we have today. So that's an all-in number. But if you were to just dissect it, of course, you wouldn't be wrong, but that's not what we are saying, yes.

Florian Greger

Okay. Now we move over again here. So let's come to Table 1B, Tamas Pletser, and then table 8A, Tristan de Jerphanion.

Tamas Pletser - *Erste Group Bank AG, Research Division - Oil and Gas Analyst*

Yes. Tamas Pletser from Erste Bank. I got 2 questions. First of all, how do you plan to finance this project, especially in relation to your hybrid bonds which will expire? So what will you do with the hybrid bonds? Will you refinance it? And how would you generally finance any acquisitions if something would come to the picture? And my second question would be regarding your Neptun project. There were some conflicts in the summer, which I read about, the BRUA pipeline and where the pipeline would end. So would you go for this project if your captive gas would be distributed by the Hungarian [FGSZ] and would not go to Baumgarten? So somehow, you're integrated model would be breached by this in my view. So would you go for this project? Would it be a kind of an obstacle for you?

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

On your first question regarding financing and what role do hybrid bonds play into that. First of all, we do not guide on our behavior with the hybrid bonds. This is something that, of course, we keep ourselves open and see what opportunities are in the market. But we have shown that hybrids is a part of our financing strategy, but we have also shown that the market is wide open for us for corporate bonds. We had a huge demand on the corporate bond in December that we gave to the market. So we are actually not worried about the financing opportunities. We also have a very strong banking community with which we are cooperating. And we have undrawn credit facilities, we have cash at hand. So at the moment, I would say this is more of a mid- and longer-term issue than a short-term issue where we would be very positively and very strongly positioned in our financing activities.

Rainer Seele - *OMV Aktiengesellschaft - Chairman of Executive Board & CEO*

Answering your second question, we do not have anything against Hungary. I mean if we can sell the gas at an acceptable price in Hungary, then we sell it in Hungary. It's not where the gas would be landing, we would prefer to have it in Baumgarten. But if this is something which is not implementable, then obviously, we will find ways in Hungary, we'll find customers, credit-worthy customers, and will actually just look for a stable volume, a stable price and customers that are reliable. That's it.

Tristan de Jerphanion - *Kepler Cheuvreux, Research Division - Oil and Gas Equity Analyst*

This is Tristan de Jerphanion, Kepler Cheuvreux. Two questions, please. The first one is if we could come back on Achimov and the much awaited closing of the asset swap. At the time of the announcement, the economic effective date of the transaction was set at January 1, 2017. So with a closing at the end of 2018, that would be 2 years during which OMV Norge generated solid cash flow, while at the same time, CapEx was incurred on Achimov. So therefore, upon closing, if I'm not mistaken, that means that there should be some sort of balancing out to the benefit of Gazprom. I was just wondering whether you could give us some colors on that, how it may affect OMV's cash flow for both of these points and how they will materialize into your accounts. That is the first question. The second question is looking at CapEx, the EUR 2 billion to EUR 2.5 billion on average over the period. So obviously, this is organic in the sense that it does not include cash outflow for acquisition, but it does include, as you said, future CapEx for newly included assets. My question is, on a like-for-like basis, so taking your portfolio as it stands today, how – what would be a fair assumption of organic's CapEx going forward?

Rainer Seele - *OMV Aktiengesellschaft - Chairman of Executive Board & CEO*

Reinhard, (foreign language).

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

Regarding Achimov, nothing has changed in what we have seen as the boundary conditions regarding the asset swap in Achimov. However, the deal is not concluded yet, so therefore, it's very, very difficult to say what is an exact impact of something like that. But an effective date, 1st January



2017 would have exactly the impact that you would have anticipated that there is some of a balancing payment that would be done towards Gazprom.

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

Well, it's a little bit difficult to give you a guidance on the CapEx numbers because I don't know what kind of future projects are coming in with numbers on the CapEx side. The only guideline I can give you a little bit is that, without the acquisitions, we do have now a CapEx spending level which is between EUR 1.7 billion and EUR 1.9 billion. This is the number for 2017 and 2019. Can you really extend it into the future? I think it's just an orientation, but it's not a confirmation from my side, because I don't know what is really the number of the new projects. Okay?

Florian Greger

And further questions?

Rainer Seele - OMV Aktiengesellschaft - Chairman of Executive Board & CEO

You want lunch? Yes? Just say it, just say, I want lunch.

Florian Greger

1, 2, 3. Let's go to Table 1A, Jonathan Lamb.

Jonathan David Lamb - Wood & Company Financial Services, a.s., Research Division - Equity Analyst

Jonathan Lamb, Wood & Company. I was wondering about the organic CapEx in the Downstream business. You talked a little bit about expanding cracker capacity and things. But there is also a mention of eliminating residual fuel oil.

Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

Yes.

Jonathan David Lamb - Wood & Company Financial Services, a.s., Research Division - Equity Analyst

And you didn't go into that at all. What are you thinking of doing and where? And such investments are normally quite big, so...

Manfred Leitner - OMV Aktiengesellschaft - Member of Executive Board

It will not be that big in our case. What we are having is -- you know that the IMO regulation will come into place. And for instance, just to give you an indication, on Petrobras, we are having domestic routes that are having such a low sulfur content, that we will not do anything there. It will just be an upgrade of our heavy fuel oil that we will then sell as maritime fuel. In the western part, we do not produce a lot of heavy fuel oil anymore. We are running a power plant, which we could use as a conversion, if you want, because, actually, this is something which we can fall back to it. And most probably, to be honest, currently, we plan only to do that after 2021, 2022, because it is very difficult, in my opinion, to really see the impact of this IMO regulation. There is currently, obviously, you have to go below 0.5 sulfur content, but there is no penalty on it. So there is, obviously, difficult to believe that the whole industry will change on the 1st of January. And this is the reason why we believe to be much more -- we stay flexible in really doing the right investment at the right point in time. It will not be a very huge investment in the western refineries.

Florian Greger

Okay. There's a further question here on Table 2B, Oleg Galbur.

Oleg Galbur - *Raiffeisen CENTROBANK AG, Research Division - Financial Analyst*

Oleg Galbur, Raiffeisen. I have a follow-up question on Neptun. It looks like this is one of your key projects that is included already in the target -- in the production target in the Upstream. It's 600,000 barrels, with according to my calculations, some 40,000 boe per day contribution. At the same time, you didn't mention what level of CapEx would you expect, and if this CapEx is already included in your CapEx guidance. Could you please share this data?

Manfred Leitner - *OMV Aktiengesellschaft - Member of Executive Board*

So I will take it. So regarding production, what we're expecting, we have announced already, we are assuming 1.5 to 3 tcf. That's the total volume what we can produce. Transferring into boe per day, this is something between 50,000 and 70,000 boe per day, [when these] share. Regarding CapEx, CapEx, we are still working on it, so the FEED, front-end engineering and design, has been completed, but some detailed engineering is still ongoing, so we will announce how much we will spend once we are taking FID, which will be in the second half of this year.

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

But it's included in our budget.

Manfred Leitner - *OMV Aktiengesellschaft - Member of Executive Board*

It's included in the budget.

Reinhard Florey - *OMV Aktiengesellschaft - CFO and Member of Executive Board*

So we know the number, so it's in the budget.

Florian Greger

Good. Are there any further questions? Okay. Then if this is not the case, ladies and gentlemen, this brings us to the end of our Capital Markets Day. I'd like to thank our members of the executive board for their presentations on the new strategy. And I also like to thank all our guests for attending and participating in the discussion. I'd also like to thank all participants that followed us via the web. And the presentation as well as the replay of the webcast, will be posted on our website later this afternoon. And if you have further questions, the IR team is very happy to help you. And with this, we invite all the participants here in London to the reception outside. Thank you very much.

Rainer Seele - *OMV Aktiengesellschaft - Chairman of Executive Board & CEO*

Thanks a lot.

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