OMV Group Factsheet Q3 2018

Key Performance Indicators [1]

Group

- Clean CCS Operating Result increased by 31% to EUR 1,050 mn
- Clean CCS net income attributable to stockholders amounted to EUR 455 mn, clean CCS Earnings Per Share were EUR 1.39
- High cash flow from operating activities of EUR 970 mn
- Positive organic free cash flow after dividends of EUR 493 mn
- Clean CCS ROACE at 12%

Upstream

- Production rose by 65 kboe/d to 406 kboe/d
- Production cost decreased by 22% to USD 6.8/boe

Downstream

- OMV indicator refining margin stood at USD 5.7/bbl
- Natural gas sales slightly decreased to 23.3 TWh

Outlook for 2018

- For the year 2018, OMV expects the average Brent oil price to be at USD 74/bbl (previous forecast: USD 70/bbl). In 2018, average European gas spot prices are anticipated to be considerably higher compared to 2017 (previous forecast: higher compared to 2017).
- In 2018, organic CAPEX (including capitalized E&A and excluding acquisitions) is projected to come in at around EUR 1.9 bn. Organic CAPEX for Upstream (including capitalized E&A and excluding acquisitions) is anticipated to come in at around EUR 1.3 bn in 2018.
- OMV expects total production to be above 420 kboe/d in 2018. Production from Russia is planned to contribute around 100 kboe/d. Production in Libya is forecasted to be higher than in 2017 (previous forecast: on a similar level to that of 2017).
- Production in Q4/18 is expected to be strong, slightly higher than in the first quarter of 2018. This will be driven by the production start-up of the two fields in Abu Dhabi and of Aasta Hansteen in Norway. Compared to the first quarter of 2018, the production volumes will be partly offset by the divestment of OMV's Upstream business in Pakistan. The acquisition in New Zealand is expected to be closed at the end of December 2018.
- Refining margins are projected to be lower than in 2017. Petrochemical margins are forecasted to be at a similar level to those in 2017.
- In OMV's markets, retail and commercial margins are predicted to be on a level similar to 2017. Total refined product sales will be lower in 2018 compared to 2017 following the divestment of OMV Petrol Ofisi in June 2017.
- The utilization rate of the refineries is expected to be above 90% in 2018, despite the planned turnaround at the Petrobrazi refinery completed in Q2/18.
- Natural gas sales volumes are projected to be higher in 2018 than in 2017. Natural gas sales margins are forecasted to be at a similar level in 2018 to those in 2017.

[1] Figures reflect the Q3/18 period; all comparisons described relate to the same quarter in the previous year except where otherwise mentioned

Group performance

Financial highlights

In EUR mn (unless otherwise stated)

Q3/18	Q2/18	Q3/17	Δ% [1]		9m/18	9m/17	Δ%
5,607	5,706	4,646	21	Sales [2]	16,290	15,316	6
1,050	**726**	**804**	**31**	**Clean CCS Operating Result [3]**	**2,593**	**2,270**	**14**
554	457	300	84	Clean Operating Result Upstream [3]	1,449	880	65
484	338	510	(5)	Clean CCS Operating Result Downstream [3]	1,198	1,414	(15)
(9)	(6)	(4)	(113)	Clean Operating Result Corporate and Other [3]	(14)	(30)	53
20	(64)	(3)	n.m.	Consolidation: Elimination of intersegmental profits	(40)	6	n.m.
38	49	19	96	Clean Group tax rate in %	40	24	66
628	346	592	6	Clean CCS net income [3]	1,465	1,587	(8)
455	**272**	**472**	**(4)**	**Clean CCS net income attributable to stockholders [3, 4]**	**1,103**	**1,257**	**(12)**
1.39	0.83	1.45	(4)	Clean CCS EPS in EUR [3]	3.38	3.85	(12)
1,050	**726**	**804**	**31**	**Clean CCS Operating Result [3]**	**2,593**	**2,270**	**14**
(319)	**(168)**	**(55)**	**n.m.**	**Special items [5]**	**(422)**	**(1,166)**	**64**
33	44	9	n.m.	CCS effects: Inventory holding gains/(losses)	94	(3)	n.m.
763	**602**	**758**	**1**	**Operating Result Group**	**2,265**	**1,101**	**106**
470	363	247	91	Operating Result Upstream	1,311	924	42
284	318	517	(45)	Operating Result Downstream	1,020	199	n.m.
(11)	(13)	(5)	(124)	Operating Result Corporate and Other	(25)	(35)	28
20	(66)	0	n.m.	Consolidation: Elimination of intersegmental profits	(40)	13	n.m.
(39)	(47)	(66)	42	Net financial result	(176)	(177)	1
725	555	692	5	Profit before tax	2,089	924	126
46	50	21	114	Group tax rate in %	43	53	(20)
393	276	544	(28)	Net income	1,200	432	178
221	203	439	(50)	Net income attributable to stockholders [4]	830	124	n.m.
0.68	0.62	1.35	(50)	Earnings Per Share (EPS) in EUR	2.54	0.38	n.m.
970	1,233	792	22	Cash flow from operating activities	3,279	2,706	21
523	(386)	478	10	Free cash flow before dividends	675	3,127	(78)
523	(1,078)	478	10	Free cash flow after dividends	(18)	2,545	n.m.
493	88	474	4	Organic free cash flow after dividends [6]	1,226	1,047	17
2,306	2,848	450	n.m.	Net debt	2,306	450	n.m.
16	20	3	n.m.	Gearing ratio in %	16	3	n.m.
470	1,747	388	21	Capital expenditure [7]	2,556	1,086	135
459	506	392	17	Organic capital expenditure [8]	1,304	1,088	20
12	13	12	4	Clean CCS ROACE in % [3]	12	12	4
11	12	1	n.m.	ROACE in %	11	1	n.m.
19,978	20,086	20,747	(4)	Employees	19,978	20,747	(4)

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

[1] Q3/18 compared to Q3/17

[2] Sales excluding petroleum excise tax

[3] Adjusted for special items; clean CCS figures exclude fuels' 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

[5] The disclosure of special items is considered appropriate in order to facilitate analysis of the ordinary business performance; to reflect comparable figures, certain items affecting the result are added back or deducted; special items from equity-accounted companies are included; starting with Q1/17, temporary effects from commodity hedging for material Downstream and Upstream transactions are included

[6] Organic free cash flow after dividends is cash flow from operating activities less cash flow from investing activities, excluding disposals and material inorganic cash flow components (e.g. acquisitions), and less dividend payments

[7] Capital expenditure including acquisitions

[8] Organic capital expenditure is defined as capital expenditure including capitalized Exploration and Appraisal expenditure excluding acquisitions and contingent considerations

Third quarter 2018 (Q3/18) compared to third quarter 2017 (Q3/17)

Consolidated sales increased by 21% to EUR 5,607 mn, primarily driven by higher prices in Downstream. The **clean CCS Operating Result** was up by 31% from EUR 804 mn to EUR 1,050 mn, mainly driven by a considerably higher Upstream result of EUR 554 mn (Q3/17: EUR 300 mn). Net market effects had a substantial positive impact of EUR 216 mn, following higher average oil and gas prices that were partially offset by hedging losses. The Downstream clean CCS Operating Result decreased to EUR 484 mn (Q3/17: EUR 510 mn), due to a lower Downstream Gas contribution, partially offset by a slight increase in Downstream Oil. The consolidation line amounted to EUR 20 mn in Q3/18 and mainly reflects positive reversal effects following the planned turnaround at the Petrobrazi refinery in Q2/18. OMV Petrom's clean CCS Operating Result amounted to EUR 363 mn (Q3/17: EUR 228 mn).

The **clean Group tax rate** was 38% compared to 19% in Q3/17, related to a considerably stronger Upstream contribution, particularly from high tax rate fiscal regimes such as Norway and Libya. In Q3/17, the clean Group tax rate was positively impacted by a settlement agreement regarding Pearl.The **clean CCS net income** reached EUR 628 mn (Q3/17: EUR 592 mn). **Clean CCS net income attributable to stockholders** slightly decreased to EUR 455 mn (Q3/17: EUR 472 mn). **Clean CCS Earnings Per Share** came in at EUR 1.39 (Q3/17: EUR 1.45).

Net **special items** of EUR (319) mn were recorded in Q3/18 (Q3/17: EUR (55) mn), mainly related to the recycling of FX losses following the divestment of the Samsun power plant in the amount of EUR (160) mn, as well as temporary hedging effects and unrealized commodity derivatives. **CCS effects** of EUR 33 mn were recognized in Q3/18. OMV Group's reported **Operating Result** came in at EUR 763 mn (Q3/17: EUR 758 mn). OMV Petrom's contribution to the Group's reported Operating Result increased to EUR 363 mn (Q3/17: EUR 191 mn).

The **net financial result** amounted to EUR (39) mn (Q3/17: EUR (66) mn). The increase was mainly related to higher interest income and lower FX losses. With a **Group tax rate** of 46% (Q3/17: 21%), **net income** amounted to EUR 393 mn (Q3/17: EUR 544 mn). **Net income attributable to stockholders** declined to EUR 221 mn (Q3/17: EUR 439 mn). **Earnings Per Share** for the quarter decreased to EUR 0.68 (Q3/17: EUR 1.35).

Cash flow from operating activities grew from EUR 792 mn in Q3/17 to EUR 970 mn, supported by an improved market environment and dividends received from Borealis in the amount of EUR 108 mn. **Free cash flow after dividends** rose to EUR 523 mn compared to EUR 478 mn in Q3/17.

Net debt increased to EUR 2,306 mn compared to EUR 450 mn on September 30, 2017, impacted by the acquisition of a 20% stake in an offshore concession in Abu Dhabi in Q2/18 and by the acquisition of a 24.99% share in the Yuzhno Russkoye natural gas field in Q4/17. On September 30, 2018, the **gearing ratio** stood at 16% (September 30, 2017: 3%).

Organic capital expenditure rose by 17% to EUR 459 mn (Q3/17: EUR 392 mn) and accounts for an increase of organic investments in Upstream that were undertaken primarily in Romania, Norway and the United Arab Emirates, as well as increased Explorat-ion & Appraisal expenditure in Romania and Norway. In Downstream, organic capital expenditure also grew in Q3/18, driven by organic capital expenditure in Downstream Oil. Total **capital expenditure** amounted to EUR 470 mn (Q3/17: EUR 388 mn).

Business Segments

Upstream

Third quarter 2018 (Q3/18) compared to third quarter 2017 (Q3/17)

- Strong increase of clean Operating Result to EUR 554 mn
- Production increased to 406 kboe/d
- Production cost decreased by 22% to USD 6.8/boe

The **clean Operating Result** substantially improved from EUR 300 mn in Q3/17 to EUR 554 mn, mainly due to significantly better net market effects of EUR 216 mn. Higher average oil and gas prices were partially offset by hedging losses. Operational performance had a positive impact of EUR 108 mn, mainly due to higher sales volumes following the acquisition of the interest in the Yuzhno Russkoye gas field and the higher production contribution from Libya. The Q3/17 result included a positive one-time effect of EUR 90 mn. In Q3/18, OMV Petrom contributed EUR 208 mn to the clean Operating Result compared to EUR 93 mn in Q3/17.

Net **special items** amounted to EUR (83) mn in Q3/18 mainly associated with temporary hedging effects of EUR (64) mn. The **Operating Result** substantially increased to EUR 470 mn (Q3/17: EUR 247 mn).

At USD 6.8/boe, **production cost** excluding royalties declined by 22% as a result of higher production supported by cost-saving programs and optimization initiatives as well as positive FX impacts. Production cost of OMV Petrom increased by 2% to USD 10.4/boe mainly due to lower production volumes.

Total hydrocarbon production rose by 19% to 406 kboe/d, primarily due to Russia's contribution of 89 kboe/d, and partially offset by maintenance work in Norway, the divestment of OMV's Upstream companies active in Pakistan in Q2/18 and lower production from Romania and Austria due to natural decline. OMV Petrom's total production was down by 4% to 160 kboe/d, mostly because of natural decline. **Total sales volumes** were up by 24%, mainly attributable to the contribution from Russia and supported by higher sales volumes in Libya. This was partially offset by lower sales volumes in Romania, Norway and New Zealand as well as the divestment of OMV's Upstream companies active in Pakistan in Q2/18.

In Q3/18, the **average Brent price** rose by 44% to around USD 75/bbl, mainly driven by strong demand growth, falling Iran exports ahead of secondary oil sanctions and concerns about the market's ability to absorb additional supply disruptions in a tightening market. The Group's **average realized** crude price increased by 43%. The **average realized gas price** in USD/1,000 cf decreased by 12% as Q3/18 reflects the contribution from Russia. Realized oil and gas prices were impacted by a hedging loss of EUR (59) mn in Q3/18.

Capital expenditure including capitalized E&A rose to EUR 333 mn in Q3/18 (EUR 272 mn in Q3/17) and accounted for an increase of organic investments that were undertaken primarily in Romania, Norway and the United Arab Emirates. **Exploration expenditure** rose by 33% to EUR 70 mn and was mainly related to activities in Romania and Norway.

Downstream

Third quarter 2018 (Q3/18) compared to third quarter 2017 (Q3/17)

- Downstream Oil result slightly increased driven by a strong operational performance
- Utilization rate of the refineries at a very high level of 98%
- Successfully closed the divestment of Samsun power plant in Turkey

The **clean CCS Operating Result** declined to EUR 484 mn in Q3/18 (Q3/17: EUR 510 mn), due to a lower Downstream Gas contribution, partially compensated by a slight increase in Downstream Oil.

The **Downstream Oil clean CCS Operating Result** grew slightly from EUR 450 mn in Q3/17 to EUR 458 mn. A weaker refining market environment was more than offset by higher contributions from the retail and commercial businesses. The **OMV indicator refining margin** decreased by 19% to USD 5.7/bbl (Q3/17: USD 7.0/bbl). Increased crude prices resulted in higher feedstock costs, negatively impacting the indicator refining margin. In addition heavy fuel oil margins declined, while middle distillate and naphtha margins improved. The refining market environment in Q3/17 was furthermore positively influenced by the hurricane season. The **utilization rate of the refineries** reached a very high level of 98% in Q3/18, compared to 96% in Q3/17. At 5.5 mn t, **total refined product sales** slightly increased by 2%. The retail business had a strong contribution due to higher margins, while sales volumes remained at a similar level. In the commercial business, sales volumes grew, while margins were slightly below Q3/17. OMV Petrom contributed EUR 117 mn (Q3/17: EUR 118 mn) to the clean CCS Operating Result of Downstream Oil.

The clean CCS Operating Result of the petrochemicals business decreased to EUR 74 mn in Q3/18 (Q3/17: EUR 84 mn). While the ethylene/propylene net margin was flat compared to Q3/17, the result was negatively affected by higher customer discounts due to the increased price level. The contribution from Borealis to the clean Operating Result grew to EUR 101 mn in Q3/18

(Q3/17: EUR 98 mn). The good result in Q3/18 was supported by the strong contribution from Borouge. European integrated polyolefin margins were stable and the fertilizer business performance remained under pressure.

Downstream Gas clean CCS Operating Result decreased from EUR 60 mn in Q3/17 to EUR 26 mn. The Q3/18 result was mainly impacted by a lower power result, temporary negative storage valuation effects and a lower Gas Connect Austria result. The contribution from Gas Connect Austria weakened from EUR 24 mn to EUR 19 mn, mainly attributable to higher energy costs as well as to the expiration of long-term contracts and partially offset by additional short-term contracts. **Natural gas sales volumes** slightly declined from 24.0 TWh to 23.3 TWh, primarily due to lower sales volumes in Romania and Turkey, which were partially offset by higher sales in Germany. **Net electrical output** decreased to 1.4 TWh, mainly as a result of lower spark spreads and the divestment of the Samsun power plant in Turkey. OMV Petrom contributed EUR 21 mn (Q3/17: EUR 25 mn) to the clean CCS Operating Result of Downstream Gas.

Net **special items** amounted to EUR (233) mn, mainly related to the divestment of the Samsun power plant and to unrealized commodity derivatives. Following the closing of the divestment of the Samsun power plant, a FX loss was recorded (“recycled”) in OMV’s Group reported net income in the amount of EUR (160) mn. **CCS effects** of EUR 33 mn were booked as a result of rising crude prices during Q3/18. The **Operating Result** of Downstream declined to EUR 284 mn compared to EUR 517 mn in Q3/17.

Capital expenditure in Downstream amounted to EUR 130 mn (Q3/17: EUR 114 mn), of which EUR 113 mn (Q3/17: EUR 83 mn) was related to Downstream Oil.

Disclaimer regarding forward-looking statements