OMV Group Factsheet Q3 2020

Key Performance Indicators [1]

Group

- Clean CCS Operating Result decreased by 67% to EUR 317 mn
- Clean CCS net income attributable to stockholders amounted to EUR 80 mn, clean CCS Earnings Per Share were EUR 0.24
- Cash flow from operating activities of EUR 791 mn
- Organic free cash flow before dividends of EUR 432 mn
- Clean CCS ROACE at 6%
- Lost-Time Injury Rate at 0.20

Upstream

- Production decreased to 444 kboe/d
- Production cost at USD 7.5/boe

Downstream

- OMV indicator refining margin declined to USD 0.9/bbl
- Natural gas sales volumes increased by 22% to 33.3 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. In the interest of a fluid style that is easy to read, non-gender-specific terms have been used in the OMV Group Report.

[1] Figures reflect the Q3/20 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 anticipated to be lower than EUR 10/MWh (2019: EUR 11.9/MWh).

Group

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

Upstream

- OMV expects total production to be between 450 kboe/d and 470 kboe/d in 2020 (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 2.5/bbl (previous forecast: around USD 3/bbl; 2019: USD 4.4/bbl).
- Petrochemical margins are anticipated to be slightly below the previous year's level (2019: EUR 433/t).
- Total refined product sales in 2020 are forecast 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, 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% (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 (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)

Q3/20	Q2/20	Q3/19	Δ% [1]		9m/20	9m/19	Δ%
3,696	3,138	5,949	(38)	Sales revenues [2]	11,594	17,387	(33)
317	**145**	**949**	**(67)**	**Clean CCS Operating Result [3]**	**1,162**	**2,755**	**(58)**
(24)	(152)	449	n.m.	Clean Operating Result Upstream [3]	(39)	1,492	n.m.
335	309	490	(32)	Clean CCS Operating Result Downstream [3]	1,145	1,292	(11)
(12)	(3)	(11)	(2)	Clean Operating Result Corporate and Other [3]	(30)	(36)	17
18	(9)	21	(13)	Consolidation: elimination of intersegmental profits	86	7	n.m.
38	19	36	2	Clean CCS Group tax rate in %	32	36	(4)
160	124	593	(73)	Clean CCS net income [3]	704	1,702	(59)
80	**65**	**457**	**(83)**	**Clean CCS net income attributable to stockholders [3, 4]**	**460**	**1,314**	**(65)**
0.24	0.20	1.40	(83)	Clean CCS EPS in EUR [3]	1.41	4.02	(65)
317	**145**	**949**	**(67)**	**Clean CCS Operating Result [3]**	**1,162**	**2,755**	**(58)**
(997)	**(12)**	**(108)**	**n.m.**	**Special items [5]**	**(1,174)**	**(71)**	**n.m.**
72	(70)	64	13	CCS effects: inventory holding gains/(losses)	(451)	73	n.m.
(607)	**63**	**905**	**n.m.**	**Operating Result Group**	**(463)**	**2,758**	**n.m.**
(1,044)	(237)	382	n.m.	Operating Result Upstream	(1,290)	1,432	n.m.
444	342	518	(14)	Operating Result Downstream	768	1,398	(45)
(12)	(5)	(16)	29	Operating Result Corporate and Other	(37)	(55)	33
5	(38)	22	(76)	Consolidation: elimination of intersegmental profits	96	(17)	n.m.
(59)	8	(29)	(100)	Net financial result	(128)	(82)	(56)
(666)	70	875	n.m.	Profit before tax	(591)	2,675	n.m.
31	18	39	(8)	Group tax rate in %	21	37	(16)
(458)	58	535	n.m.	Net income	(468)	1,689	n.m.
(487)	24	425	n.m.	Net income attributable to stockholders [4]	(622)	1,323	n.m.
(1.49)	0.07	1.30	n.m.	Earnings Per Share (EPS) in EUR	(1.90)	4.05	n.m.
791	545	1,074	(26)	Cash flow from operating activities	2,457	3,075	(20)
368	111	(1,520)	n.m.	Free cash flow before dividends	960	(925)	n.m.
368	(109)	(1,520)	n.m.	Free cash flow after dividends	740	(1,697)	n.m.
432	120	594	(27)	Organic free cash flow before dividends [6]	1,147	1,741	(34)
1,830	3,401	3,865	(53)	Net debt excluding leases	1,830	3,865	(53)
2,853	4,416	4,903	(42)	Net debt including leases	2,853	4,903	(42)
11	21	23	(12)	Gearing ratio excluding leases in %	11	23	(12)
363	386	2,769	(87)	Capital expenditure [7]	1,218	4,144	(71)
363	372	609	(40)	Organic capital expenditure [8]	1,158	1,505	(23)
6	8	13	(7)	Clean CCS ROACE in % [3]	6	13	(7)
1	5	13	(13)	ROACE in %	1	13	(13)
19,228	19,434	20,083	(4)	Employees	19,228	20,083	(4)
0.20	0.12	0.39	(49)	Lost-Time Injury Rate per 1 mn hours worked	0.16	0.36	(57)

[1] Q3/20 compared to Q3/19
[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; notably the acquisition of a 15% stake in ADNOC Refining and Trading JV in the amount of USD 2.43 bn in Q3/19
[8] Organic capital expenditure is defined as capital expenditure including capitalized Exploration and Appraisal expenditure and excluding acquisitions and contingent considerations.

Third quarter 2020 (Q3/20) compared to third quarter 2019 (Q3/19)

Consolidated sales revenues decreased by 38% to EUR 3,696 mn due to the overall lower global commodity price environment and fallen liquid hydrocarbon sales volumes. The **clean CCS Operating Result** declined by 67% from EUR 949 mn to EUR 317 mn, primarily due to lower prices and reduced demand. The contribution of Upstream was EUR (24) mn (Q3/19: EUR 449 mn). In Downstream, the clean CCS Operating Result amounted to EUR 335 mn (Q3/19: EUR 490 mn). The consolidation line was EUR 18 mn in Q3/20 (Q3/19: EUR 21 mn). OMV Petrom's contribution to the Group's clean CCS Operating Result totaled EUR 118 mn (Q3/19: EUR 262 mn).

During Q3/20, OMV revised its Brent oil price planning assumptions to reflect a faster paced energy transition. This resulted in net impairments of tangible and intangible assets which, adjusted for tax effects, had an overall EUR (594) mn negative impact on OMV Group's net result of the third quarter.

The **clean CCS Group tax rate** was 38% (Q3/19: 36%). This was the result, among other factors, of a higher Downstream tax rate due to a lower result from the major at-equity accounted investments. The **clean CCS net income** weakened to EUR 160 mn (Q3/19: EUR 593 mn). The **clean CCS net income attributable to stockholders** was EUR 80 mn (Q3/19: EUR 457 mn). **Clean CCS Earnings Per Share** came in at EUR 0.24 (Q3/19: EUR 1.40).

Net **special items** of EUR (997) mn were recorded in Q3/20 (Q3/19: EUR (108) mn), which were mainly related to the impairments triggered by OMV's revision of its long-term Brent crude oil price planning assumptions. **CCS effects** of EUR 72 mn were recognized in Q3/20. The OMV Group's reported **Operating Result** fell to EUR (607) mn (Q3/19: EUR 905 mn). OMV Petrom's contribution to the Group's reported Operating Result declined to EUR (10) mn (Q3/19: EUR 201 mn).

The **net financial result** amounted to EUR (59) mn (Q3/19: EUR (29) mn) and was impacted mainly by negative FX effects. With a **Group tax rate** of 31% (Q3/19: 39%) net income amounted to EUR (458) mn (Q3/19: EUR 535 mn).The **net income attributable to stockholders** declined sharply to EUR (487) mn (Q3/19: EUR 425 mn). **Earnings Per Share** amounted to EUR (1.49) (Q3/19: EUR 1.30).

As of September 30, 2020, the **net debt excluding leases** amounted to EUR 1,830 mn compared to EUR 3,865 mn on September 30, 2019, mainly due to a higher cash balance following the issuance of hybrid bonds. As of September 30, 2020, the **gearing ratio excluding leases** stood at 11% (September 30, 2019: 23%).

Total **capital expenditure** came in at EUR 363 mn (Q3/19: EUR 2,769 mn). In Q3/19, total capital expenditure was mainly related to the acquisition of a 15% stake in ADNOC Refining and Trading Joint Venture in the amount of USD 2.43 bn. In Q3/20, **organic capital expenditure** decreased by 40% to EUR 363 mn (Q3/19: EUR 609 mn).

Business Segments

Upstream

Third quarter 2020 (Q3/20) compared to third quarter 2019 (Q3/19)

- The clean Operating Result declined sharply to EUR (24) mn because of substantially lower oil and gas prices.
- Production fell by 36 kboe/d to 444 kboe/d, mainly as a result of the shutdown in Libya.
- Production cost grew to USD 7.5/boe due to lower production volumes

In Q3/20, the **clean Operating Result** declined sharply from EUR 449 mn to EUR (24) mn. A very challenging market environment and weaker operational performance weighed on the result. Net market effects had a negative impact of EUR (398) mn, mainly a consequence of materially lower average realized oil and gas prices and adverse FX effects. Operational performance lowered returns by EUR (163) mn, as there were no liftings from Libya in Q3/20 due to the force majeure situation. These reductions were partially offset by lower E&A expenses, particularly in Romania and Austria, and higher sales volumes in Malaysia. A positive impact also came from depreciation, which was EUR (87) mn lower, as a result of less production and a reduced asset base due to impairments. In Q3/20, OMV Petrom contributed EUR (11) mn to the clean Operating Result (Q3/19: EUR 115 mn).

In Q3/20, net **special items** amounted to EUR (1,020) mn (Q3/19: EUR (67) mn), which were mainly related to the impairments triggered by OMV's revision of its long-term Brent crude oil price planning assumptions. The **Operating Result** decreased strongly to EUR (1,044) mn (Q3/19: EUR 382 mn).

Production cost excluding royalties increased by 18% year-over-year to USD 7.5/boe. While lower production is one key reason for the increase, the cost of ramping up production in Malaysia and higher production costs in the United Arab Emirates are others. OMV Petrom's production cost amounted to USD 11.2/boe.

Total hydrocarbon production decreased by 36 kboe/d to 444 kboe/d. Force majeure in Libya, lower natural gas demand in New Zealand and natural decline in Romania were to some extent counterbalanced by higher output in Malaysia and the United Arab Emirates. OMV Petrom's total production was down by 9 kboe/d at 141 kboe/d, mostly because of natural decline. **Total hydrocarbon sales volumes** declined to 422 kboe/d (Q3/19: 466 kboe/d) as there were no liftings in Libya. This was partially offset by higher sales volumes in Malaysia.

After a highly volatile Q2/20, the Brent oil price benchmark embarked on a more stable path of recovery during the first two months of Q3/20, occasionally exceeding USD 45/bbl in August. With the growth of global COVID-19 infections restarting in September, insecurity about the further spread of the pandemic and its effects on the global economy and on oil demand impacted investor confidence. Volatility thus came back to the oil price development, which closed the quarter in the low forties. Overall, the **average Brent price** recovered visibly by 45% over the quarter, to USD 42.9/bbl. In a yearly comparison however, the COVID-19 pandemic and the ongoing producer price war still exerted a strong negative pressure on the oil price development. This is why the Group's **average realized crude price** declined by 37% year-over-year. Concerning natural gas, demand in Europe gradually recovered to the previous year's level during the course of the quarter, apart from the usual seasonal effects. Consumption had degraded during Q2 on the back of the economic slowdown and widespread restrictions. Starting in late June, the easing of lockdowns and increased economic activity raised consumption, and by August it had almost reached the level of a year earlier. The recovery was supported by substantially lower prices, which improved the competitiveness of gas-fired power generation versus coal. The industrial sector also showed a positive trend, and demand almost improved to the prior-year level. Despite this recent recovery, natural gas prices still remain on a much lower level than a year ago, a consequence of the weak economic environment. In total, OMV's **average realized gas price** in USD/1,000 cf declined by 27% over the year.

Capital expenditure including capitalized E&A decreased significantly as a result of cost saving measures and reduced activity during the COVID-19 pandemic, from EUR 448 mn to EUR 204 mn in Q3/20. In Q3/20, organic capital expenditure was primarily directed at projects in Romania, Norway, the United Arab Emirates, and New Zealand. **Exploration expenditure** declined by 66% to EUR 26 mn in Q3/20 and was mainly related to activities in Norway and Romania.

Downstream

Third quarter 2020 (Q3/20) compared to third quarter 2019 (Q3/19)

- The COVID-19 pandemic led to a challenging market environment, negatively impacting refining margins and refined product sales.

- A positive impact from margin hedges, a stronger performance of the gas business and a resilient retail business supported the result.

The **clean CCS Operating Result** decreased by 32% to EUR 335 mn (Q3/19: EUR 490 mn) as effects of the COVID-19 pandemic weighed on demand and refining margins. Hedging contracts and a stronger contribution from the gas and the retail businesses helped absorb some of the adverse market effects. OMV Petrom’s input to the clean CCS Operating Result of Downstream amounted to EUR 118 mn (Q3/19: EUR 138 mn).

The **OMV indicator refining margin** weakened by 84% to USD 0.9/bbl (Q3/19: USD 5.5/bbl), mainly a consequence of the persistently weak macro environment and high inventories. Substantially lower middle distillate and lower gasoline cracks dragged down the refining margin. Lower feedstock cost and higher fuel oil and naphtha cracks could only slightly offset this effect. In Q3/20, the **utilization rate of the refineries** was at a resilient level of 90% (Q3/19: 96%). At 4.7mn t, **total refined product sales volumes** went down by 16% in the wake of the COVID-19 pandemic. This was mainly attributable to commercial sales volumes; in particular, the demand for jet fuel declined. Sales volumes in retail decreased only slightly, and better margins were able to more than offset the adverse volume effects.

The contribution of the **petrochemicals business** declined to EUR 47 mn (Q3/19: EUR 59 mn) due to lower margins. While the **ethylene/propylene net margin** decreased by 15%, the benzene and butadiene spreads contracted sharply. The decline in margins could not be fully offset by increased petrochemical sales volumes and an increased operational performance benefiting from lower cost of the feedstock mix.

The contribution of **Borealis** decreased by EUR 16 mn to EUR 59 mn (Q3/19: EUR 75 mn). This was the result of weaker integrated polyolefin margins, a less favorable fertilizer market environment and a weaker contribution from Borouge, which were partially offset by positive inventory effects and slightly increased sales volumes. Polyolefin sales volumes improved slightly following rising demand from healthcare and packaging. The performance of Borouge was impacted by weaker market conditions in Asia.

The contribution of **ADNOC Refining & Trading** declined by EUR 40 mn to EUR (49) mn (Q3/19: EUR (10) mn). This was mainly attributable to an adverse market environment, which led to lower margins and utilization rates. The Trading JV is currently in the final set-up phase.

The contribution of the **gas business** more than doubled to EUR 78 mn (Q3/19: EUR 28 mn), mainly as a consequence of the stronger performance of the power and storage businesses as well as 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. **Natural gas sales volumes** rose significantly from 27.2 TWh to 33.3 TWh on account of higher sales volumes in Germany, the Netherlands, Hungary and Austria, and were slightly offset by lower sales in Romania.

Net **special items** amounted to EUR 23 mn (Q3/19: EUR (36) mn) and were mainly related to a write-up of the Brazi power plant, partially offset by unrealized commodity derivatives. In Q3/200, **CCS effects** of EUR 85 mn were mainly a consequence of an increasing price level in the quarter. As a result, the **Operating Result** of Downstream decreased to EUR 444 mn compared to EUR 518 mn in Q3/19.

Capital expenditure in Downstream amounted to EUR 155 mn (Q3/19: EUR 2,281 mn). In Q3/19 capital expenditure was mainly related to the acquisition of a 15% stake in ADNOC Refining and Trading Joint Venture in the amount of USD 2.43 bn. In Q3/20, organic capital expenditure was predominantly related to investments in the European refineries and in the retail business.

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