OMV Factsheet Q2/16

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OMV Aktiengesellschaft

Key Messages

- Positive free cash flow after dividends
- 2016 CAPEX guidance reduced to EUR 2.2 bn
- Cost reduction ahead of schedule
- Rebalancing of the Upstream portfolio well on track: Sale agreement for a 30% stake in the Rosebank field signed

Outlook

- Brent oil price: Annual average of USD 40/bbl expected
- Refining: H2/16 margins expected to be below H1/16 level; Utilization rate >90% in H2/16
- European gas markets: Oversupply continues; H2/16 prices expected to be above H1/16 level
- Production: Slightly above 300 kboe/d (excluding Libya and Yemen)
- CAPEX: EUR 2.2 bn (~70% Upstream)
- E&A expenditure: EUR 0.45 bn

Financial highlights

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
3,991	4,614	5,726	(19)	Sales [1]	8,605	11,552	(26)
(103)	(603)	106	n.m.	EBIT Upstream	(706)	135	n.m.
137	362	140	160	EBIT Downstream	499	357	40
(4)	(15)	8	n.m.	EBIT Corporate and Other	(19)	(9)	(121)
18	(44)	(31)	(45)	Consolidation: Elimination of inter-segmental profits	(27)	(32)	17
48	**(300)**	**222**	**n.m.**	**EBIT Group**	**(253)**	**451**	**n.m.**
77	46	177	(74)	thereof EBIT OMV Petrom group	124	288	(57)
(15)	(608)	(198)	n.m.	Special items [2]	(623)	(193)	n.m.
(104)	94	45	109	CCS effects: Inventory holding gains/(losses)	(10)	(64)	84
(97)	0	116	n.m.	Clean EBIT Upstream [3]	(97)	149	n.m.
225	250	269	(7)	Clean CCS EBIT Downstream [3]	475	529	(10)
(4)	(12)	9	n.m.	Clean EBIT Corporate and Other [3]	(16)	(7)	(126)
44	(24)	(19)	(26)	Consolidation: Elimination of inter-segmental profits	20	38	(48)
167	**214**	**375**	**(43)**	**Clean CCS EBIT** [3]	**381**	**708**	**(46)**
92	49	148	(67)	thereof clean CCS EBIT OMV Petrom group [3]	141	281	(50)
41	72	92	(21)	Net financial result	113	69	64
88	(228)	314	n.m.	Profit before tax	(140)	520	n.m.
136	(117)	292	n.m.	Net income	19	513	(96)
95	(168)	209	n.m.	Net income attributable to stockholders [4]	(73)	372	n.m.
174	**222**	**364**	**(39)**	**Clean CCS net income attributable to stockholders** [3, 4]	**396**	**600**	**(34)**
0.29	(0.51)	0.64	n.m.	Earnings Per Share (EPS) in EUR	(0.22)	1.14	n.m.
0.53	0.68	1.11	(39)	Clean CCS EPS in EUR [3]	1.21	1.84	(34)
579	1,036	858	21	Cash flow from operating activities	1,615	1,264	28
(145)	172	(433)	n.m.	Free cash flow after dividends	27	(950)	n.m.
4,181	3,992	5,901	(32)	Net debt	3,992	5,901	(32)
29	29	40	(28)	Gearing ratio in %	29	40	(28)
467	489	689	(29)	Capital expenditure	956	1,396	(32)
(54)	49	7	n.m.	Group tax rate in %	114	1	n.m.

Figures in this and the following tables may not add up due to rounding differences.

[1] Sales excluding petroleum excise tax

[2] Special items are exceptional, non-recurring items and include unrealized gains/losses on commodity derivatives (starting with Q2/15), which are added back or deducted from EBIT. For more details please refer to Business Segments

[3] Adjusted for special items. Clean CCS figures exclude inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi

[4] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests

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Business Segments Q2/16 vs. Q2/15

Upstream

- **Lower oil and gas prices negatively impacted clean EBIT in Q2/16**
- **Production increased by 3%, driven by the ramp-up in Norway**
- **Planned spending reductions led to 64% less clean exploration expenses**
- **Successful implementation of the cost reduction program resulted in a 15% decrease in OPEX**

In Q2/16, the average **Brent price** in USD was 26% lower – mainly due to the oversupply in the oil market. The Group's average **realized crude price** decreased by 32%. This mirrored the development in the Brent price and was also impacted by the different crude mix and a negative hedging result in the amount of EUR 18 mn. The average **realized gas price** in USD/1,000 cf decreased by 19% and followed the trend of European spot markets, where an oversupply situation still persisted.

Total OMV daily production of oil, NGL and gas increased by 3% to 316 kboe/d. Production in Norway was up significantly (+24 kboe/d), pushed on by the Edvard Grieg field, which started production at the end of 2015. This increase was partly offset by lower production in Austria, Pakistan and Romania, which, in turn, was mainly due to natural decline. OMV Petrom's total daily oil and gas production decreased by 2%, reflecting the natural decline. **Total sales volumes** decreased by 3%, predominantly due to lower volumes from New Zealand, Romania and Pakistan. In Norway, the strong increase in production was not reflected in the sales volume development due to the lifting schedule.

At USD 11.5/boe, **production costs** excluding royalties (OPEX) in USD/boe were down by 15%, as a result of the successful implementation of the cost reduction program (lower material, personnel and service costs) coupled with higher production. At OMV Petrom, OPEX decreased by 8% to USD 12.1/boe.

Clean EBIT reached break-even vs. EUR 116 mn in Q2/15, carried by the drop in oil and gas prices. Reduced clean exploration expenses and lower production costs partially offset this effect. OMV Petrom contributed EUR 43 mn to clean EBIT. **Clean exploration expenses** decreased to EUR 39 mn from EUR 108 mn in Q2/15 due to decreased activity levels, above all in Romania, Norway, Pakistan and Austria. Reported exploration expenses increased to EUR 653 mn, largely as a result of the impairment of the Rosebank field in the United Kingdom and the write-offs of Upstream licenses in Norway, Madagascar and Romania.

On August 9, 2016, OMV signed an agreement for the sale of a 30% stake in the Rosebank field. Rosebank is an offshore deep water oil and gas field located in the United Kingdom. After this transaction, OMV's interest in the field will amount to 20%. Under the terms of agreement, OMV will receive an initial payment of USD 50 mn on closing. Following the co-venturers approval of the Rosebank project final investment decision, OMV would receive additional consideration of up to USD 165 mn. In connection with this transaction, OMV realized a pre-tax impairment for the 50% stake held in the Rosebank field amounting to EUR 530 mn, which was booked in Q2/16.

Special items recorded for the quarter amounted to EUR (603) mn. This related mainly to the aforementioned impairment as well as write-offs of Upstream licenses. These special items led to a **reported EBIT** of EUR (603) mn (Q2/15: EUR 106 mn).

Upstream **invested** EUR 316 mn (Q2/15: EUR 593 mn) mainly in projects in Norway such as Gullfaks and Aasta Hansteen as well as in Romania, Tunisia and the United Kingdom.

The OMV Group decreased its **exploration expenditure** by 73% to EUR 49 mn, reflecting lower activities across the entire portfolio in line with the revised exploration strategy. Thus, exploration expenditure was lower in Romania, Norway, Pakistan and Austria, although this was partly offset by increased expenditure in Bulgaria (Polshkov-1 well).

Downstream

- **Downstream Oil result adversely impacted by significantly diminished refining margins**
- **OMV Petrol Ofisi's contribution increased to EUR 31 mn, supported by better margins**
- **Downstream Gas result was clearly up, mainly due to one-off effects**

Clean CCS EBIT decreased by 7% to EUR 250 mn, driven mainly by a lower contribution of the Downstream Oil business. This was partly offset by the higher Downstream Gas result. Special items amounted to EUR (2) mn. Increased crude prices over the quarter contributed to positive CCS effects of EUR 114 mn. **Reported EBIT** amounted to EUR 362 mn.

Downstream Oil clean CCS EBIT decreased to EUR 178 mn, reflecting the diminished refining margin and the effect of the planned turnarounds at Schwechat and Petrobrazi refineries. The OMV indicator refining margin decreased from USD 7.8/bbl in Q2/15 to USD 4.7/bbl in Q2/16, largely due to lower gasoline and middle distillate spreads. The refinery utilization rate in Q2/16 decreased to 72% (92% in Q2/15) as a result of the planned turnarounds of approximately one month at Schwechat and Petrobrazi. These effects were partially compensated by a better retail result. At EUR 31 mn, OMV Petrol Ofisi made a significantly higher contribution to earnings. At EUR 57 mn, the clean petrochemicals EBIT was down from EUR 68 mn as reported in Q2/15, as a consequence of lower propylene margins. In 2015, petrochemical prices and margins were especially high owing to a supply shortage in the market.

At EUR 72 mn, the **Downstream Gas** clean EBIT was clearly up, largely driven by restructuring efforts, which resulted in one-off effects in the amount of approximately EUR 40 mn. This included valuation gains on forward contracts and a settlement for a gas storage contract that resulted in a gain. Natural gas sales volumes increased by 6% to 24.42 TWh, mostly due to higher sales volumes in Austria. The contribution of the gas transportation business in Austria amounted to EUR 30 mn, broadly in line with the previous year. While the power business remained challenging, the net electrical output increased from 0.33 TWh in Q2/15 to 0.72 TWh in the current quarter. This resulted predominantly from a higher net electrical output in Romania.

The contribution from **Borealis**, which is accounted for at-equity and shown in the financial result of the OMV Group, was strong. However, the result decreased to EUR 111 mn in Q2/16 vs. EUR 127 mn in Q2/15. This was largely attributable to a lower contribution from the fertilizer business and margin pressure at Borouge.

CAPEX in Downstream amounted to EUR 171 mn (Q2/15: EUR 93 mn), of which EUR 166 mn was in Downstream Oil. Downstream Oil investments were mainly related to the turnaround of the refineries as well as the acquisition of FE Trading. OMV spent EUR 6 mn in Downstream Gas.