OMV Group Factsheet Q1 2020

Key Performance Indicators [1]

Group

- Clean CCS Operating Result decreased by 8% to EUR 699 mn
- Clean CCS net income attributable to stockholders amounted to EUR 316 mn, clean CCS Earnings Per Share were EUR 0.97
- High cash flow from operating activities of EUR 1,121 mn
- Organic free cash flow before dividends of EUR 594 mn
- Clean CCS ROACE at 11%
- Lost-Time Injury Rate at 0.15

Upstream

- Production flat at 472 kboe/d
- Production cost declined to USD 6.4/boe

Downstream

- OMV indicator refining margin increased to USD 4.9/bbl
- Natural gas sales increased by 26% to 48.0 TWh

Note: Figures in the following tables may not add up due to rounding differences. Differences between percentages are displayed as percentage points throughout the document.

[1] Figures reflect the Q1/20 period; all comparisons described relate to the same quarter in the previous year except where otherwise mentioned.

Outlook

The outbreak of the coronavirus (COVID-19) and the efforts to contain it affect the global economy and, as a result, have a negative impact on prices and demand for oil products and crude oil. Based on the knowledge OMV had until publication date, the COVID-19 impact is included in the outlook.

Market environment

- For the year 2020, OMV expects the average Brent oil price to be at USD 40/bbl (previous forecast: USD 60/bbl; 2019: USD 64/bbl). In 2020, the average realized gas price is anticipated to be at EUR 10/MWh (previous forecast: lower than previous year; 2019: EUR 11.9/MWh).

Group

- In 2020, organic CAPEX (including capitalized E&A and excluding acquisitions) is projected to come in below EUR 1.8 bn (previous forecast: EUR 2.4 bn; 2019: EUR 2.3 bn).

Upstream

- OMV expects total production to be between 440 kboed/d and 470 kboe/d in 2020 (previous forecast: around 500 kboe/d; 2019: 487 kboe/d) depending on the security situation in Libya and imposed production cuts by governments.
- Organic CAPEX for Upstream (including capitalized E&A and excluding acquisitions) is anticipated to come in at EUR 1.1 bn in 2020 (previous forecast: around EUR 1.6 bn; 2019: EUR 1.6 bn).
- In 2020, Exploration and Appraisal (E&A) expenditure is expected to be at EUR 250 mn (previous forecast: EUR 350 mn; 2019: EUR 360 mn).

Downstream

- The OMV indicator refining margin is expected to be around USD 4/bbl (previous forecast: above USD 5/bbl; 2019: USD 4.4/bbl).
- Petrochemical margins are anticipated to be at the previous year's level (previous forecast: slightly below EUR 400/t; 2019: EUR 433/t).
- Total refined product sales in 2020 are forecasted to be lower compared to 2019 (previous forecast: similar level compared to previous year; 2019: 20.9 mn t). In OMV's markets, retail and commercial margins are predicted to be at the prior-year level.
- The utilization rate of the European refineries is expected to be around 80% (previous forecast: around 95%; 2019: 97%). In 2020, there is no major turnaround planned for our refineries in Europe.
- Natural gas sales volumes in 2020 are projected to be above those in 2019 (2019: 137 TWh).

Group performance

Financial highlights

In EUR mn (unless otherwise stated)

Q1/20	Q4/19	Q1/19	Δ% [1]		2019
4,760	6,074	5,403	(12)	Sales revenues [2]	23,461
699	**781**	**759**	**(8)**	**Clean CCS Operating Result [3]**	**3,536**
137	459	393	(65)	Clean Operating Result Upstream [3]	1,951
501	385	374	34	Clean CCS Operating Result Downstream [3]	1,677
(15)	(31)	(12)	(24)	Clean Operating Result Corporate and Other [3]	(67)
77	(33)	4	n.m.	Consolidation: elimination of intersegmental profits	(25)
33	43	34	(1)	Clean CCS Group tax rate in %	38
420	420	482	(13)	Clean CCS net income [3]	2,121
316	**310**	**346**	**(9)**	**Clean CCS net income attributable to stockholders [3, 4]**	**1,624**
0.97	0.95	1.06	(9)	Clean CCS EPS in EUR [3]	4.97
699	**781**	**759**	**(8)**	**Clean CCS Operating Result [3]**	**3,536**
(165)	**7**	**12**	**n.m.**	**Special items [5]**	**(64)**
(453)	37	(5)	n.m.	CCS effects: inventory holding gains/(losses)	110
81	**824**	**766**	**(89)**	**Operating Result Group**	**3,582**
(9)	448	406	n.m.	Operating Result Upstream	1,879
(18)	449	407	n.m.	Operating Result Downstream	1,847
(20)	(36)	(24)	18	Operating Result Corporate and Other	(91)
128	(36)	(23)	n.m.	Consolidation: elimination of intersegmental profits	(54)
(77)	(47)	(28)	(175)	Net financial result	(129)
5	777	738	(99)	Profit before tax	3,453
n.m.	41	33	n.m.	Group tax rate in %	38
(68)	458	496	n.m.	Net income	2,147
(159)	355	354	n.m.	Net income attributable to stockholders [4]	1,678
(0.49)	1.09	1.08	n.m.	Earnings Per Share (EPS) in EUR	5.14
1,121	981	866	29	Cash flow from operating activities	4,056
481	342	(124)	n.m.	Free cash flow before dividends	(583)
481	256	(124)	n.m.	Free cash flow after dividends	(1,441)
594	378	418	42	Organic free cash flow before dividends [6]	2,119
3,232	3,633	2,205	47	Net debt excluding leases	3,633
4,262	4,686	3,186	34	Net debt including leases	4,686
19	22	14	6	Gearing ratio excluding leases in %	22
469	773	881	(47)	Capital expenditure [7]	4,916
422	746	404	4	Organic capital expenditure [8]	2,251
11	11	12	(2)	Clean CCS ROACE in % [3]	11
8	11	12	(3)	ROACE in %	11
19,702	19,845	20,225	(3)	Employees	19,845
0.15	0.28	0.39	(62)	Lost-Time Injury Rate per 1 mn hours worked	0.34

[1] Q1/20 compared to Q1/19
[2] Sales revenues excluding petroleum excise tax
[3] Adjusted for special items and CCS effects; further information can be found below the table "Special items and CCS effects"
[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 the 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.

First quarter 2020 (Q1/20) compared to first quarter 2019 (Q1/19)

Consolidated sales revenues decreased by 12% to EUR 4,760 mn, driven by the overall lower global commodity price environment. The **clean CCS Operating Result** declined by 8% from EUR 759 mn to EUR 699 mn. The contribution of Upstream was EUR 137 mn (Q1/19: EUR 393 mn). In Downstream, the clean CCS Operating Result amounted to EUR 501 mn (Q1/19: EUR 374 mn). The consolidation line was EUR 77 mn in Q1/20 (Q1/19: EUR 4 mn). OMV Petrom's clean CCS Operating Result totaled EUR 203 mn (Q1/19: EUR 262 mn).

The **clean CCS Group tax rate** was 33%, remaining on a similar level as Q1/19 (34%). The **clean CCS net income** dropped to EUR 420 mn (Q1/19: EUR 482 mn). **The clean CCS net income attributable to stockholders** was EUR 316 mn (Q1/19: EUR 346 mn). **Clean CCS Earnings Per Share** came in at EUR 0.97 (Q1/19: EUR 1.06).

Net **special items** of EUR (165) mn were recorded in Q1/20 (Q1/19: EUR 12 mn). The reduction was mainly a consequence of Upstream asset impairments in New Zealand, Tunisia, and Austria following revised short term oil and gas price assumptions. **CCS-effects** of EUR (453) mn were recognized in Q1/20. The OMV Group's reported **Operating Result** fell by 89% to EUR 81 mn (Q1/19: EUR 766 mn). OMV Petrom's contribution to the Group's reported Operating Result declined by 35% to EUR 173 mn (Q1/19: EUR 268 mn).

The **net financial result** amounted to EUR (77) mn (Q1/19: EUR (28) mn) mainly due to negative FX effects on the Russian ruble. The high **Group tax rate** in Q1/20 was the consequence of an overall low profit from ordinary activities and result contributions from high tax regimes in the Upstream Business Segment. The **net income attributable to stockholders** declined to EUR (159) mn (Q1/19: EUR 354 mn). **Earnings Per Share** amounted to EUR (0.49) (Q1/19: EUR 1.08).

As of March 31, 2020, the **net debt** excluding leases equaled EUR 3,232 mn compared to EUR 2,205 mn as of March 31, 2019. The **gearing ratio** excluding leases increased to 19% (March 31, 2019: 14%). The increase is mainly due to a decreased cash position resulting from major acquisitions in 2019.

Total **capital expenditure** came in at EUR 469 mn (Q1/19: EUR 881 mn). In Q1/19, capital expenditure included a payment in the amount of USD 540 mn for a 50% interest in the newly formed company SapuraOMV. In Q1/20, **organic capital expenditure** increased by 4% to EUR 422 mn (Q1/19: EUR 404 mn).

Business Segments

Upstream

First quarter 2020 (Q1/20) compared to first quarter 2019 (Q1/19)

- Production remained flat at 472 kboe/d
- Production costs decreased to USD 6.4/boe

The **clean Operating Result** sharply declined from EUR 393 mn in Q1/19 to EUR 137 mn. The adverse market environment and reduced operational performance negatively impacted the result. Less depreciation could only partially offset these effects. Net market effects of EUR (235) mn impacted the result negatively. Significantly decreased average realized oil and gas prices were the main reason. Conversely, hedging gains and positive FX effects provided some support. The operational performance lowered the result by EUR 59 mn, mainly owing to write-offs of E&A wells in Austria, New Zealand, and Malaysia. These reductions were partially offset by higher sales volumes, mainly due to the start-up of the offshore gas field Larak in Malaysia and higher liftings in Norway. Depreciation decreased by EUR (38) mn and had a positive impact. This was mainly due to reserves revisions in New Zealand in Q4/19. In Q1/20, OMV Petrom contributed EUR 33 mn to the clean Operating Result, compared to EUR 174 mn in Q1/19.

Net **special items** amounted to EUR (146) mn in Q1/20 (Q1/19: EUR 13 mn). The decrease was mainly due to asset impairments in New Zealand, Tunisia, and Austria following revised short-term oil and gas price assumptions. The **Operating Result** decreased strongly to EUR (9) mn (Q1/19: EUR 406 mn).

Production cost excluding royalties declined by 5% year over year to USD 6.4/boe. OMV Petrom decreased its production cost to USD 10.9/boe.

Total hydrocarbon production remained flat at 472 kboe/d. Lower production in Libya due to force majeure and slightly lower production in Russia and Romania were partially offset by the production start-up of the offshore gas field Larak in Malaysia. OMV Petrom's total production was down by 3 kboe/d to 150 kboe/d mostly because of natural decline. **Total hydrocarbon sales volumes** rose to 446 kboe/d (Q1/19: 427 kboe/d) following the mentioned production start-up in Malaysia and higher liftings in Norway. This was partially offset by lower sales volumes in Russia. As in Q1/19 there were no liftings in Libya in Q1/20.

In Q1/20, oil prices dropped sharply following a disagreement on further production cuts in an OPEC+ meeting on March 6. In addition, the COVID-19 pandemic started to have a large negative impact on crude oil demand, further depressing oil prices. On a quarterly comparison, the **average Brent price** went down by 21% to USD 50/bbl. The Group's **average realized crude price** declined by 22%. European gas markets have been negatively impacted by a combination of full storages and warmer than expected temperatures. On top of this already weak market environment, starting from mid-March 2020, a substantial negative impact from COVID-19 could be seen throughout Europe. Significant global LNG oversupply triggered by massive capacity ramp-ups further depressed gas prices. The **average realized gas price** in USD/1,000 cf decreased by 21%. Realized gas prices were supported by a hedging gain of EUR 9 mn in Q1/20.

Capital expenditure including capitalized E&A amounted to EUR 335 mn in Q1/20 (Q1/19: EUR 792 mn). In Q1/19, capital expenditure included in particular a payment in the amount of USD 540 mn for a 50% interest in the newly formed company SapuraOMV. In Q1/20, organic capital expenditure was primarily directed to projects in Romania, Norway, the United Arab Emirates, and New Zealand. **Exploration expenditure** rose by 62% to EUR 112 mn in Q1/20 and was mainly related to exploration activities in New Zealand, Malaysia, and Austria.

Downstream

First quarter 2020 (Q1/20) compared to first quarter 2019 (Q1/19)

- ► Q1/20 refinery utilization rate remained at a high rate of 94% despite a decline during the second half of March
- ► Significant positive result contribution from middle distillate margin hedges
- ► Strong performance of the retail and petrochemicals businesses

The **clean CCS Operating Result** improved considerably by 34% to EUR 501 mn (Q1/19: EUR 374 mn), essentially a consequence from a one-off effect from monetization of CO2 certificates, a significant positive contribution of middle distillate margin hedges, and a strong petrochemicals and retail business. OMV Petrom's input to the clean CCS Operating Result of Downstream amounted to EUR 137 mn (Q1/19: EUR 83 mn).

The **OMV indicator refining margin** grew by 22% to USD 4.9/bbl (Q1/19: USD 4.0/bbl). While middle distillate margins declined, light distillate and heavy fuel oil margins rose. Feedstock costs dropped considerably as a result of lower crude oil prices. The **utilization rate of the refineries** in Q1/20 was at a high level of 94% (Q1/19: 98%) despite a decrease in the second half of March as travel restrictions tightened due to COVID-19. At 4.6 mn t, **total refined product sales** went down by 4%, also reflecting the travel restrictions. The result from the retail business increased as a consequence of higher margins, despite slightly lower sales volumes. The commercial business marginally outperformed the Q1/19 result following higher margins, offsetting a sales volume decline. In Q1/19 the commercial business had benefited from a refinery outage of a competitor.

The contribution of the **petrochemicals business** expanded by 32% to EUR 93 mn (Q1/19: EUR 70 mn) due to lower costs of the feedstock mix, which also includes other intermediates besides naphtha. The **ethylene/propylene net margin** grew slightly, while the benzene net margin, which was impacted in Q1/19 by an oversupplied market, increased sharply. The butadiene net margin weakened considerably.

The contribution of **Borealis** decreased by EUR 18 mn to EUR 54 mn (Q1/19: EUR 72 mn) mainly attributable to a lower result from Borouge due to weak market conditions in Asia. The fertilizer business improved thanks to lower natural gas prices and higher volumes.

In Q1/20, the contribution of **ADNOC Refining & Trading** amounted to EUR (7) mn. As of Q1/20 the ADNOC Refining & Trading result is calculated based on Current Cost of Supply (CCS) and excludes inventory holding gains/losses. The result in Q1/20 was negatively impacted by an extensive turnaround of the Ruwais refinery complex, which started at the beginning of February and lasted until mid April. In addition, a weak market environment in Asia weighed on the result. The Trading JV is currently in the set-up phase.

The contribution of the **gas business** grew by 18% to EUR 92 mn (Q1/19: EUR 78 mn), mainly as a consequence of a better performance of the storage business. Gas Connect Austria was reclassified as an asset held for sale. **Natural gas sales volumes** stepped up significantly from 38.1 TWh to 48.0 TWh, driven by higher sales volumes in Romania, the Netherlands and Belgium. The increase in natural gas sales volumes in Romania was partially a consequence of allocations to the regulated gas market.

Net **special items** amounted to EUR (14) mn (Q1/19: EUR 11 mn) and were mainly related to unrealized commodity derivatives. **CCS effects** of EUR (504) mn were caused by the sharp drop in crude oil prices in Q1/20. As a result the **Operating Result** of Downstream decreased to EUR (18) mn compared to EUR 407 mn in Q1/19.

Capital expenditure in Downstream amounted to EUR 128 mn (Q1/19: EUR 83 mn). In Q1/20, organic capital expenditure was predominantly related to investments in the European refineries and in the retail business.

Disclaimer regarding forward-looking statements