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## PRESENTATION

### Operator

Welcome to the OMV Group Conference Call. (Operator Instructions) You should have received a presentation by e-mail. However, if you don't have a copy of the presentation, the slides and the speech can be downloaded at [www.omv.com](http://www.omv.com). Simultaneously to this call, a live audio webcast is available on OMV's website.

At this time, I would like to refer you to the disclaimer, which includes our position on forward-looking statements.

These forward-looking statements are based on beliefs, estimates and assumptions currently held by and information currently available to OMV. By their nature, forward-looking statements are subject to risks and uncertainties that will or may occur in the future and are outside the control of OMV. Therefore, recipients are cautioned not to place undue reliance on these forward-looking statements. OMV disclaims any obligation and does not intend to update these forward-looking statements to reflect actual results, revised assumptions and expectations and future development and events. This presentation does not contain any recommendation or invitation to buy or sell securities in OMV.

I would now like to hand the conference over to Mr. Florian Greger, Head of Investor Relations. Please go ahead, Mr. Greger.

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**Florian Greger** - *OMV Aktiengesellschaft - VP & Head of IR*

Thank you, Emilia. Good morning, ladies and gentlemen, and welcome to OMV's earnings call for the third quarter of 2018. With me on the call are Rainer Seele, OMV's Chairman and CEO; and Reinhard Florey, our CFO. Rainer Seele will walk you through the highlights of the quarter and will discuss OMV's financial performance. Following his presentation, both gentlemen are available to answer your question.

And with this, I will hand it over to Rainer.



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

Yes, thanks. Good morning, ladies and gentlemen, and thank you for joining us. In the third quarter, we continued to deliver on our strategy. After a strong first half, OMV was again able to achieve a very strong operational performance, driving results into cash generation.

Before coming to our business development, let me briefly review the economic environment. In the third quarter 2018, Brent averaged \$75 a barrel. This was 44% higher than the average during the same period in 2017. The oil price strengthened predominantly due to strong demand growth, lower Iran exports ahead of the expected secondary oil sanctions and concerns about supply disruptions in a tightening market.

Gas prices showed a strong upturn of 50% compared to the third quarter 2017. In contrast to the typical seasonal pattern, European gas prices went up during the summer months. The increase was supported by surging CO2 prices as well as the need to replenish storage levels following exceptionally cold weather in February and March of this year.

In addition to the high gas demand in Asia drove gas prices, limiting the availability of LNG cargoes for the European gas market. At \$5.7 per barrel, the OMV indicator refining margin remained at a healthy level despite the high oil price environment. Compared to the previous year's quarter, however, refining margins were down by 19%.

In the third quarter 2017, refining margins were exceptionally high due to the unplanned refinery shutdown and a series of hurricanes in the United States, most notably Harvey. The ethylene and propylene net margin was basically flat compared to the previous year's quarter.

Let me now briefly point out the highlights of the third quarter of 2018.

OMV delivered a clean CCS operating result of more than EUR 1 billion. Ladies and gentlemen, this is a record in a decade. The last time we achieved a result of a similar magnitude was in \$120 oil price environment back in 2008. Our cash generation remained also at a high level. OMV delivered an operating cash flow of almost EUR 1 billion despite significant negative net working capital effect. As a result, we reached an almost neutral free cash flow after dividends in the first 9 months this year, and this despite the major acquisitions in Abu Dhabi and the record dividend paid in June.

These impressive figures were driven by our strong operation. In Downstream, we run our refineries at a very high utilization rate of 98%. Our refining margins stayed healthy despite the continued high oil prices. In Upstream, we decreased our production costs for the first time to a level of below \$7 per barrel.

Last but not least, we continued to deliver on our strategy. We further streamlined our portfolio and successfully closed the divestment of the Samsun power plant in Turkey. At the same time, we achieved major milestones in Upstream.

In September, we entered into a Heads of Agreement with the Malaysian company Sapura Energy to form a strategic partnership. The intended acquisition of 50% stake in Sapura Energy's wholly-owned Upstream subsidiary is a major step towards developing OMV's activities in Southeast Asia.

In October, we signed a Basic Sale Agreement with Gazprom for potential acquisition of roughly 25% stake in Achimov 4 and 5 in Siberia. A new agreement of a cash transaction replaces the previously intended asset swap. The signing of the final transaction documents is expected in the beginning of next year.

At our Capital Markets Day this March, we announced to reach a production of 500,000 barrels per day by 2020. I am delighted to announce that this target will already be within reach by the end of this year. This success is driven by both the acquisitions in New Zealand and Abu Dhabi, as well as the upcoming startup of Aasta Hansteen in Norway.

Both fields in Abu Dhabi started production already in third quarter, and we expect a production rate of 25,000 barrels per day by the end of this year. In addition, Aasta Hansteen will support OMV's production by roughly 20,000 barrels per day. The acquisition of Shell's upstream asset in New Zealand will add another 30,000 barrels per day.

The higher production does not come at the expense of our future. Over the next 5 years, we expect to maintain a reserve replacement ratio of above 100%.

We not only have higher production but also a more balanced portfolio. In 2015, more than 2 out of 3 barrels were produced in the region Central Eastern Europe while the expected 500,000 barrels rate will be based 5 strong core areas. We have also improved our portfolio in terms of costs. For 2018, we expect average production cost of \$7.2 per barrel.

Thanks to our strong partnership approach, we were able to enter into fields that combine low-cost production with strong cash flow. OMV is repositioning its value proposition in terms of cash generation, cost structure and financial resilience. And, ladies and gentlemen, this is not the end of our journey. The intended acquisitions in Malaysia and Russia provides the base for further growth in earnings and cash generation in our Upstream segment.

Let's now turn to our financial performance in the third quarter of 2018. The Clean CCS operating result increased to EUR 1,050,000,000 from EUR 804 million in the third quarter of last year. Both business segments contributed with their strong operation to this excellent result. Just to remind you, the prior year's quarter included a positive onetime effect of EUR 90 million regarding the Pearl settlement in the Kurdistan region of Iraq. Including this onetime item, the Clean CCS operating results has increased by almost 50%.

As guided in August, the hedging impact was halved to EUR 59 million compared to the previous year quarter. This includes both oil and gas hedges with the majority coming from oil. OMV's hedging strategy aims to secure the company's financial resilience by establishing a downside protection against lower prices and thus ensures cash flows for our growth strategy. In fourth quarter, our hedging position for both oil and gas is unchanged compared to the third quarter.

The clean tax rate was 38% compared to 19% in the previous year quarter, mainly driven by an increased contribution from the higher taxed Upstream countries in a higher oil price environment. In the third quarter '17, the clean tax rate was positively influenced by the onetime effect related to the already mentioned Pearl settlement, which was consolidated at equity as after-tax result.

In third quarter 2018, Clean CCS net income attributable to stockholders slightly decreased to EUR 455 million due to the higher tax rate. Excluding the onetime effect related to Pearl, the Clean CCS net income attributable to stockholders has increased by almost 20% compared to the previous year's quarter. Clean CCS earnings per share amounted to EUR 1.39 in third quarter 2018.

Let me now come to the performance of our 2 business segments. Upstream experienced a strong quarter, driven by higher prices and an improved operational performance due to lower cost and changes in the portfolio. The Upstream clean operating result substantially increased to EUR 554 million compared to EUR 300 million in the third quarter 2017.

Market effects had a positive impact of EUR 216 million compared to third quarter '17. OMV's realized oil price rose by 43%, while the realized gas price was down by 11% following the inclusion of Yuzhno Russkoye in our portfolio. This is due to the pricing formula for Yuzhno Russkoye, where 50% of the volumes are sold at Russian prices, which are lower than European gas prices. The other half is sold at European gas prices with the time lag effect of 2 months. Therefore, the recent upward movement in the third -- in the European gas market has not been fully reflected yet in our realized prices of third quarter, so you will see that running into our realized gas prices in the fourth quarter.

Compared to the same quarter last year, the improvement in our operations and portfolio had a positive impact of EUR 108 million. Hydrocarbon production went up by 65,000 barrels, reaching a level of 406,000 barrels per day. Yuzhno Russkoye contributed 89,000 barrels, which is slightly less than in the first half of 2018, mainly due to the planned annual maintenance work in the third quarter. Production in Romania and Austria decreased compared to the third quarter '17 due to the natural decline, while the production in Norway was lower due to maintenance activity. We were able to reduce our production cost by more than 20% to \$6.8 per barrel on the back of our cost-reduction program and our excess portfolio management.



OMV's Downstream Oil result came in at EUR 458 million, slightly higher than in the previous year's quarter. Despite the continued high oil price environment, OMV's refining indicator margins averaged at a healthy level of \$5.7 per barrel. However, refining margins came down by almost 20% compared to the exceptionally high level of \$7 per barrel last year.

The decrease was more than offset by the strong operational performance of our Downstream operation, mainly driven by the very high utilization rate of our refineries as well as the good margin development in our retail business. The petrochemicals results decreased from EUR 84 million to EUR 74 million. Borealis contributed EUR 101 million compared to EUR 98 million in the third quarter of last year.

The Clean CCS operating result in Downstream Gas declined to EUR 26 million from the very high result of EUR 60 million last year, which included higher insurance revenues related to the Brazi power plant in Romania. The decrease was also attributable to a lower power result, temporary net of its storage valuation effect and a lower contribution from Gas Connect Austria. Natural gas sales volume slightly declined mainly driven by Romania and Turkey, partly offset by higher sales in Germany.

Let's now continue with cash flow. In the first 9 months of the year, cash flow from operating activities increased to EUR 3.3 billion, an increase of more than 20% compared to the last year period. The third quarter contributed was EUR 970 million, despite negative net working capital effect of EUR 272 million.

The operating cash flow includes a dividend payment from Borealis, up EUR 108 million. This year, Borealis decided to pay interim dividend starting with the fiscal year 2018. Thus, from now on, OMV will receive dividends twice a year. The remaining dividend for the fiscal year 2018 will come in the first half of 2019.

Organic investments amounted to EUR 1.4 billion. The cash flow for inorganic investment came in at EUR 1.5 billion, mainly reflecting the acquisition in Abu Dhabi. Drawdowns under the financing agreement for the Nord Stream 2 pipeline project added up at EUR 207 million.

The organic cash flow after dividends rose by almost 20% to EUR 1.2 billion compared to the same period last year. As a result, we reached an almost neutral free cash flow after dividends despite the acquisition in Abu Dhabi and direct the record dividends we pay. For the full year of 2018, we are striving for a positive free cash flow after dividends, including the expected closing of the New Zealand acquisition.

OMV's balance sheet remained very healthy and showed strong liquidity with a cash position of the EUR 3.4 billion. At the end of the quarter, net debt amounted to EUR 2.3 billion. The gearing ratio stood at 16%, comfortably below the long-term target of equal or below 30%.

Let me conclude now with the updated outlook. Over the last month, we have seen a substantial increase in oil prices with Brent peeking above \$85 per barrel. Based on this, we have updated the oil price forecast to \$74 for the full year 2018. In addition, given the high prices in the European gas market, we now expect gas prices to be considerably higher than in 2017. As a result, we now anticipate the clean tax rate for 2018 to be in the high 30s.

For the full year, we continue to expect production to average above 420,000 barrels per day. OMV's production in the fourth quarter is expected to be strong, slightly higher than the first quarter of this year. This will be driven by the production of the 2 fields in Abu Dhabi and of Aasta Hansteen in the Norway.

Compared to the first quarter of 2018, the production volumes will be partly offset by the divestment of the Pakistan upstream business. The acquisition in New Zealand is expected to be closed at the end of December 2018. Organic CapEx is expected to come in at EUR 1.9 billion, including the CapEx requirement stemming from the project development in Abu Dhabi.

Before coming to your questions, I would like to give you an update on Neptun in Romania. The Romanian Offshore Law was approved by the Chamber of Deputies and awaits promulgation by the Romanian President. We are currently assessing the impact on our offshore operations and investment decisions. Given the timeframe, we do not see Neptun Deep final investment decision in the fourth quarter of this year.

Thank you for your attention. We are more than happy now to take your questions.

## QUESTIONS AND ANSWERS

**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Good, let's now come to your questions. (Operator Instructions) The first question comes from Josh Stone, Barclays.

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

I have got 2 questions, please, 1 on Downstream and 1 on gas prices. Just on the Downstream. We've seen reports of very low water levels in the Rhine forcing some of your competitors to close down production. Can you talk about to what extent that benefited your chemical earnings in September? And also to what extent that can be seen supporting Downstream earnings in the fourth quarter? And then second on the gas prices, you talked very positively and indicated gas prices going up, but you realized gas prices continue to fall and you did highlight some of the lag on production from Yuzhno in terms of price. So are there any other effects holding back your gas price realizations? It sounds like you have decent visibility of gas price realizations into the fourth quarter, so maybe, again, on that you might be able to give us some more guidance.

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

Josh, I have to say we like the low water level in the Rhine. We are benefiting from the situation that we have supply disruptions in some regions, especially in Southern Germany and definitely we are benefiting from it. We do see a shortage of diesel. We have, right now, more -- a high liquidity of gasoline in the market. So I think it will continue for quite a while. I look always to the weather forecast. Looking outside the window, I have a view on the Danube river and the level is too high to be honest. So the situation down the Danube River has disappeared, but the Rhine River and the situation in Bavaria will stay. How long it will stay depending on, maybe, upcoming rain in the next weeks. So right now, we do have that positive impact, but we are also benefiting from a shortage of the supply, especially in southern Germany because of the refinery accident we have seen in Feldberg, so that the market there has very good price level right now. So we will benefit from this also in the fourth quarter, positively in the Downstream business. But just to correct your picture, we don't see the refining margins in the fourth quarter on a high -- on the level we have seen in the third quarter. We have started with a very low refining margin in early October, so we have seen a margin, which was below the \$3 per barrel. And if you ask me what is the margin -- refining margin level in the fourth quarter, well, I don't feel comfortable really to raise a number, but I will say it's depending on the oil price development. What we have seen is that the refining margin and the customers are reacting in the Downstream business when the oil price is surpassing the \$80 per barrel. Now we are below that so that we have -- that we can get a little bit more fresh air with the refining margins. But looking into third and fourth quarter, I would say, it's more 3 to 4 than 4 to 5. But again, it's depending what oil price we are going to see in the next weeks to come.

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

Josh, this is Reinhard speaking. To your question about the realized gas prices, compared to what we have seen as an increase in gas prices on the NCG level, the realized gas price increase has been quite moderate. This has actually 2 major reasons. The first is that, of course, we are not selling our gas always in NCG. And what we have seen is that in other regions, the increase of gas prices has been less pronounced than what we have seen in the NCG side. So if you take, for example, Romania or if you take New Zealand, these are different gas price development and they have been on a lower increase than you have seen on the NCG. The second major reason, as Rainer has already referred to that, that we are not benefiting in this quarter full from the increase that we would see also in the BAFA price on the international price that we have for our Russian gas. As Rainer said, this is a price formula that takes into account a 2-month delay of price development, so, more or less, a little bit of a backward-looking pricing effect. So we're expecting that the price increase that we have seen specifically in the last month of the third quarter will be positively seen also in fourth quarter and has not been fully reflected in the realized gas price in the third quarter as we showed it.



**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

The next question is from Peter Low, Redburn.

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**Peter Low** - Redburn (Europe) Limited, Research Division - Research Analyst

First is just on Neptun Deep. Could you give us an idea of what the specific sticking points preventing an FID and whether you're still confident those can actually be overcome in 2019? And the second is just on, Upstream production more generally. You talked about exit rate of 500,000 barrels a day, is that then sustainable at that level through 2019 or kind of given normal maintenance and fuel downtime, should we expect the 2019 average production figure to be below that level?

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

All right, the second one is the easy one, that's the reason why I'll start out with it. It is sustainable. So if we run into 2019, the active production of 500,000 has more an upside than a downside. Why? We are expecting that we are going to finalize our negotiations with Sapura Energy until year-end and then closing will be in 2019 so that an upside production from Malaysia is running into our average production figures. The rest in our production level in 2019 is more coming from other region. The question in 2019 is how is the ability in Yemen and Libya? And if there is a deviation in the downside, it is the production level we have in these 2 countries, given the fact that we have there some geopolitical instability. Talking about Neptun Deep, first of all, as I said, we have to look into the different wording. One of the points important for us when we are going to make decision-making, it is fiscal stability coming with the offshore law. If I look -- if I have a first look into the draft, what I have seen so far, I can see that upcoming, yes? But we have to see the process in Romania. First of all, we have done now the first step and we hope that the second step is going to happen. And this is more determining the timing of our decision-making. I think we have, more or less, the framework we can discuss, but it will be up to the Petrom Management to make their final evaluation and their decision on whether or not they would like to bring that project forward to their shareholder OMV.

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**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Next is Jason Gammel, Jefferies.

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**Jason Gammel** - Jefferies LLC, Research Division - Equity Analyst

I wanted to, first, come to the excellent performance that you had on the operating expenses in the Upstream during the quarter. Quite a low level, certainly less than I thought. And I was hoping you could address, essentially, the sustainability of that level, just assuming no oilfield service inflation, particularly given that some of the production that is coming into the portfolio would appear to be relatively low-cost. My second question, and I appreciate this maybe too early to be asking this, related to Sapura. Can you talk about the governance of the Sapura Upstream organization once a deal is completed? I'm really thinking specifically how much influence will you have over the operatorship of that entity? And would you anticipate any OMV secondees into the organization?

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

Jason, regarding your first question, the operating expenses is in Upstream, you were asking about the sustainability of the level and I can give you a little bit of an insight of the development there. We have had even an improvement of the development of the cost side that we had in Upstream from quarter 2 to quarter 3. And that was mainly coming from our cost savings and cost improvements in Romania as well as in Norway. We also had some positive effects from Austria. We did not see a major impact yet from the good cost position that we have in Abu Dhabi there. So you can take it from there that bringing in more of the volumes from Abu Dhabi will even get us to a better position. So in terms of the sustainability, this is a clear yes.





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

Jason, in terms of Sapura, of course, I can't give you any information concerning the corporate governance because this is under negotiation and we will publish all the data the day we are going to sign the final agreement. But let me take your question a little bit more in a philosophic way to explain it to you. Of course, we would like to gain some certain influence, but the way we have made an announcement of the partnership with Sapura is that we would like to be equal partners. We will run the company as a 50-50 joint venture. This is what we have agreed. This is what we have on the table when we are discussing what is going to be the corporate governance and how we would like to steer the company. So we will do that together. And I have a preference, in my experience, all the partnerships I have seen, it doesn't matter whether you talk about the partner in Russia, the partner in the Middle East and our partner in Asia, it always works well when none of us is dominating the show. That's the reason why we also have approached our partner in Malaysia that we would like to become equal partners. Let's wait how the negotiations will be finalized, but that's more the intention both partners are ready to discuss.

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**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Next is Rob Pulleyn, Morgan Stanley.

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**Robert John Pulleyn** - Morgan Stanley, Research Division - Analyst

2 questions from my side if I may. First of all, could you talk a bit around to add color on the gas liberalization in Romania and how we should think about Romanian gas prices, which are a bit of a black box from where we sit in terms of shadowing the moves we're seeing in wider Europe. And secondly, could you maybe update us on the M&A strategy in the pipeline? Obviously, you had lots of announcements, but if the Achimov deal closes in cash, there'll be a little bit less available for further upstream. Having said that, the balance sheet is in very good shape. So how do you think about the M&A pipeline from here?

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

All right. Let's start with M&A activities. Well, we will continue to be very active. That's what you all like, isn't it? You would like to have positive surprises with good deals. If there are good deals available in the market, OMV will look at it. The financial strength of OMV gives us the flexibility to look into the M&A possibilities. We will be in full compliance and deliver on our promises we have done to the financial market. If I look into 2019, I confirm, I reconfirm that we are targeting and that we are managing the company and our balance sheet that we would like to be free cash flow breakeven or positive after acquisition and after dividends and whatever we have to pay. So that's still -- that's a valid target we have in our company. When we talk about, down the road, the M&A strategy, I agree with you, Rob, that the window of opportunity is more and more closing in the Upstream sector, because the higher oil price is flowing also into the expectations in the M&A market and maybe the price tag for Upstream deals is going to be too high. If I look, what I can see in my clouds of M&A activities, I have problems to find, really, Upstream project, yes? Secondly, we have said also in our Capital Markets Day in March, we will focus on more Downstream asset as we also have budgeted some M&A money for Downstream acquisition. Maybe the window of opportunity in the Downstream sector might open, we don't know. So a clear answer to your question, yes, we will continue next year with Sapura, with Malaysia and with Achimov IV/V. If there is anything down the road, it has to be a very good summer sale price tag on it that we will look into it.

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**Robert John Pulleyn** - Morgan Stanley, Research Division - Analyst

That's very helpful. And just on the Romanian gas liberalization on the market side?





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

Sure, Rob. Gas liberalization has taken clear place in the gas industry already. So the industry is liberalized. Regarding the whole situation about the gas pricing, there is development that we, of course, carefully watch. There have been some messages from the government that went into positive direction. There have been some messages that make us watch very carefully also on that side, but we are not worried. We think Romania is a country for gas production. We are also seeing that with the prospects that Neptun project, which we are now carefully investigating after the offshore law, has the potential to be a gas exporting country and therefore, liberalization of the gas price market is also very important for us.

**Robert John Pulleyn** - Morgan Stanley, Research Division - Analyst

Okay. If I may just follow up on that, please. I mean, in terms of -- given that development and your comment previously about Romania being a different market, should we now expect that Romanian gas prices will close the differential versus what you get in the rest of Europe? Or is that going to take some time?

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

This will not come from today to tomorrow. This is something that we are, as said, we are watching very carefully. But we have a very well established company with Petrom there, which we own 51%, and therefore, this is a country where we think that it is worthwhile doing business.

**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Next is Thomas Adolff, Crédit Suisse.

**Thomas Yoichi Adolff** - Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director

Before I start with my question, I want to wish you good luck with the 50-50 partnership in Malaysia. I think it often ends in tears, especially in that part of the world. I mean TNK-BP was a mess towards the end, Bumi was also tricky. And I remember very well a president saying 50-50 never works, so not really sure I followed your earlier comment. But to the questions I've had, firstly, just on European gas market, you talked about the lag effect, but I wondered whether there's a specific formula also -- I mean, Equinor uses different types of benchmarks and then there's day-ahead, months-ahead, season-ahead and year-ahead. So I wondered whether you can help me a little bit with the formula that you use for the realization. And then on Downstream M&A, if I remember correctly, half of the EUR 10 billion is reserved for Downstream. And I wonder whether that half is defined as upfront spending, i.e. acquisition spending or rather associated development CapEx. Because in essence, if you're bidding for a new development, you don't pay for anything that doesn't exist, but it is the CapEx that's associated with the development.

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

All right. Thank you, Thomas, that you're pressing your thumbs for OMV that we will have a good 50-50 partnership. What I can say is the track record of our company is good, yes? That others cannot do as good as OMV, convinced me that we should prove that we also can do it in Malaysia. Second, the formula -- the pricing formula. The pricing formula we have is a published gas price at the German border. The so-called BAFA price. And the BAFA price is the basis of our price formula. But the way we have it -- it's more a traditional gas pricing formula from the past, which we have in our contract and the BAFA price is then indexed with the time lag of 2 months. So if the price today is \$100, let's say, 2 months later, you will see the \$100 in our formula. That's the way how we do that. Your second question concerning M&A transactions in Downstream, this is an acquisition budget. It's not a development project. So the budget for Downstream asset is a budget for the purchase price or the acquisition price we have.

**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

The next question comes from Michael Alsford, Citi.

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**Michael J Alsford** - Citigroup Inc, Research Division - Director

I've got a couple, if I could. Just firstly, actually on tax rate. Thanks for the guidance on 4Q, but I guess as we look into 2019 and with the higher tax barrels in Norway and Abu Dhabi ramping up, could you give us some indication on where you see the tax for the company for say flat oil prices? That's my first question. And then just secondly, on petchems, I'm just wondering if you can give a bit of an outlook on how you're seeing margin progression into '19. Are you seeing any sort of real demand weakness given high prices. And just a bit of color on that would be great.

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

Michael, regarding tax rate, you have seen, as we had promised last quarter, tax rate has come down to a level of 38% in quarter 3 for the clean tax rate. We have now seen that, of course, also in the second half of this year, the prices have been clearly rising above the levels that we have expected, so when we gave the guidance for full-year tax rate around mid-30s at the oil price of \$70, we are now saying that it will be in the high 30s, given the current commodity prices for the year 2018. For the year 2019, we have not given yet a clear indication, but you mentioned already major factors. I think it's important to see that, of course, the share of our production in higher tax countries is increasing and that also the situation in Norway for some of our capital is carryforward will ease out, will lead to a situation that will have, in general, higher taxes there.

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**Michael J Alsford** - Citigroup Inc, Research Division - Director

And on the petchems market?

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

Yes, Michael. I'll take your question on the petchem market. We don't see a real substantial downturn of the petchem cycle right now. It's a bit too early. And give me the time, the remaining 2 months until the end of the year to give you an idea of how 2019 will look like. Right now, we see that we still have a healthy market environment. We have in the different regions a different situation. I see it a little bit more positive on propylene than on ethylene, but the picture can change from 1 day to another. So the availability of ethylene is a bit higher than the availability of propylene has also to do something about the production capacities in the United States, that they are not too rich in propylene. That's the reason why I think the petchem margins are quite, quite stable until year-end. So I don't see any change at the horizon for 2019. Let's wait and see how the overall situation in the market will develop. Then I also have a better idea of whether or not we will see a downturn or slowdown of the GDP growth in 2019.

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**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Now we come to Yuriy Kukhtanych, Deutsche Bank.

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

I have a couple of questions around Achimov deal. First of all, if you could comment, what are the conditions or preconditions to close the deal? Because I understand it is still conditional. And whether it is dependent on the Nord Stream 2 construction progress or legal status, or there is anything else on that side? And second question is how are you going to fund the deal and the ongoing CapEx before production starts at the field?



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

Thanks, Yuriy. The preconditions to close Achimov deal is, first of all, we have to agree on the purchase price with Gazprom. That's one condition. Of course, if we can't find each other in the right number, we will not discuss any closing of the deal. But I'm very positive that we are going to find each other. Second, the deal is then, of course, depending on the approval of the Russian authorities, which is a normal procedure given the fact that OMV was qualified also as partner in Yuzhno Russkoye. I don't see any concerns, but you never know. And third point, the transaction is not depending on Nord Stream 2, not in any case. It is a separate transaction with Gazprom and there is no combination of whatsoever. So it's a clear path, the transaction of Achimov IV/V. How are we going to fund? Let's first become partner and with full reliability, then we will sit together and discuss with Gazprom and how we are going to fund the investments into the field development. One thing is quite clear, we are, of course, clearing in one step the path for the investments done so far by acquiring the share.

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**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

We now move on to Matt Lofting, JPMorgan.

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

I only got 1 left, actually, just coming back to Neptun, but thinking about it more from the perspective of CapEx outlook into 2019. I'd be interested to know how much budget or spent you'd allow for Neptun next year and to the extent that the FID continues to be delayed, what that could mean for the fiscal frame next year?

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

It's more or less a difficult question you're asking me. First of all, I have to see the fiscal frame and I have to ask myself when the fiscal frame will be in place. Then I will tell you when is the FID. And then, of course, the investment will -- the CapEx spending will start. So therefore, Matt, sorry that I can't give you a better answer on Neptun, but it's really depending on the timing of the approval process of the Romanian government and what kind of framework we will see. From my point of view, it should be a reliable, long-term, stable fiscal framework. If this is not coming, then we have a problem because we have to invest, and we have to produce over a cycle of decade. And that's why, I think, we have to wait and see. I just want to make one comment on Neptun because we have discussed the gas prices in Romania. I think Rob has asked that question. Rob, one thing is for sure, the Neptun gas we are producing is not exclusively for the Romanian market. So the gas price you have -- you can use to evaluate the value of the Neptun development should not be based on the Romanian gas prices. We will have a certain amount, from my point of view, the majority of the gas will move into the European gas market so that the majority of the gas we will produce will also find the European gas price.

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**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Next is Giacomo Romeo, McQuarrie.

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**Giacomo Romeo** - Macquarie Research - Analyst

My first question is on Yemen. And, another small progress there in terms of production. Just want to have an update from you on what's the status of your operation in the country and what sort of outlook you might have. And similarly, for Libya, we are seeing some pretty strong loading data for the country in September, October. Can you share, perhaps your view on how things are progressing on the ground there? Second question is with regards to your production in Austria. You had a very steep decline this quarter. Just wondering if there's anything there that other than natural decline that we should think of?

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

All right. I'll take your second question. First, there is nothing else than the natural decline in Austria. There's no specific -- if you continue to see their production with the natural decline, I think that's the basis how you judge it. If there is a new production knocking at the door, then we will let you know, but right now, it's only the natural decline. In Yemen, we do have a production level of more than 5,000 barrels per day. We have already loaded 2 cargoes. The cargoes are paid. And although we do see, of course, a difficult environment in Yemen, I would give you only the guidance. Let's take the number and continue until year-end. In Libya, we have said that we see -- although the security situation has not improved in the country, we do see a stable production in Libya. We have above the 25,000 barrels per day in 2018. So I would say, in the fourth quarter, above the 25, more close to the 30s is the production level which I see in Libya. The country is, of course, looking for stability since quite a while. And if we Europeans are not supporting them in their efforts to stabilize the country, I think that, in the mid-to long term, that the situation in Libya will stay as I have described it.

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**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

We now come to Michele Della Vigna, Goldman Sachs.

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**Michele Della Vigna** - Goldman Sachs Group Inc., Research Division - Co-Head of European Equity Research & MD

2 questions, if I may. The first one is about hedging. We've seen the benefit this quarter of a lower amount of hedging versus the first half of the year. I was wondering how much you still have left for 2019? And then secondly, on your tax rate, you're guiding to the high 30s. Is that also the assumption we should be make in the coming years if we stay around \$70 in terms of oil price?

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

Michele, let me start with the tax rate. I think it is important to see that the tax rate is such always has the context with the level of oil and gas prices. Of course, if you have higher prices, then also your tax rate will be higher. So therefore we are currently not in an environment of \$70. So, therefore, my guidance for the high 30s was also not on the level of the \$70 but for what we have guided for the rest of the year. And for the way forward, I already told you that there are some impacts that, in general, we will have a tax rate rather rise than decrease in our case with the change of portfolio that we have in mind.

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**Michele Della Vigna** - Goldman Sachs Group Inc., Research Division - Co-Head of European Equity Research & MD

And any comments on the hedging for 2019?

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

I was asking myself, Michele, why this question is coming so late, honestly. We were sitting here together and said, "okay, the first question we will get is on hedging." And now you're number 10. I'm surprised. Already 19 questions asked. But without kidding, first of all, we can reconfirm that there is no oil hedging for 2019. And the OMV board is not discussing any oil hedging at the moment for 2019. Honestly speaking, Michele, we are going to have more discussion in our board until year end, what is going to be really our hedging strategy. Some of you, when I was listening to you, are making me thinking, yes? Because I think your arguments are really waiting higher that we do have now worked hard on our portfolio to create an internal hedge in our portfolio. This is the integrated substance we have. And looking into that, we might benefit in Upstream when the oil price is high and we might benefit in Downstream when the margin is high and the oil price is low. So therefore, I think, I can confirm that our hedging appetite is extremely low. We have said that also in our last conference call, the hedging activity for the fourth quarter, the guidance is quite clear. It's the same hedging level we have had in the third quarter. As we speak about our hedging or hedges we have underway in the 2019, we will wait until the year end to give you -- and beginning of 2019 an answer on your question. All I can say is, right now, we have no hedges in place for oil. The hedges for gas, I will explain to you beginning next year.



**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Now we move to Bertrand Hodee, Kepler Cheuvreux.

**Bertrand Hodee** - Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research

Most of my questions have been answered. Maybe I have 1 left. Relating to Sapura Upstream. Would you -- do you want this JV to be consolidated or equity accounted? So what would be your preferred solution? I know everything is not closed yet, but in a blue sky scenario, would you prefer to have Sapura Energy, 50% consolidated or equity accounted?

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

Bertrand, this is a real clever question, yes? Absolutely clever question. And you will get, of course, a straightforward answer. We are striving forward to fully consolidate Sapura business -- Sapura Upstream business. But we will decide on the day we are going to have all the negotiations, but we would like to show the figures in our operative number. So let's wait and see. I would like to come back to Michele to give you one more information on our gas hedges, yes? We have one gas hedge in place I would like to explain to you a little bit further, because this is a hedge we will continue to have. This is a hedging of our gas margin from gas supplies where we have to change the pricing formula. I'll give you one -- and this is in the LNG business and I'll give you 1 example. For example, we have under contract, LNG supplies from the U.S. which are indexed to Henry Hub and to convert it into TCF price. At a certain point of time, we are locking in the margin. If the gas prices then will go up, then, of course, we are missing the backwinds in the prices and then we have these hedges in place. But we are going to hedge the gas margin the day we are going to sign the contractual terms and the margin is positive. Then we might miss a little bit the upside potential, but this is the kind of hedging we will continue also in 2019.

**Florian Greger** - OMV Aktiengesellschaft - VP & Head of IR

Great. Thank you all. Ladies and gentlemen, that brings us to the end of our conference call. We thank you all for joining us. Should you have any further questions, please contact the Investor Relations team, and we are happy to help you. Goodbye and have a nice day.

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