OMV Group Factsheet Q2 2018

Key Performance Indicators [1]

Group

- Clean CCS Operating Result increased by 10% to EUR 726 mn
- Clean CCS net income attributable to stockholders amounted to EUR 272 mn, clean CCS Earnings Per Share were EUR 0.83
- Positive organic free cash flow after dividends of EUR 88 mn
- High cash flow from operating activities of EUR 1.2 bn
- Clean CCS ROACE at 13%

Upstream

- Production rose by 81 kboe/d to 419 kboe/d
- Production cost decreased by 13% to USD 7.6/boe

Downstream

- OMV indicator refining margin stood at USD 5.2/bbl
- Natural gas sales slightly decreased to 24.8 TWh

Outlook for 2018

- For the year 2018, OMV expects the average Brent oil price to be at USD 70/bbl (previous forecast: USD 68/bbl). In 2018, average European gas spot prices are anticipated to be higher compared to 2017 (previous forecast: on a similar level).
- 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 at a similar level to that of 2017.
- It is foreseen that production in Q3/18 will be lower than in Q2/18, due to the planned annual maintenance in Russia as well as maintenance works in Norway and following the divestment of OMV Pakistan. Production in Q4/18 is expected to be strong, slightly higher than in the first quarter of 2018. This will be driven by higher volumes in Russia due to seasonal gas demand, the expected production start-up of Aasta Hansteen in Norway and of the two fields in Abu Dhabi. The acquisition in New Zealand, which is expected to be closed in Q4/18, provides additional upside.
- 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.

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[1] Figures reflect the Q2/18 period; all comparisons described relate to the same quarter in the previous year except where mentioned otherwise

Group performance

Financial highlights

In EUR mn (unless otherwise stated)

Q2/18	Q1/18	Q2/17	Δ% [1]		6m/18	6m/17	Δ%
5,706	4,977	5,152	11	Sales [2]	10,683	10,670	0
726	**818**	**662**	**10**	**Clean CCS Operating Result [3]**	**1,544**	**1,467**	**5**
457	438	259	76	Clean Operating Result Upstream [3]	895	580	54
338	376	411	(18)	Clean CCS Operating Result Downstream [3]	714	904	(21)
(6)	0	(13)	55	Clean Operating Result Corporate and Other [3]	(6)	(26)	78
(64)	4	5	n.m.	Consolidation: Elimination of intersegmental profits	(60)	8	n.m.
49	35	35	42	Clean Group tax rate in %	41	27	56
346	491	393	(12)	Clean CCS Net Income [3]	837	995	(16)
272	**377**	**282**	**(4)**	**Clean CCS net income attributable to stockholders [3, 4]**	**649**	**784**	**(17)**
0.83	1.15	0.86	(4)	Clean CCS EPS in EUR [3]	1.99	2.40	(17)
726	**818**	**662**	**10**	**Clean CCS Operating Result [3]**	**1,544**	**1,467**	**5**
(168)	**64**	**(1,322)**	**87**	**Special items [5]**	**(103)**	**(1,112)**	**91**
44	17	(34)	n.m.	CCS effects: Inventory holding gains/(losses)	61	(12)	n.m.
602	**899**	**(694)**	**n.m.**	**Operating Result Group**	**1,502**	**343**	**n.m.**
363	478	169	115	Operating Result Upstream	840	677	24
318	417	(857)	n.m.	Operating Result Downstream	736	(318)	n.m.
(13)	(1)	(14)	9	Operating Result Corporate and Other	(14)	(30)	54
(66)	6	8	n.m.	Consolidation: Elimination of intersegmental profits	(61)	14	n.m.
(47)	(90)	(62)	24	Net financial result	(137)	(111)	(24)
555	809	(756)	n.m.	Profit before tax	1,364	232	n.m.
50	34	(23)	n.m.	Group tax rate in %	41	148	(72)
276	531	(928)	n.m.	Net income	807	(112)	n.m.
203	406	(1,028)	n.m.	Net income attributable to stockholders [4]	610	(316)	n.m.
0.62	1.24	(3.15)	n.m.	Earnings Per Share (EPS) in EUR	1.87	(0.97)	n.m.
1,233	1,076	991	24	Cash flow from operating activities	2,309	1,914	21
(386)	538	1,329	n.m.	Free cash flow before dividends	152	2,649	(94)
(1,078)	538	747	n.m.	Free cash flow after dividends	(541)	2,067	n.m.
88	645	77	15	Organic free cash flow after dividends [6]	733	573	28
2,848	2,292	943	n.m.	Net debt	2,848	943	n.m.
20	16	7	192	Gearing ratio in %	20	7	192
1,747	339	397	n.m.	Capital expenditure [7]	2,086	698	199
506	339	394	29	Organic capital expenditure [8]	845	695	22
13	13	11	18	Clean CCS ROACE in % [3]	13	11	18
12	5	(1)	n.m.	ROACE in %	12	(1)	n.m.
20,086	20,595	21,140	(5)	Employees	20,086	21,140	(5)

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

[1] Q2/18 compared to Q2/17

[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

Second quarter 2018 (Q2/18) compared to second quarter 2017 (Q2/17)

Consolidated sales increased by 11% to EUR 5,706 mn compared to Q2/17, mainly due to higher prices in Downstream as well as increased sales volumes and higher prices in Upstream. The **clean CCS Operating Result** was up from EUR 662 mn to EUR 726 mn, mainly driven by a significantly higher Upstream result of EUR 457 mn (Q2/17: EUR 259 mn). This was largely attributable to higher sales volumes following the acquisition of the interest in the Yuzhno Russkoye gas field. Positive net market effects were driven by higher oil prices and partly offset by negative hedging effects as well as the negative FX impact following the depreciation of the US dollar against the euro. The Downstream clean CCS Operating Result decreased to EUR 338 mn (Q2/17: EUR 411 mn), due to a weaker refining market environment in Q2/18, the missing contribution from OMV Petrol Ofisi following its divestment in Q2/17 and the planned turnaround at the Petrobrazi refinery. The planned turnaround at the Romanian refinery led to higher levels of stored equity crude and an increase of not yet realized profits at Group level. These are eliminated in the consolidation line, which amounted to approximately EUR 60 mn in total. OMV Petrom's clean CCS Operating Result amounted to EUR 159 mn (Q2/17: EUR 197 mn). The **clean Group tax rate** was 49% compared to 35% in Q2/17, related to a stronger contribution of high taxed Upstream countries in the Middle East and Africa region and a lower Downstream result, negatively impacted by the planned turnaround at the Petrobrazi refinery. In addition, the high tax rate reflects the negative hedging effects. The **clean CCS net income** reached EUR 346 mn. **Clean CCS net income attributable to stockholders** decreased to EUR 272 mn (Q2/17: EUR 282 mn). **Clean CCS Earnings Per Share** came in at EUR 0.83 (Q2/17: EUR 0.86).

Net **special items** of EUR (168) mn were recorded in Q2/18, mainly related to temporary hedging effects and unrealized commodity derivatives. In Q2/17, net special items were EUR (1,322) mn, primarily due to the recycling of FX losses following the divestment of OMV Petrol Ofisi. **CCS effects** of EUR 44 mn were recognized in Q2/18. OMV Group's reported **Operating Result** came in at EUR 602 mn, substantially higher than in Q2/17 (EUR (694) mn). OMV Petrom's contribution to the Group's reported Operating Result was EUR 156 mn (Q2/17: EUR 172 mn).

The **net financial result** was EUR (47) mn (Q2/17: EUR (62) mn). The increase was mainly related to FX gains. With a **Group tax rate** of 50% (Q2/17: (23)%), **net income** amounted to EUR 276 mn. **Net income attributable to stockholders** rose to EUR 203 mn (Q2/17: EUR (1,028) mn). **Earnings Per Share** for the quarter increased significantly to EUR 0.62 (Q2/17: EUR (3.15)).

Cash flow from operating activities grew to EUR 1,233 mn from EUR 991 mn in Q2/17, supported by positive net working capital effects. **Free cash flow after dividends** decreased to EUR (1,078) mn compared to EUR 747 mn in Q2/17, mainly attributable to the acquisition of a 20% stake in an offshore concession in Abu Dhabi, that led to an outflow of USD 1.5 bn in Q2/18.

Net debt increased to EUR 2,848 mn compared to EUR 943 mn on June 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 June 30, 2018, the **gearing ratio** stood at 20% (June 30, 2017: 7%).

Organic capital expenditure increased by 29% to EUR 506 mn (Q2/17: EUR 394 mn). The increase is allocated to Upstream reflecting higher organic capital expenditure in the regions Central Eastern Europe and Middle East and Africa. In Downstream, organic capital expenditure decreased due to the divestment of OMV Petrol Ofisi in Q2/17. The amount was partially offset by higher organic capital expenditure in Downstream Gas, reflecting increased planned maintenance activities in the power business. Total **capital expenditure** amounted to EUR 1,747 mn (Q2/17: EUR 397 mn) reflecting the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi from ADNOC in the amount of USD 1.5 bn in Q2/18.

Business Segments

Upstream

Second quarter 2018 (Q2/18) compared to second quarter 2017 (Q2/17)

- Strong increase of clean Operating Result to EUR 457 mn
- Production increased to 419 kboe/d
- Production cost decreased by 13% to USD 7.6/boe

The **clean Operating Result** substantially improved from EUR 259 mn in Q2/17 to EUR 457 mn, due to a significantly better operational performance in the amount of EUR 105 mn. This was largely attributable to higher sales volumes following the acquisition of the interest in the Yuzhno Russkoye gas field and partially offset by lower production in Romania and New Zealand. Net market effects had a positive impact of EUR 77 mn to OMV's result. Higher average oil prices were partly offset by hedging losses as well as the negative FX impact following the depreciation of the US dollar against the euro. In Q2/18, OMV Petrom contributed EUR 177 mn to the clean Operating Result compared to EUR 98 mn in Q2/17.

Net **special items** amounted to EUR (94) mn in Q2/18 mainly associated with temporary hedging effects of EUR (69) mn and associated with the impairment of assets in the North Sea region following their reclassification as assets held for sale. The **Operating Result** substantially increased to EUR 363 mn (Q2/17: EUR 169 mn).

At USD 7.6/boe, **production cost** excluding royalties declined by 13% as a result of higher production, partly offset by negative FX impacts due to USD devaluation. Production cost of OMV Petrom increased by 12% to USD 11.7/boe mainly due to lower volumes and an unfavorable FX environment.

Total hydrocarbon production increased by 24% to 419 kboe/d, primarily due to Russia's contribution of 98 kboe/d and partially offset by lower production from Romania due to natural decline as well as from New Zealand due to repair works at the Pohokura pipeline. OMV Petrom's total production was down by 5% to 160 kboe/d, mostly because of natural decline. **Total sales volumes** were up by 25%, mainly attributable to the contribution from Russia and partially offset by lower sales volumes in Romania and New Zealand.

In Q2/18, the **average Brent price** rose by 50% to around USD 74/bbl, predominantly due to higher geopolitical risk as well as a continued strong compliance with the production cut by the OPEC countries. The Group's **average realized** crude price increased by 32%. The **average realized gas price** in USD/1,000 cf decreased by 9% as Q2/18 reflects the contribution from Russia. Realized prices were impacted by a hedging loss of EUR (124) mn in Q2/18.

Capital expenditure including capitalized E&A increased to EUR 1,584 mn in Q2/18 (EUR 227 mn in Q2/17) and also accounts for the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi from ADNOC in the amount of USD 1.5 bn. Organic investments were undertaken primarily in Romania and Norway. **Exploration expenditure** rose by 89% to EUR 75 mn and was mainly related to activities in Romania, Norway and Austria.

Downstream

Second quarter 2018 (Q2/18) compared to second quarter 2017 (Q2/17)

- Downstream Oil result was impacted by a weaker refining market environment as well as the missing contribution from OMV Petrol Ofisi
- Successfully completed the planned full-site turnaround at Petrobrazi refinery; mean time between turnarounds increases from two to four years

The **clean CCS Operating Result** amounted to EUR 338 mn in Q2/18 (Q2/17: EUR 411 mn), due to a weaker refining market environment in Q2/18, the missing contribution from OMV Petrol Ofisi following its divestment in Q2/17 and the planned turnaround at the Petrobrazi refinery.

The **Downstream Oil clean CCS Operating Result** declined from EUR 382 mn in Q2/17 to EUR 318 mn. This was partially due to the divestment of OMV Petrol Ofisi in June 2017, which contributed EUR 44 mn to the result in Q2/17. Furthermore, the **OMV indicator refining margin** decreased by 13% to USD 5.2/bbl (Q2/17: USD 6.0/bbl). Increased crude prices resulted in higher feedstock costs. Middle distillate and naphtha margins improved while gasoline and heavy fuel oil margins declined. The **utilization rate of the refineries** amounted to 77% in Q2/18, reflecting the planned six-week turnaround at the Petrobrazi refinery and scheduled, small-scale maintenance activities at the Burghausen refinery. In Q2/17, the utilization rate amounted to 77% due to the planned turnaround at the Schwechat refinery. At 4.98 mn t, **total refined product sales** decreased by 28% as a result of the divestment of OMV Petrol Ofisi, which contributed 2.0 mn t in Q2/17. Excluding OMV Petrol Ofisi, total refined product sales remained flat. In the retail business sales volumes slightly increased, while margins decreased. In the commercial business, sales and margins were below Q2/17 levels. OMV Petrom contributed EUR 42 mn to the clean CCS Operating Result of Downstream Oil.

The clean CCS Operating Result of the petrochemicals business increased by EUR 5 mn to EUR 55 mn in Q2/18. Despite the drop in the ethylene/propylene and butadiene net margins, the petrochemicals result increased in Q2/18 compared to Q2/17, as in last year's quarter OMV completed a planned turnaround of the petrochemical unit at the Schwechat refinery, which negatively impacted the result. The contribution from Borealis to the clean Operating Result grew by EUR 12 mn to EUR 106 mn in Q2/18 (Q2/17: EUR 94 mn), supported by an income from a license agreement and healthy, integrated polyolefin margins. The fertilizer market environment remained challenging.

Downstream Gas clean CCS Operating Result decreased from EUR 29 mn in Q2/17 to EUR 20 mn. The Q2/18 result was mainly impacted by a lower Gas Connect Austria result and slightly lower natural gas sales. The contribution from Gas Connect Austria weakened from EUR 26 mn to EUR 20 mn, mainly attributable to the expiration of long-term contracts and higher energy costs, and partially offset by additional short-term contracts. **Natural gas sales volumes** declined from 26.0 TWh to 24.8 TWh, primarily due to lower sales volumes in Romania and Turkey, and partially offset by higher sales in Germany. **Net electrical output** declined to 0.65 TWh as a result of planned maintenance works. OMV Petrom contributed EUR 6 mn to the clean CCS Operating Result of Downstream Gas.

Net **special items** amounted to EUR (66) mn, mainly due to unrealized commodity derivatives. In Q2/17, net special items were EUR (1,231) mn, related to the recycling of FX losses following the divestment of OMV Petrol Ofisi. **CCS effects** of EUR 47 mn were booked as a result of rising crude prices during Q2/18. The **Operating Result** of Downstream substantially increased to EUR 318 mn compared to EUR (857) mn in Q2/17.

Capital expenditure in Downstream amounted to EUR 159 mn (Q2/17: EUR 168 mn), of which EUR 139 mn (Q2/17: EUR 154 mn) was related to Downstream Oil.

Disclaimer regarding forward-looking statements