OMV Group Factsheet Q3 2019

Key Performance Indicators [1]

Group

- Clean CCS Operating Result decreased by 10% to EUR 949 mn
- Clean CCS net income attributable to stockholders amounted to EUR 457 mn, clean CCS Earnings Per Share were EUR 1.40
- High cash flow from operating activities of EUR 1,074 mn
- Organic free cash flow before dividends of EUR 594 mn
- Clean CCS ROACE at 13%

Upstream

- Production rose by 74 kboe/d to 480 kboe/d
- Production cost decreased by 7% to USD 6.3/boe

Downstream

- OMV indicator refining margin stood at USD 5.5/bbl
- Natural gas sales increased by 17% to 27.2 TWh

Outlook for 2019

- For the year 2019, OMV expects the average Brent oil price to be at USD 65/bbl (2018: USD 71/bbl). In 2019, average European gas spot prices are anticipated to be lower compared to 2018.
- In 2019, organic CAPEX (including capitalized E&A and excluding acquisitions) is projected to come in at EUR 2.3 bn (2018: EUR 1.9 bn). Organic CAPEX for Upstream (including capitalized E&A and excluding acquisitions) is anticipated to come in at EUR 1.5 bn in 2019 (2018: EUR 1.3 bn). In 2019, Exploration and Appraisal expenditure is expected to be at EUR 350 mn (2018: EUR 300 mn).
- OMV expects total production to be slightly below 500 kboe/d in 2019 (2018: 427 kboe/d). For Q4/19, average production is forecast-ed to exceed 500 kboe/d, depending on the security situation in Libya.
- Refining indicator margin is expected to be below USD 5/bbl (2018: USD 5.2/bbl). Petrochemical margins are anticipated to be similar to those in 2018 (2018: EUR 448/t).
- Total refined product sales in 2019 are forecasted to be at a similar level compared to those in 2018 (2018: 20.3 mn t). In OMV's markets, retail margins are predicted to be similar and commercial margins are expected to be higher (previous forecast: similar) compared to those in 2018.
- There is no planned turnaround of the refineries in 2019. Therefore, the utilization rate of the refineries is expected to be higher than in 2018 (2018: 92%).
- Natural gas sales volumes in 2019 are projected to be above those in 2018 (2018: 114 TWh). Natural gas sales margins are forecasted to be lower in 2019 compared to 2018.

[1] Figures reflect the Q3/19 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)

Q3/19	Q2/19	Q3/18	Δ% [1]		9m/19	9m/18	Δ%
5,949	6,035	5,607	6	Sales [2]	17,387	16,290	7
949	**1,047**	**1,050**	**(10)**	**Clean CCS Operating Result [3]**	**2,755**	**2,593**	**6**
449	650	554	(19)	Clean Operating Result Upstream [3]	1,492	1,449	3
490	428	484	1	Clean CCS Operating Result Downstream [3]	1,292	1,198	8
(11)	(13)	(9)	(34)	Clean Operating Result Corporate and Other [3]	(36)	(14)	(156)
21	(17)	20	1	Consolidation: elimination of intersegmental profits	7	(40)	n.m.
36	39	38	(6)	Clean Group tax rate in %	36	40	(9)
593	627	628	(6)	Clean CCS net income [3]	1,702	1,465	16
457	**510**	**455**	**1**	**Clean CCS net income attributable to stockholders [3, 4]**	**1,314**	**1,103**	**19**
1.40	1.56	1.39	1	Clean CCS EPS in EUR [3]	4.02	3.38	19
949	**1,047**	**1,050**	**(10)**	**Clean CCS Operating Result [3]**	**2,755**	**2,593**	**6**
(108)	**25**	**(319)**	**66**	**Special items [5]**	**(71)**	**(422)**	**83**
64	14	33	96	CCS effects: inventory holding gains/(losses)	73	94	(22)
905	**1,087**	**763**	**19**	**Operating Result Group**	**2,758**	**2,265**	**22**
382	644	470	(19)	Operating Result Upstream	1,432	1,311	9
518	474	284	82	Operating Result Downstream	1,398	1,020	37
(16)	(14)	(11)	(46)	Operating Result Corporate and Other	(55)	(25)	(116)
22	(16)	20	6	Consolidation: elimination of intersegmental profits	(17)	(40)	57
(29)	(25)	(39)	24	Net financial result	(82)	(176)	53
875	1,062	725	21	Profit before tax	2,675	2,089	28
39	38	46	(15)	Group tax rate in %	37	43	(13)
535	658	393	36	Net income	1,689	1,200	41
425	543	221	93	Net income attributable to stockholders [4]	1,323	830	59
1.30	1.66	0.68	93	Earnings Per Share (EPS) in EUR	4.05	2.54	59
1,074	1,135	970	11	Cash flow from operating activities	3,075	3,279	(6)
(1,520)	719	523	n.m.	Free cash flow before dividends	(925)	675	n.m.
(1,520)	(52)	523	n.m.	Free cash flow after dividends	(1,697)	(18)	n.m.
594	728	493	21	Organic free cash flow before dividends [6]	1,741	1,919	(9)
4,903	3,292	2,306	113	Net debt	4,903	2,306	113
29	21	16	89	Gearing ratio in %	29	16	89
2,769	493	470	n.m.	Capital expenditure [7]	4,144	2,556	62
609	493	459	33	Organic capital expenditure [8]	1,505	1,304	15
13	14	12	3	Clean CCS ROACE in % [3]	13	12	3
13	13	11	26	ROACE in %	13	11	26
20,083	20,192	19,978	1	Employees	20,083	19,978	1

Figures in this and the following tables may not add up due to rounding differences.
[1] Q3/19 compared to Q3/18
[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
[4] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests
[5] 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 and temporary effects from commodity hedging for material transactions are included.
[6] Organic free cash flow before dividends is cash flow from operating activities less cash flow from investing activities, excluding disposals and material inorganic cash flow components (e.g. acquisitions).
[7] Capital expenditure including acquisitions
[8] Organic capital expenditure is defined as capital expenditure including capitalized Exploration and Appraisal expenditure and excluding acquisitions and contingent considerations.

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Third quarter 2019 (Q3/19) compared to third quarter 2018 (Q3/18)

Consolidated sales increased by 6% to EUR 5,949 mn, mainly as a result of higher sales volumes due to the Upstream acquisitions in the United Arab Emirates, Malaysia, and New Zealand. The **clean CCS Operating Result** decreased by 10% from EUR 1,050 mn to EUR 949 mn. The contribution of Upstream was EUR 449 mn (Q3/18: EUR 554 mn). The better operational performance was more than offset by the negative market environment and higher depreciation. The operational performance amounted to EUR 174 mn and was mainly due to acquisitions in New Zealand (Q4/18), the United Arab Emirates (Q2/18), and Malaysia (Q1/19) as well as the production start-up of Aasta Hansteen in Norway in Q4/18. These effects were partially compensated by lower production in Romania. Net market effects of EUR (176) mn impacted the result negatively. This was mainly due to lower average realized oil and gas prices. These were offset in part by lower hedging losses and positive FX effects. The higher depreciation of EUR (103) mn was mainly related to acquisitions in New Zealand, the United Arab Emirates, and Malaysia as well as to higher production in Norway and Libya. In Q3/19, the Downstream clean CCS Operating Result increased slightly to EUR 490 mn (Q3/18: EUR 484 mn). A strong Downstream Oil result was partially compensated by a slight decline in Downstream Gas. The Downstream Oil clean CCS Operating Result grew by 2% from EUR 458 mn in Q3/18 to EUR 465 mn. A strong result contribution from the commercial and retail businesses was partially offset by a lower contribution from the petrochemicals business and from Borealis. The Downstream Gas clean CCS Operating Result decreased slightly from EUR 26 mn in Q3/18 to EUR 25 mn. The consolidation line was EUR 21 mn in Q3/19 (Q3/18: EUR 20 mn). OMV Petrom's clean CCS Operating Result totaled EUR 262 mn (Q3/18: EUR 363 mn).

The **clean Group tax rate** was 36% compared to 38% in Q3/18, mainly due to a proportionally lower result contribution from Upstream. **Clean CCS net income** dropped to EUR 593 mn (Q3/18: EUR 628 mn). **Clean CCS net income attributable to stockholders** was EUR 457 mn (Q3/18: EUR 455 mn). **Clean CCS Earnings Per Share** came in at EUR 1.40 (Q3/18: EUR 1.39).

Net **special items** of EUR (108) mn were recorded in Q3/19 (Q3/18: EUR (319) mn). **CCS effects** of EUR 64 mn were recognized in Q3/19. OMV Group's reported **Operating Result** grew by 19% to EUR 905 mn (Q3/18: EUR 763 mn). OMV Petrom's contribution to the Group's reported Operating Result declined by 45% to EUR 201 mn (Q3/18: EUR 363 mn).

The **net financial result** amounted to EUR (29) mn (Q3/18: EUR (39) mn). The expansion was mainly related to foreign exchange gains. With a **Group tax rate** of 39% (Q3/18: 46%), **net income** improved to EUR 535 mn (Q3/18: EUR 393 mn). **Net income attributable to stockholders** strongly rose to EUR 425 mn (Q3/18: EUR 221 mn). **Earnings Per Share** for the quarter almost doubled to EUR 1.30 (Q3/18: EUR 0.68).

As of September 30, 2019, **net debt** equaled EUR 4,903 mn compared to EUR 2,306 mn as of September 30, 2018. The **gearing ratio** increased to 29% (September 30, 2018: 16%). This was mainly due to the acquisition of a 15% stake in the ADNOC Refining business in Q3/19 as well as the implementation of IFRS 16 starting from January 1, 2019. For further details see the Group Interim Financial Statements.

Total **capital expenditure** added up to EUR 2,769 mn (Q3/18: EUR 470 mn), whereby EUR 2,281 mn was invested in Downstream. In Q3/19, total capital expenditure reflected the acquisition of a 15% stake in ADNOC Refining and Trading Joint Venture to the amount of USD 2.43 bn. **Organic capital expenditure** increased by 33% to EUR 609 mn (Q3/18: EUR 459 mn). In Upstream, organic capital expenditure was primarily undertaken in Romania, Norway, and the United Arab Emirates. In Downstream, organic capital expenditure was predominantly related to investments in refining in Austria, Germany, and Romania, as well as to retail investments.

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Business Segments

Upstream

Third quarter 2019 (Q3/19) compared to third quarter 2018 (Q3/18)

- Production strongly increased to 480 kboe/d, up by 74 kboe/d
- Production cost decreased by 7% to USD 6.3/boe

The **clean Operating Result** declined from EUR 554 mn in Q3/18 to EUR 449 mn. The increased operational performance was more than offset by the negative market environment and higher depreciation. The operational performance amounted to EUR 174 mn and was mainly due to acquisitions in New Zealand (Q4/18), the United Arab Emirates (Q2/18), and Malaysia (Q1/19) as well as the production start-up of Aasta Hansteen in Norway in Q4/18. These effects were partially offset by lower production in Romania. Net market effects of EUR (176) mn impacted the result negatively. This was mainly due to lower average realized oil and gas prices. These were offset in part by lower hedging losses and positive FX effects. The higher depreciation of EUR (103) mn was mainly related to acquisitions in New Zealand, the United Arab Emirates, and Malaysia, as well as to higher production in Norway and Libya. In Q3/19, OMV Petrom contributed EUR 115 mn to the clean Operating Result compared to EUR 208 mn in Q3/18.

Net **special items** amounted to EUR (67) mn in Q3/19 (Q3/18: EUR (83) mn) and were mainly related to a positive adjustment of the assumed gas reserves expected by OMV in the Yuzhno Russkoye field. The **Operating Result** decreased to EUR 382 mn (Q3/18: EUR 470 mn).

At USD 6.3/boe, the **production cost** excluding royalties declined by 7% as a result of higher quantities, optimization initiatives and the positive FX development. The production cost of OMV Petrom was flat at USD 10.5/boe. **Total hydrocarbon production** rose by 18% to 480 kboe/d, primarily due to the acquisitions in New Zealand, the United Arab Emirates, and Malaysia, as well as the production contribution from Aasta Hansteen in Norway. This was partially offset by lower production from Romania. OMV Petrom's total production was down 6% to 150 kboe/d mostly because of natural decline. **Total hydrocarbon sales volumes** rose to 42.8 mn boe (Q3/18: 35.2 mn boe) following the acquisitions in New Zealand, the United Arab Emirates, and Malaysia as well as due to the increased production from Norway. These effects were partially offset by lower volumes from Romania.

In Q3/19, Brent prices were relatively stable in July before dropping to USD 58/bbl in August, the lowest level since January of this year. This came on the back of a worsening global economic outlook. Furthermore, the renewed disputes between the US and China on trade negotiations were also pressuring factors. Following the attacks on Saudi Arabian oil facilities in mid-September prices increased to over USD 68/bbl; however, this was only short-lived as Saudi Arabia was able to restore production faster than expected. Compared to Q3/18, the **average Brent price** went down by 18% to USD 62/bbl. The Group's **average realized** crude price declined by 13%. Following significant oversupply due to still high LNG imports and almost 100% storage levels across Europe gas prices decreased. The **average realized gas price** in USD/1,000 cf decreased by 20%. Realized gas prices were impacted by a hedging loss of EUR (8) mn in Q3/19.

Capital expenditure including capitalized E&A amounted to EUR 448 mn in Q3/19 (Q3/18: EUR 333 mn). Organic capital expenditure was undertaken primarily in Romania, Norway, and the United Arab Emirates. **Exploration expenditure** rose by 11% to EUR 78 mn in Q3/19 and was mainly related to activities in Norway, Romania, and Austria.

Downstream

Third quarter 2019 (Q3/19) compared to third quarter 2018 (Q3/18)

- Slight increase in the Downstream Oil result driven by a strong commercial and retail performance
- High refinery utilization rate of 96% and increased total refined product sales

The **clean CCS Operating Result** rose by 1% to EUR 490 mn (Q3/18: EUR 484 mn). A strong Downstream Oil result was partially compensated by a slight decline in Downstream Gas.

The **Downstream Oil clean CCS Operating Result** grew by 2% from EUR 458 mn in Q3/18 to EUR 465 mn. A strong result contribution from the commercial and retail businesses was partially offset by a lower contribution from the petrochemicals business and from Borealis. The **OMV indicator refining margin** declined by 4% to USD 5.5/bbl (Q3/18: USD 5.7/bbl). A strong decline in naphtha margins could not be fully offset by increased middle distillate and heavy fuel oil margins. Feedstock costs decreased as a result of lower crude prices. The **utilization rate of the refineries** remained at a high level of 96% in Q3/19 (Q3/18: 98%), despite being partially impacted by an outage in a petrochemical plant in Burghausen. At 5.6 mn t, **total refined product sales** rose by 2%. The retail business had an improved contribution following higher margins and sales volumes. In the commercial business, margins went up and sales volumes improved slightly compared to Q3/18. The commercial business continued to benefit in Q3/19 from supply disruptions that took place in previous quarters. OMV Petrom contributed EUR 126 mn (Q3/18: EUR 117 mn) to the clean CCS Operating Result of Downstream Oil.

The clean CCS Operating Result of the petrochemicals business decreased by 20% to EUR 59 mn (Q3/18: EUR 74 mn) mainly due to an outage of the steam cracker in the Burghausen refinery. While the **ethylene/propylene net margin** increased slightly and the benzene net margin rose sharply, the butadiene net margin declined compared to Q3/18. The share from Borealis to the clean Operating Result decreased to EUR 75 mn in Q3/19 (Q3/18: EUR 101 mn), mainly following negative inventory valuation effects and a lower contribution from Borouge. This was partly compensated by a higher fertilizer business contribution following lower gas prices. The integrated polyolefin margins were at a healthy level.

The **Downstream Gas clean CCS Operating Result** declined slightly from EUR 26 mn in Q3/18 to EUR 25 mn. The contribution from Gas Connect Austria increased from EUR 19 mn to EUR 23 mn mainly following higher contributions from participations and lower energy costs. **Natural gas sales volumes** improved significantly from 23.3 TWh to 27.2 TWh, primarily following increased volumes in Romania as well as a successful market offensive in Germany and the Netherlands, and partially offset by lower sales volumes in Turkey. **Net electrical output** went down to 1.0 TWh in Q3/19 (Q3/18: 1.4 TWh) following the divestment of the Samsun power plant in Q3/18. OMV Petrom's clean CCS Operating Result of Downstream Gas amounted to EUR 12 mn in Q3/19 (Q3/18: EUR 21 mn).

Net **special items** amounted to EUR (36) mn (Q3/18: EUR (233) mn).In Q3/18 a FX loss following the divestment of the Samsun power plant was recorded ("recycled") to the amount of EUR (160) mn. **CCS effects** of EUR 63 mn were booked as a result of inventory reevaluation, partly compensated by declining crude prices during Q3/19. The **Operating Result** of Downstream nearly doubled to EUR 518 mn compared to EUR 284 mn in Q3/18.

Capital expenditure in Downstream amounted to EUR 2,281 mn (Q3/18: EUR 130 mn), mainly stemming from Downstream Oil. Capital expenditure included EUR 12 mn related to IFRS 16. Downstream Oil capital expenditure was EUR 2,260 mn in Q3/19 (Q3/18: EUR 113 mn) and mainly included the acquisition of a 15% stake in ADNOC Refining and Trading Joint Venture to the amount of USD 2.43 bn. In Q3/19, organic capital expenditure predominantly related to investments in refining in Austria, Germany, and Romania, as well as to retail investments.

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