OMV Group Factsheet Q2 2020

Key Performance Indicators [1]

Group

- Clean CCS Operating Result decreased by 86% to EUR 145 mn
- Clean CCS net income attributable to stockholders amounted to EUR 65 mn, clean CCS Earnings Per Share were EUR 0.20
- Cash flow from operating activities of EUR 545 mn
- Organic free cash flow before dividends of EUR 120 mn
- Clean CCS ROACE at 8%
- Lost-Time Injury Rate at 0.12

Upstream

- Production decreased to 464 kboe/d
- Production cost reduced to USD 6.2/boe

Downstream

- OMV indicator refining margin declined to USD 2.3/bbl
- Natural gas sales volumes increased by 21% to 32.3 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 Q2/20 period; all comparisons described relate to the same quarter in the previous year except where otherwise mentioned.

Outlook

Market environment

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

Group

- In 2020, organic CAPEX is projected to come in at around EUR 1.7 bn (previous forecast: below EUR 1.8 bn; 2019: EUR 2.3 bn). [1]

Upstream

- OMV expects total production to be between 450 kboe/d and 470 kboe/d in 2020 (previous forecast: between 440 kboe/d and 470 kboe/d; 2019: 487 kboe/d) depending on the security situation in Libya and imposed production cuts by governments.

- Organic CAPEX for Upstream is anticipated to come in at EUR 1.1 bn in 2020 (2019: EUR 1.6 bn). [1]

- In 2020, Exploration and Appraisal (E&A) expenditure is expected to be at EUR 250 mn (2019: EUR 360 mn).

Downstream

- The OMV indicator refining margin is expected to be around USD 3/bbl (previous forecast: around USD 4/bbl; 2019: USD 4.4/bbl).

- Petrochemical margins are anticipated to be slightly below the previous year's level (previous forecast: at the previous year's level; 2019: EUR 433/t).

- Total refined product sales in 2020 are forecasted to be lower compared to 2019 (2019: 20.9 mn t). In OMV's markets, retail margins are predicted to be higher than in 2019 (previous forecast: at the prior-year level) and commercial margins are predicted to be at the prior-year level.

- The utilization rate of the European refineries is expected to be around 85% (previous forecast: around 80%; 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 substantially above those in 2019 (previous forecast: above those in 2019; 2019: 137 TWh).

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

Group performance

Financial highlights

In EUR mn (unless otherwise stated)

Q2/20	Q1/20	Q2/19	Δ% [1]		6m/20	6m/19	Δ%
3,138	4,760	6,035	(48)	Sales revenues [2]	7,898	11,438	(31)
145	**699**	**1,047**	**(86)**	**Clean CCS Operating Result [3]**	**844**	**1,806**	**(53)**
(152)	137	650	n.m.	Clean Operating Result Upstream [3]	(15)	1,043	n.m.
309	501	428	(28)	Clean CCS Operating Result Downstream [3]	810	801	1
(3)	(15)	(13)	73	Clean Operating Result Corporate and Other [3]	(18)	(25)	26
(9)	77	(17)	49	Consolidation: elimination of intersegmental profits	68	(13)	n.m.
19	33	39	(20)	Clean CCS Group tax rate in %	30	37	(7)
124	420	627	(80)	Clean CCS net income [3]	544	1,109	(51)
65	**316**	**510**	**(87)**	**Clean CCS net income attributable to stockholders [3, 4]**	**381**	**857**	**(56)**
0.20	0.97	1.56	(87)	Clean CCS EPS in EUR [3]	1.17	2.62	(56)
145	**699**	**1,047**	**(86)**	**Clean CCS Operating Result [3]**	**844**	**1,806**	**(53)**
(12)	**(165)**	**25**	**n.m.**	**Special items [5]**	**(177)**	**38**	**n.m.**
(70)	(453)	14	n.m.	CCS effects: inventory holding gains/(losses)	(523)	9	n.m.
63	**81**	**1,087**	**(94)**	**Operating Result Group**	**144**	**1,853**	**(92)**
(237)	(9)	644	n.m.	Operating Result Upstream	(246)	1,050	n.m.
342	(18)	474	(28)	Operating Result Downstream	324	880	(63)
(5)	(20)	(14)	63	Operating Result Corporate and Other	(25)	(38)	35
(38)	128	(16)	(130)	Consolidation: elimination of intersegmental profits	90	(39)	n.m.
8	(77)	(25)	n.m.	Net financial result	(69)	(53)	(31)
70	5	1,062	(93)	Profit before tax	75	1,800	(96)
18	n.m.	38	(20)	Group tax rate in %	114	36	78
58	(68)	658	(91)	Net income	(11)	1,154	n.m.
24	(159)	543	(96)	Net income attributable to stockholders [4]	(135)	897	n.m.
0.07	(0.49)	1.66	(96)	Earnings Per Share (EPS) in EUR	(0.41)	2.75	n.m.
545	1,121	1,135	(52)	Cash flow from operating activities	1,666	2,001	(17)
111	481	719	(85)	Free cash flow before dividends	592	595	(1)
(109)	481	(52)	(109)	Free cash flow after dividends	372	(176)	n.m.
120	594	728	(84)	Organic free cash flow before dividends [6]	714	1,146	(38)
3,401	3,232	2,309	47	Net debt excluding leases	3,401	2,309	47
4,416	4,262	3,292	34	Net debt including leases	4,416	3,292	34
21	19	14	6	Gearing ratio excluding leases in %	21	14	6
386	469	493	(22)	Capital expenditure [7]	855	1,374	(38)
372	422	493	(24)	Organic capital expenditure [8]	795	897	(11)
8	11	14	(6)	Clean CCS ROACE in % [3]	8	14	(6)
5	8	13	(8)	ROACE in %	5	13	(8)
19,434	19,702	20,192	(4)	Employees	19,434	20,192	(4)
0.12	0.15	0.32	(63)	Lost-Time Injury Rate per 1 mn hours worked	0.14	0.35	(60)

[1] Q2/20 compared to Q2/19
[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.

Second quarter 2020 (Q2/20) compared to second quarter 2019 (Q2/19)

Consolidated sales revenues decreased by 48% to EUR 3,138 mn due to the overall lower global commodity price environment and fallen liquid hydrocarbon sales volumes. The **clean CCS Operating Result** declined by 86% from EUR 1,047 mn to EUR 145 mn. The contribution of Upstream was EUR (152) mn (Q2/19: EUR 650 mn). In Downstream, the clean CCS Operating Result amounted to EUR 309 mn (Q2/19: EUR 428 mn). The consolidation line was EUR (9) mn in Q2/20 (Q2/19: EUR (17) mn). OMV Petrom's contribution to the Group's clean CCS Operating Result totaled EUR 56 mn (Q2/19: EUR 215 mn).

The **clean CCS Group tax rate** was 19%, significantly lower than in the same quarter last year (Q2/19: 39%), reflecting the lower contribution from Upstream, in particular from countries with high tax regimes. The **clean CCS net income** weakened to EUR 124 mn (Q2/19: EUR 627 mn). The **clean CCS net income attributable to stockholders** was EUR 65 mn (Q2/19: EUR 510 mn). **Clean CCS Earnings Per Share** came in at EUR 0.20 (Q2/19: EUR 1.56).

Net **special items** of EUR (12) mn were recorded in Q2/20 (Q2/19: EUR 25 mn). **CCS effects** of EUR (70) mn were recognized in Q2/20. The OMV Group's reported **Operating Result** fell by 94% to EUR 63 mn (Q2/19: EUR 1,087 mn). OMV Petrom's contribution to the Group's reported Operating Result declined by 86% to EUR 29 mn (Q2/19: EUR 210 mn).

The **net financial result** improved to EUR 8 mn (Q2/19: EUR (25) mn) following the recognition of an interest income from clearance of the arbitration proceedings at the International Chamber of Commerce Paris against the Ministry of Environment in Romania, as well as due to increased dividend income. With a **Group tax rate** of 18% (Q2/19: 38%) net income amounted to EUR 58 mn (Q2/19: EUR 658 mn).The **net income attributable to stockholders** declined strongly to EUR 24 mn (Q2/19: EUR 543 mn). **Earnings Per Share** amounted to EUR 0.07 (Q2/19: EUR 1.66).

As of June 30, 2020, the **net debt excluding leases** amounted to EUR 3,401 mn compared to EUR 2,309 mn on June 30, 2019, mainly due to the acquisition of a 15% stake in the ADNOC Refining business in Q3/19. As of June 30, 2020, the **gearing ratio excluding leases** stood at 21% (June 30, 2019: 14%).

Total **capital expenditure** came in at EUR 386 mn (Q2/19: EUR 493 mn), with the majority spent in Upstream. In Q2/20, **organic capital expenditure** decreased by 24% to EUR 372 mn (Q2/19: EUR 493 mn).

Business Segments

Upstream

Second quarter 2020 (Q2/20) compared to second quarter 2019 (Q2/19)

- The clean Operating Result sharply declined to EUR (152) mn because of substantially lower oil and gas prices.
- Production decreased by 26 kboe/d to 464 kboe/d, mainly as a result of the production shutdown in Libya.
- Production costs were lowered by 10% to USD 6.2/boe.

In Q2/19, the **clean Operating Result** sharply declined from EUR 650 mn to EUR (152) mn. A very challenging market environment and a reduced operational performance weighed on the result. Less depreciation moderately offset these effects. Net market effects had a negative impact of EUR (649) mn as a consequence of materially lower average realized oil and gas prices. The operational performance lowered returns by EUR 232 mn, as no liftings came out of Libya in Q2/20. In the prior-year quarter, the sales contribution from Libya was above average due to the lifting schedule. These reductions were partially offset by lower E&A expenses, particularly in Austria and Norway, and higher sales volumes in Malaysia. Depreciation decreased by EUR (78) mn due to reserves revisions in New Zealand and a shut-in production in Libya. In Q2/20, OMV Petrom contributed EUR (26) mn to the clean Operating Result (Q2/19: EUR 163 mn).

In Q2/20, net **special items** amounted to EUR (85) mn (Q2/19: EUR (6) mn), which were mainly related to an exploration license expiry in Malaysia in the amount of EUR (48) mn. The **Operating Result** decreased strongly to EUR (237) mn (Q2/19: EUR 644 mn).

Production cost excluding royalties declined by 10% year over year to USD 6.2/boe, mainly as a result of further cost reduction measures and reduced activity during the COVID-19 lockdown. OMV Petrom cut its production cost to USD 10.0/boe.

Total hydrocarbon production decreased by 26 kboe/d to 464 kboe/d. Force majeure in Libya and slightly lower production in Romania and Austria were to some extent counterbalanced by higher output in Malaysia, Norway, and the United Arab Emirates. OMV Petrom's total production was down by 4 kboe/d to 147 kboe/d mostly because of natural decline. **Total hydrocarbon sales volumes** declined to 434 kboe/d (Q2/19: 484 kboe/d) following mainly no liftings in Libya. In the prior-year quarter, Libya's contribution was above average due to the lifting schedule. This was partially offset by higher sales volumes in Malaysia.

The crude oil market went through an extremely volatile period over the past quarter. Following a disagreement on further production cuts in an OPEC+ meeting in March and the resulting increase of crude oil supply came the COVID-19 pandemic, which saw oil demand fall sharply by over 20 mn bbl/d in April. Market concerns regarding insufficient global storage capacities in light of the resulting vast oversupply led to significantly lower oil prices. Brent fell to a 21-year low of around USD 13/bbl and for a brief period WTI turned negative for the first time ever. Oil prices have, however, managed to recover to levels of around USD 40/bbl as demand slowly recovered, while OPEC+ cuts entering into force in May finally curtailed supply. On a quarterly comparison, the **average Brent price** went down significantly by 57% to USD 29.6/bbl. The Group's **average realized crude price** declined by 61%. European gas markets were hit by a combination of weak demand, full storages, and increased LNG imports. Wide-ranging lockdown measures across Europe in response to the COVID-19 pandemic were reflected in decreasing commercial, industrial, and gas-to-power demand. Starting mid-quarter, first signs of improvement began to show. Despite the gradual lift of lockdown restrictions, demand in natural-gas-intensive industries is still far from recovering to 2019 levels. Storages are unusually well utilized for the time of year with a record filling level of ~80% at the end of June. On the supply side we continue to see substantial LNG oversupply triggered by massive capacity ramp-ups. These effects led to falling natural gas prices. The **average realized gas price** in USD/1,000 cf declined by 33%.

Capital expenditure including capitalized E&A decreased significantly as a result of cost saving measures and reduced activity during the COVID-19 lockdown from EUR 341 mn to EUR 251 mn in Q2/20. In Q2/20, organic capital expenditure was primarily directed to projects in Romania, Norway, the United Arab Emirates, and New Zealand. **Exploration expenditure** decreased by 46% to EUR 50 mn in Q2/20 and was mainly related to exploration activities in Norway and Malaysia.

Downstream

Second quarter 2020 (Q2/20) compared to second quarter 2019 (Q2/19)

- The COVID-19 pandemic negatively impacted all Downstream business units except for the gas business.
- The challenging market environment led to lower sales volumes, refining margins, and refinery utilization rates.
- A positive impact from margin hedges and a stronger performance of the gas business supported the result.

The **clean CCS Operating Result** decreased by 28% to EUR 309 mn (Q2/19: EUR 428 mn) as effects of the COVID-19 pandemic weighed on demand, dragging down refining margins and refinery utilization rates. Hedging contracts helped absorb some of the adverse refining margin effects, and strong retail margins partially offset weakening demand. Our oil trading and natural gas marketing activities were able to raise contributions. OMV Petrom's input to the clean CCS Operating Result of Downstream amounted to EUR 90 mn (Q2/19: EUR 70 mn).

The **OMV indicator refining margin** weakened by 29% to USD 2.3/bbl (Q2/19: USD 3.2/bbl), mainly a consequence of the persistently weak macro environment. Lower middle distillates and gasoline cracks were to some extent compensated for by lower feedstock cost and higher fuel oil and naphtha cracks. In Q2/20, the **utilization rate of the refineries** was at a relatively resilient level of 79% (Q2/19: 96%), owed in part to our ability to switch from jet fuel to petrochemical production. Some maintenance activity took place at the Schwechat refinery in June. At 4.2 mn t, **total refined product sales volumes** went down by 23% in the wake of the COVID-19-related travel restrictions affecting retail and commercial sales volumes in all of our markets. Better margins were able to somewhat cancel out the adverse volume effects.

The contribution of the **petrochemicals business** fell by 47% to EUR 41 mn (Q2/19: EUR 78 mn) due to lower margins. While the **ethylene/propylene net margin** dropped by a relatively moderate degree, the benzene and butadiene spreads contracted sharply. Still, cracker utilization came in to around 90%.

The contribution of **Borealis** decreased by EUR 94 mn to EUR 24 mn (Q2/19: EUR 118 mn). Unfavorable inventory valuation effects, an unplanned outage of the Stenungsund cracker, and a decreased light feedstock advantage versus naphtha weighed on the results. Polyolefin sales volumes were stable, as lower demand from the automotive and construction industries was almost fully counterbalanced by rising demand from healthcare and packaging. The performance of Borouge was impacted by weak market conditions in Asia and low local naphtha prices that neutralized the advantage of processing ethane.

The contribution of **ADNOC Refining & Trading** amounted to EUR (18) mn, also owed to the difficult market environment. In addition, performance was still restricted by the unplanned delay of the maintenance turnaround at the Ruwais refineries. The Trading JV is currently in the set-up phase.

The contribution of the **gas business** grew to EUR 89 mn (Q2/19: EUR 4 mn), mainly as a consequence of a better performance of the storage business and lower depreciation. Gas Connect Austria is reclassified as an asset held for sale. The power business in Romania provided strong support thanks to favorable forward contracts and a one-off revenue recovery stemming from a 2019 power price regulation. **Natural gas sales volumes** rose significantly from 26.8 TWh to 32.3 TWh, driven by higher sales volumes in Romania, the Netherlands, Belgium, and Germany.

Net **special items** amounted to EUR 75 mn (Q2/19: EUR 33 mn) and were mainly related to unrealized commodity derivatives. **CCS effects** of EUR (41) mn are mainly a consequence of the maintenance turnaround at ADNOC Refining & Trading. As a result, the **Operating Result** of Downstream decreased to EUR 342 mn compared to EUR 474 mn in Q2/19.

Capital expenditure in Downstream amounted to EUR 128 mn (Q2/19: EUR 140 mn). In Q2/20, organic capital expenditure was predominantly related to investments in the European refineries and in the retail business.

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