



OMV Group Report Q4/16 and full year 2016

including condensed consolidated financial statements as of December 31, 2016

Highlights Q4/16

- ▶ Clean CCS EBIT at EUR 315 mn
- ▶ Clean CCS net income attributable to stockholders at EUR 153 mn; clean CCS Earnings Per Share of EUR 0.47
- ▶ Strong free cash flow after dividends including non-controlling interest changes of EUR 803 mn

Highlights full year 2016

- ▶ Clean CCS EBIT at EUR 1,110 mn
- ▶ Clean CCS net income attributable to stockholders at EUR 995 mn; clean CCS Earnings Per Share of EUR 3.05
- ▶ Strong free cash flow after dividends including non-controlling interest changes of EUR 1,105 mn
- ▶ Proposed Dividend per share of EUR 1.20

Rainer Seele, CEO and Chairman of the OMV Executive Board:

“The year 2016 was one of transformation for OMV. We have taken significant steps towards reshaping the portfolio of OMV and our total divestment efforts generated EUR 1.7 bn of proceeds. In Q4/16, we also increased our stake in four Exploration and Production Sharing Agreements in the Sirte Basin in Libya.

Through Group-wide cost reductions and efficiency efforts, OMV saved EUR 200 mn, EUR 100 mn ahead of target. OMV delivered a robust clean CCS EBIT of EUR 1,110 mn in 2016 supported by a strong Downstream result. The Group generated free cash flow after dividends, including non-controlling interest changes, of EUR 1.1 bn, EUR 1.7 bn higher than the previous year.

The Executive Board of OMV proposes to the Annual General Meeting a dividend per share of EUR 1.20.”

Q3/16	Q4/16	Q4/15	Δ% in EUR mn (unless otherwise stated)	2016	2015	Δ%
63	(81)	(1,729)	95 EBIT	(271)	(2,006)	86
415	315	187	68 Clean CCS EBIT	1,110	1,390	(20)
48	(192)	(1,017)	81 Net income attributable to stockholders ¹	(217)	(1,100)	80
447	153	180	(15) Clean CCS net income attributable to stockholders ¹	995	1,148	(13)
0.15	(0.59)	(3.11)	81 Earnings Per Share (EPS) in EUR	(0.67)	(3.37)	80
1.37	0.47	0.55	(15) Clean CCS EPS in EUR	3.05	3.52	(13)
652	611	434	41 Cash flow from operating activities	2,878	2,834	2
239	436	(143)	n.m. Free cash flow before dividends	1,081	(39)	n.m.
239	349	(143)	n.m. Free cash flow after dividends	615	(569)	n.m.
239	803	(143)	n.m. Free cash flow after dividends including non-controlling interest changes ²	1,105	(581)	n.m.
–	–	–	n.a. Dividend Per Share (DPS) in EUR ³	1.20	1.00	20

¹ After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests

² In Q4/16 and 2016, the non-controlling interest change mainly includes the cash inflow from the sale of a 49% minority stake in Gas Connect Austria

³ 2016: As proposed by the Executive Board. Subject to confirmation by the Supervisory Board and the Annual General Meeting 2017

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Disclaimer regarding forward looking statements

This report contains forward looking statements. Forward looking statements may be identified by the use of terms such as “outlook”, “expect”, “anticipate”, “target”, “estimate”, “goal”, “plan”, “intend”, “may”, “objective”, “will” and similar terms, or by their context. These forward looking statements are based on beliefs and assumptions currently held by and information currently available to OMV. By their nature, forward-looking statements are subject to risks and uncertainties, both known and unknown, because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of OMV. Consequently, the actual results may differ materially from those expressed or implied by the forward-looking statements. Therefore, recipients of this report are cautioned not to place undue reliance on these forward-looking statements.

Neither OMV nor any other person assumes responsibility for the accuracy and completeness of any of the forward-looking statements contained in this report. OMV disclaims any obligation to update these forward-looking statements to reflect actual results, revised assumptions and expectations and future developments and events. This report does not contain any recommendation or invitation to buy or sell securities in OMV.

Directors' report (condensed, unaudited)

Financial highlights

Q3/16	Q4/16	Q4/15	Δ% in EUR mn (unless otherwise stated)	2016	2015	Δ%
5,249	5,407	5,043	7 Sales ¹	19,260	22,527	(15)
(319)	(34)	(1,526)	98 EBIT Upstream	(1,059)	(2,371)	55
378	4	(197)	n.m. EBIT Downstream	881	334	164
(8)	(29)	(40)	26 EBIT Corporate and Other	(56)	(48)	(16)
11	(21)	33	n.m. Consolidation: Elimination of inter-segmental profits	(36)	79	n.m.
63	(81)	(1,729)	95 EBIT Group	(271)	(2,006)	86
131	76	(411)	n.m. thereof EBIT OMV Petrom group	330	(114)	n.m.
(350)	(415)	(1,761)	76 Special items ²	(1,388)	(3,028)	54
(12)	(13)	(2)	n.m. thereof: Personnel and restructuring	(50)	(34)	(48)
(353)	(468)	(1,493)	69 Unscheduled depreciation	(1,436)	(2,771)	48
(7)	67	(5)	n.m. Asset disposal	80	(5)	n.m.
23	0	(261)	100 Other	18	(217)	n.m.
(3)	20	(155)	n.m. CCS effects: Inventory holding gains/(losses)	6	(368)	n.m.
38	85	(62)	n.m. Clean EBIT Upstream ³	26	139	(81)
377	270	247	9 Clean CCS EBIT Downstream ³	1,122	1,178	(5)
(7)	(27)	(39)	31 Clean EBIT Corporate and Other ³	(50)	(43)	(16)
7	(14)	41	n.m. Consolidation: Elimination of inter-segmental profits	12	116	(89)
415	315	187	68 Clean CCS EBIT ³	1,110	1,390	(20)
137	102	51	98 thereof clean CCS EBIT OMV Petrom group ³	380	572	(34)
75	39	18	110 Net financial result	227	97	135
138	(42)	(1,711)	98 Profit before tax	(45)	(1,909)	98
129	(145)	(1,308)	89 Net income	3	(1,255)	n.m.
48	(192)	(1,017)	81 Net income attributable to stockholders ⁴	(217)	(1,100)	80
447	153	180	(15) Clean CCS net income attributable to stockholders ^{3,4}	995	1,148	(13)
0.15	(0.59)	(3.11)	81 Earnings Per Share (EPS) in EUR	(0.67)	(3.37)	80
1.37	0.47	0.55	(15) Clean CCS EPS in EUR ³	3.05	3.52	(13)
652	611	434	41 Cash flow from operating activities	2,878	2,834	2
239	436	(143)	n.m. Free cash flow before dividends	1,081	(39)	n.m.
239	349	(143)	n.m. Free cash flow after dividends	615	(569)	n.m.
239	803	(143)	n.m. Free cash flow after dividends including non-controlling interest changes ⁵	1,105	(581)	n.m.
2.00	1.87	1.33	41 Cash flow per share in EUR	8.82	8.68	2
3,743	2,969	4,038	(26) Net debt	2,969	4,038	(26)
27	21	28	(25) Gearing ratio in %	21	28	(25)
403	519	772	(33) Capital expenditure	1,878	2,769	(32)
–	–	–	n.a. Dividend Per Share (DPS) in EUR ⁶	1.20	1.00	20
–	–	–	n.a. ROFA in %	(1)	(9)	84
–	–	–	n.a. ROACE in %	1	(6)	n.m.
–	–	–	n.a. Clean CCS ROACE in % ³	7	8	(3)
–	–	–	n.a. ROE in %	0	(9)	n.m.
6	(242)	24	n.m. Group tax rate in %	107	34	n.m.
22,838	22,544	24,124	(7) Employees	22,544	24,124	(7)

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

¹ Sales excluding petroleum excise tax

² Special items are exceptional, non-recurring items and include unrealized gains/losses on commodity derivatives (starting with Q2/15), which are added back or deducted from EBIT. For more details please refer to Business Segments

³ Adjusted for special items. Clean CCS figures exclude 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 In Q4/16 and 2016, the non-controlling interest change mainly includes the cash inflow from the sale of a 49% minority stake in Gas Connect Austria

⁶ 2016: As proposed by the Executive Board. Subject to confirmation by the Supervisory Board and the Annual General Meeting 2017

Group performance

Fourth quarter 2016 (Q4/16) vs. fourth quarter 2015 (Q4/15)

Consolidated sales increased by 7% vs. Q4/15, mainly due to higher Downstream Oil sales volumes. **Clean CCS EBIT** increased from EUR 187 mn in Q4/15 to EUR 315 mn in Q4/16, mainly driven by a higher Upstream result due to lower costs, as well as better contribution from Downstream Gas. **OMV Petrom's clean CCS EBIT** was at EUR 102 mn, which is higher than in Q4/15 (EUR 51 mn). Negative **net special items** of EUR (415) mn were recorded in Q4/16 (EUR (1,761) mn in Q4/15), which are attributable to impairments in both Upstream and Downstream. Downstream net special items amounted to EUR (293) mn and included the impairment of OMV Petrol Ofisi of EUR (148) mn following the reclassification of the disposal group as asset held for sale, as well as the impairment of Samsun power plant of EUR (101) mn and of Etzel gas storage in the amount of EUR (73) mn. Upstream net special items amounted to EUR (120) mn. These were mainly related to the impairment of the Mehar field in Pakistan following a downward reserves revision and to the UK as a result of the closing process for the OMV UK Upstream divestment. Positive **CCS effects** of EUR 20 mn were recognized in Q4/16 (EUR (155) mn in Q4/15). **OMV Group's reported EBIT** amounted to EUR (81) mn, which is higher than Q4/15 (EUR (1,729) mn). **OMV Petrom's contribution to OMV Group's reported EBIT** was EUR 76 mn, which is higher than Q4/15 (EUR (411) mn).

The **net financial result** of EUR 39 mn in Q4/16 slightly increased compared to EUR 18 mn in Q4/15 mainly as a result of an improved net interest result.

Taxes on Group income amounted to EUR (103) mn in Q4/16. The **effective tax rate** in Q4/16 was (242)% (Q4/15: 24%).

Net income attributable to stockholders was EUR (192) mn vs. EUR (1,017) mn in Q4/15. **Clean CCS net income attributable to stockholders** amounted to EUR 153 mn (Q4/15: EUR 180 mn). **EPS** for the quarter equaled EUR (0.59) and **clean CCS EPS** amounted to EUR 0.47 (Q4/15: EUR (3.11) and EUR 0.55, respectively).

Cash flow from operating activities amounted to EUR 611 mn and was above Q4/15 (EUR 434 mn), mainly due to an improved price environment. **Free cash flow after dividends** amounted to EUR 349 mn (Q4/15: outflow of EUR 143 mn). **Free cash flow after dividends including changes from non-controlling interests**, which reflects mainly the cash inflow from the divestment of a 49% minority stake in Gas Connect Austria, amounted to EUR 803 mn in Q4/16.

Fourth quarter 2016 (Q4/16) vs. third quarter 2016 (Q3/16)

Consolidated sales increased by 3% vs. Q3/16, mainly due to higher Downstream Oil and Gas sales. **Clean CCS EBIT** decreased from EUR 415 mn in Q3/16 to EUR 315 mn, mainly driven by a lower Downstream result. Downstream was impacted by seasonally lower sales volumes and margins in Downstream Oil and mark-to-market valuation effects in Downstream Gas. The Upstream result increased, owing to higher realized oil prices as well as higher sales volumes. **OMV Petrom's clean CCS EBIT** amounted to EUR 102 mn, lower than Q3/16 (EUR 137 mn), mainly due to the lower Downstream Oil result. Negative **net special items** of EUR (415) mn were recorded in Q4/16 (EUR (350) mn in Q3/16), as impairments were booked in both Upstream and Downstream businesses. Positive **CCS effects** of EUR 20 mn were recognized in Q4/16 (EUR (3) mn in Q3/16). **OMV Group's reported EBIT** equaled EUR (81) mn, which is lower than Q3/16 (EUR 63 mn). **OMV Petrom's contribution to OMV Group's reported EBIT** was EUR 76 mn, which is lower than in Q3/16 (EUR 131 mn).

The **net financial result** decreased by EUR 36 mn to EUR 39 mn in Q4/16 mainly due to a reduced contribution from Borealis on account of a lower margin environment.

Taxes on Group income amounted to EUR (103) mn in Q4/16. The **effective tax rate** in Q4/16 was (242)% (Q3/16: 6%).

Net income attributable to stockholders was EUR (192) mn vs. EUR 48 mn in Q3/16. **Clean CCS net income attributable to stockholders** was EUR 153 mn (Q3/16: EUR 447 mn). **EPS** for the quarter was at EUR (0.59) and **clean CCS EPS** was at EUR 0.47 (Q3/16: EUR 0.15 and EUR 1.37, respectively).

Cash flow from operating activities amounted to EUR 611 mn and was slightly below the Q3/16 level (EUR 652 mn). **Free cash flow after dividends** amounted to EUR 349 mn (Q3/16: EUR 239 mn).

January to December 2016 vs. January to December 2015

The decrease of 15% in consolidated sales versus 2015 was mainly attributable to lower Downstream Oil sales reflecting lower prices. **Clean CCS EBIT** stood at EUR 1,110 mn, showing a good operational result despite the decrease in oil and gas prices and the refining margin. However, clean CCS EBIT decreased by 20% compared to 2015 as both Upstream and Downstream turned in lower results. The Upstream result decreased to EUR 26 mn due to significantly lower oil and gas prices that could only partially be offset by higher sales volumes, lower exploration expenses and depreciation as well as lower production costs. The Downstream result decreased to EUR 1,122 mn, impacted by a lower refining margin, which was partly offset by an improved Downstream Gas result. **OMV Petrom's clean CCS EBIT** amounted to EUR 380 mn, below 2015 (EUR 572 mn), as 2016 was mainly burdened by lower oil prices. Negative **net special items** of

EUR (1,388) mn were recorded in 2016 (EUR (3,028) mn in 2015), mainly attributable to the impairments in both Upstream and Downstream assets. The main impairments in Upstream were related to the divestments of the 30% stake in the Rosebank field (EUR (543) mn) and of OMV (U.K.) Limited (EUR (493) mn). In Downstream, special items were mainly related to the impairment of the OMV Petrol Ofisi disposal group of EUR (148) mn, following the reclassification as asset held for sale, as well as to the impairment of Samsun power plant of EUR (101) mn and of Etzel gas storage of EUR (73) mn. Positive **CCS effects** of EUR 6 mn were recognized (2015: EUR (368) mn). **OMV Group's reported EBIT** equaled EUR (271) mn, which is above 2015 (EUR (2,006) mn). **OMV Petrom's contribution to OMV Group's reported EBIT** was EUR 330 mn, which is higher than 2015 (EUR (114) mn).

The **net financial result** of EUR 227 mn, improved compared to EUR 97 mn in 2015, mainly due to a higher income from equity-accounted investments and an improved net interest result.

Current taxes on Group income of EUR (130) mn and **deferred taxes** of EUR 178 mn were recognized in 2016. The **effective tax rate** was 107% in 2016 (2015: 34%).

Net income attributable to stockholders amounted to EUR (217) mn in 2016 vs. EUR (1,100) mn in 2015. **Non-controlling and hybrid interests** amounted to EUR 220 mn (2015: EUR (155) mn). **Clean CCS net income attributable to stockholders** equaled EUR 995 mn (2015: EUR 1,148 mn). **EPS** equaled EUR (0.67) and **clean CCS EPS** amounted to EUR 3.05 (2015: EUR (3.37) and EUR 3.52, respectively).

Cash flow from operating activities amounted to EUR 2,878 mn and was slightly higher compared to 2015 (EUR 2,834 mn). **Free cash flow after dividends** resulted in a cash inflow of EUR 615 mn (2015: outflow of EUR 569 mn), mainly due to lower investments. **Free cash flow after dividends including changes from non-controlling interests**, which reflects mainly the cash inflow from the divestment of a 49% minority stake in Gas Connect Austria, amounted to EUR 1,105 mn in 2016.

Statement of financial position and capital expenditure

Summarized statement of financial position in EUR mn	Dec. 31, 2016	%	Dec. 31, 2015	%
Assets				
Non-current assets	21,042	65	24,054	74
Intangible assets and property, plant and equipment	16,326	51	19,715	60
Equity-accounted investments	2,860	9	2,562	8
Other non-current assets	1,017	3	927	3
Deferred tax assets	839	3	850	3
Current assets	7,666	24	8,516	26
Inventories	1,663	5	1,873	6
Trade receivables	2,459	8	2,567	8
Other current assets	3,544	11	4,076	12
Assets held for sale	3,572	11	94	0
Equity and liabilities				
Equity	14,110	44	14,298	44
Non-current liabilities	10,336	32	10,314	32
Provisions for pensions and similar obligations	1,040	3	1,045	3
Bonds and other interest-bearing debts	4,737	15	4,592	14
Provisions for decommissioning and restoration obligations	3,320	10	3,342	10
Other provisions and liabilities	1,117	3	1,105	3
Deferred tax liabilities	122	0	229	1
Current liabilities	6,727	21	8,021	25
Trade payables	3,731	12	3,380	10
Bonds and other interest-bearing debts	260	1	494	2
Other provisions and liabilities	2,736	8	4,147	13
Liabilities associated with assets held for sale	1,107	3	32	0
Total assets/equity and liabilities	32,280	100	32,664	100

Capital expenditure decreased to EUR 1,878 mn in 2016 (2015: EUR 2,769 mn).

Upstream invested EUR 1,356 mn in 2016 compared to EUR 2,140 mn in 2015. CAPEX in **Downstream** amounted to EUR 513 mn (2015: EUR 608 mn), of which EUR 463 mn were invested in Downstream Oil (2015: EUR 546 mn) and EUR 49 mn in Downstream Gas (2015: EUR 62 mn).

Compared to year-end 2015, **total assets** decreased by EUR 384 mn to EUR 32,280 mn mainly as a result of a lower derivatives position and the impairments booked during the period, partially compensated by a strong cash position as of December 31, 2016.

Equity decreased by 1% in comparison to December 31, 2015. The Group's equity ratio remained stable at 44% as of December 31, 2016 compared to December 31, 2015.

The **overall cash position** increased to EUR 2,314 mn (December 31, 2015: EUR 1,348 mn), and thereof EUR 245 mn are disclosed as assets held for sale being part of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

Net debt decreased to EUR 2,969 mn compared to EUR 4,038 mn at the end of 2015. On December 31, 2016, the **gearing ratio** stood at 21% (December 31, 2015: 28%).

Cash flow

Summarized statement of cash flows in EUR mn	2016	2015	Δ%
Sources of funds	3,026	3,234	(6)
Cash flow from operating activities	2,878	2,834	2
Cash flow from investing activities	(1,797)	(2,874)	37
Free cash flow	1,081	(39)	n.m.
Cash flow from financing activities	(74)	758	n.m.
Effect of exchange rate changes on cash and cash equivalents	(42)	(19)	(117)
Net (decrease)/increase in cash and cash equivalents	965	700	38
Cash and cash equivalents at beginning of period	1,348	649	108
Cash and cash equivalents at end of period	2,314	1,348	72
thereof cash disclosed within Assets held for sale	245	0	n.a.
Cash and cash equivalents presented in the consolidated statement of financial position	2,069	1,348	53
Free cash flow after dividends	615	(569)	n.m.
Free cash flow after dividends including non-controlling interest changes¹	1,105	(581)	n.m.

¹ In 2016, the non-controlling interest change mainly includes the cash inflow from the sale of a 49% minority stake in Gas Connect Austria

In 2016, **inflow of funds** from net income, adjusted for non-cash items such as depreciation, net change in long-term provisions, non-cash income from investments and other positions was EUR 3,026 mn (2015: EUR 3,234 mn). **Net working capital components** in the cash flow statement generated a cash outflow of EUR 148 mn (2015: EUR 400 mn). **Cash flow from operating activities** increased by EUR 44 mn, compared to 2015, reaching EUR 2,878 mn.

In 2016, **net cash from investing activities** resulted in an outflow of EUR 1,797 mn (2015: EUR 2,874 mn), mainly related to investments in Romania and Norway. This position also included cash outflows for the acquisition of FE-Trading GmbH and FE-Trading trgovina d.o.o. of EUR 57 mn, which reflects the cash consideration of EUR 26 mn paid to the seller and also trade and other financial liabilities amounting to EUR 31 mn. Cash outflow less cash acquired amounted to EUR 54 mn.

Free cash flow (defined as net cash from operating activities less net cash used in investing activities) showed an inflow of funds of EUR 1,081 mn (2015: outflow of EUR 39 mn). **Free cash flow after dividends** resulted in a cash inflow of EUR 615 mn (2015: outflow of EUR 569 mn).

Cash flow from financing activities reflected a net outflow of funds amounting to EUR 74 mn (2015: inflow of EUR 758 mn), following repayments of a bond and other long-term debt as well as payments of dividends and hybrid coupons during the period. These effects were partially compensated by drawings of new long- and short-term borrowings. This position also includes a cash inflow from contributions by former minority shareholders of EconGas in the amount of EUR 36 mn. The cash consideration paid for the remaining non-controlling interest in EconGas amounted to 3 Euro. Also, there was a significant cash inflow resulting from the sale of a 49% minority stake in Gas Connect Austria in the amount of EUR 454 mn.

Risk management

As an international oil and gas company with operations extending from hydrocarbon exploration and production through to trading and marketing of mineral products and gas, OMV is exposed to a variety of risks including market and financial risks, and operational and strategic risks. A detailed description of risks and risk management activities can be found in the Annual Report 2015 (pages 31–33).

The main uncertainties that can influence the OMV Group's performance are the commodity price risk, FX risk, operational risks and also political as well as regulatory risks. The commodity price risk is being monitored constantly and appropriate protective measures for the cash flow are taken, if required. The inherent exposure to safety and environmental risks is monitored through HSSE (Health, Safety, Security and Environment) and risk management programs, which have the clear commitment to keep OMV's risks in line with industry standards.

See also the Outlook section of the Director's report below for more information on current risks.

Transactions with related parties

Please refer to the selected explanatory notes of the consolidated financial statements for disclosures on significant transactions with related parties.

Outlook

Market environment

For the year 2017, OMV expects the average Brent oil price to be at USD 55/bbl. The gas market environment in Europe continues to be characterized by oversupply. However, average gas prices in European spot markets are expected to show an increase in 2017.

Group

- ▶ OMV expects to generate a positive free cash flow after dividends in 2017
- ▶ 2017 CAPEX (including capitalized E&A) is expected to come in at EUR 2 bn
- ▶ OMV has set a new cost reduction target of EUR 250 mn in 2017 compared to 2015

Upstream

- ▶ OMV expects total production to be 320 kboe/d in 2017 (including the contribution from Pearl Petroleum Company of close to 8 kboe/d)
- ▶ Production in Libya has partially restarted and is expected to contribute on average 10 kbb/d in 2017
- ▶ CAPEX for Upstream (including capitalized E&A) is expected to come in at EUR 1.4 bn in 2017
- ▶ Exploration and appraisal expenditure is expected to amount to EUR 300 mn

Downstream

Oil

- ▶ Refining margins are projected to trend downwards due to crude price recovery and persisting overcapacity in the market
- ▶ Capacity utilization in 2017 is expected to be above 90%. A planned full-site turnaround at the Schwechat refinery is scheduled in Q2/17 and will last approximately one month
- ▶ Petrochemical margins are estimated to slightly decrease in 2017 vs. 2016 following oil price recovery. Commercial and retail margins are projected to be below the levels of 2016
- ▶ The divestment of OMV's wholly owned subsidiary OMV Petrol Ofisi is progressing according to plan. OMV has received binding offers and expects to conclude the divestment of OMV Petrol Ofisi in 2017

Gas

- ▶ Natural gas sales volumes are expected to be flat in 2017 vs. 2016
- ▶ Due to oversupply in the European gas market, natural gas sales margins are expected to be lower in 2017 vs. 2016
- ▶ Due to a change in tariff regulation, the contribution from the gas transportation business in Austria (Gas Connect Austria) is expected to be significantly lower in 2017 vs. 2016

OMV's new dividend policy

- ▶ OMV is committed to delivering an attractive and predictable shareholder return through the business cycle
- ▶ OMV projects a floor dividend of EUR 1 per share provided that this will not be to the detriment of the Company's long-term financial health or stability
- ▶ OMV intends to grow the cash dividend progressively from 2016 onwards, in line with the Group's free cash flow and net income development
- ▶ The rate of progression will take into account the Group's investment needs and strategic capital allocation priorities

Business Segments

Upstream

Q3/16	Q4/16	Q4/15	Δ%	in EUR mn (unless otherwise stated)	2016	2015	Δ%
(319)	(34)	(1,526)	98	EBIT	(1,059)	(2,371)	55
(357)	(120)	(1,464)	92	Special items	(1,086)	(2,509)	57
38	85	(62)	n.m.	Clean EBIT	26	139	(81)
413	450	433	4	Clean EBITD	1,508	1,835	(18)
308	358	438	(18)	Capital expenditure	1,356	2,140	(37)
68	75	131	(43)	Exploration expenditure	307	607	(49)
57	63	185	(66)	Exploration expenses	808	707	14
11.42	11.31	12.28	(8)	OPEX in USD/boe	11.59	13.24	(12)
301	315	309	2	Total hydrocarbon production in kboe/d	311	303	3
174	170	176	(3)	thereof OMV Petrom group	174	179	(3)
14.0	14.6	14.2	3	Crude oil and NGL production in mn bbl	57.9	55.4	5
76.7	81.2	80.4	1	Natural gas production in bcf	314.9	309.5	2
27.4	28.7	27.8	3	Total hydrocarbon sales volumes in mn boe	108.8	105.0	4
45.86	49.33	43.76	13	Average Brent price in USD/bbl	43.73	52.39	(17)
43.33	45.35	40.61	12	Average realized crude price in USD/bbl	39.77	48.93	(19)
4.46	3.98	5.32	(25)	Average realized gas price in USD/1,000 cf	4.45	5.48	(19)
13.06	12.08	15.87	(24)	Average realized gas price in EUR/MWh ¹	13.15	16.16	(19)
1.117	1.079	1.095	(1)	Average EUR-USD FX-rate	1.107	1.110	0

¹ The average realized gas price is converted to MWh using a standardized calorific value across the portfolio.

Fourth quarter 2016 (Q4/16) vs. fourth quarter 2015 (Q4/15)

- **Clean EBIT increased substantially to EUR 85 mn**
- **Strict capital discipline resulted in continued low CAPEX and exploration expenditure**
- **Cost savings initiatives led to a further decrease in production cost in USD/boe**

In Q4/16, the average **Brent price** in USD was up by 13% mainly due to the OPEC agreement on reducing future production levels. The Group's average **realized crude price** increased by 12%. The average **realized gas price** in USD/1,000 cf decreased by 25%. Realized prices were impacted by a negative hedging result of EUR (33) mn in Q4/16, while in Q4/15 hedging positively supported with EUR 20 mn.

Total OMV daily production of oil, NGL and gas increased by 2% to 315 kboe/d, mainly due to higher production from Norway and the partial re-start in Libya. This increase was partly offset by lower production in Romania, New Zealand and Austria. OMV Petrom's total daily oil and gas production was down to 170 kboe/d due to natural decline and a surface facility upgrade at Totea Deep. **Total sales volumes** increased by 3% due to higher liftings in Norway and Tunisia as well as one lifting from Libya.

At USD 11.31/boe, **production costs** excluding royalties (OPEX) in USD/boe were down by 8% as a result of the successful implementation of the cost reduction program coupled with higher production. At OMV Petrom, OPEX decreased by 3% to USD 11.77/boe despite lower production due to strict cost management.

Clean EBIT substantially increased from EUR (62) mn to EUR 85 mn due to lower exploration expenses, lower depreciation and higher sales volumes. The positive price effect was partially offset by a negative hedging result. OMV Petrom contributed EUR 55 mn to clean EBIT. **Exploration expenses** notably decreased to EUR 63 mn. Depreciation was down due to the effect of the lower asset base and upward reserves revisions. Negative **special items** recorded in the quarter amounted to EUR (120) mn, mainly related to impairments of assets in Pakistan and in the UK. In Pakistan, a downward reserves revision of the Mehar field resulted in an impairment of EUR (54) mn. In the UK, additional negative effects amounting to EUR (49) mn were booked in connection with the divestments of OMV (U.K.) Limited and of the 30% stake in Rosebank. **Reported EBIT** amounted to EUR (34) mn (Q4/15: EUR (1,526) mn).

Strict capital discipline led to a lower **capital expenditure** in Upstream of EUR 358 mn in Q4/16 from EUR 438 mn in Q4/15. Investments were undertaken primarily in Romania and Norway. **Exploration expenditure** fell by 43% to EUR 75 mn and reflected activities mainly in Norway, the United Arab Emirates and Romania.

Fourth quarter 2016 (Q4/16) vs. third quarter 2016 (Q3/16)

The average **Brent price** in USD/bbl increased by 8%, and the Group's average **realized crude price** was up by 5%. The average **realized gas price** in USD/1,000 cf decreased by 11%. Realized prices were impacted by a negative hedging result of EUR (33) mn in Q4/16, while in Q3/16 hedging positively supported with EUR 26 mn.

Total OMV daily production of oil, NGL and gas increased by 5% to 315 kboe/d, mainly due to higher production from Norway and the partial restart in Libya. OMV Petrom's total daily oil and gas production declined by 2% to 170 kboe/d due to natural decline. **Total sales volumes** were 5% higher in line with higher production.

Production costs excluding royalties (OPEX) in USD/boe were down to USD 11.31/boe following the higher production.

Clean EBIT more than doubled from Q3/16 to EUR 85 mn owing to a higher realized oil price as well as higher sales volumes in Q4/16. **Exploration expenses** increased to EUR 63 mn. Negative **special items** recorded in the quarter amounted to EUR (120) mn. **Reported EBIT** amounted to EUR (34) mn (Q3/16: EUR (319) mn).

January to December 2016 vs. January to December 2015

The **average** Brent price in USD/bbl decreased by 17%. The Group's **average realized crude price** decreased by 19% to USD 39.8/bbl. The **average realized gas price** in USD/1,000 cf decreased by 19%. Realized prices were impacted by a negative hedging result of EUR (6) mn in 2016, while in 2015 hedging positively supported with EUR 74 mn.

Total OMV daily production of oil, NGL and gas increased by 3% to 311 kboe/d. Production in Norway increased by 23 kboe/d. OMV Petrom's total daily oil and gas production decreased by 3% due to natural decline. **Total sales volumes** increased by 4% and were driven by higher volumes in Norway.

Production costs excluding royalties (OPEX) in USD/boe decreased by 12% to USD 11.59/boe as a result of the successful implementation of the cost reduction program (resulting in lower services and personnel costs) coupled with higher production. Despite lower production volumes, OMV Petrom reported a decrease of 10% in OPEX to USD 11.85/boe.

Clean EBIT decreased to EUR 26 mn in 2016 vs. EUR 139 mn in 2015. The impact of significantly lower oil and gas prices could only partially be offset by higher sales volumes, lower exploration expenses and depreciation as well as lower production costs. **Special items** of EUR (1,086) mn were recorded in 2016, mainly related to the impairments from the 30% stake in Rosebank and OMV (U.K.) Limited divestments. **Reported EBIT** increased from EUR (2,371) mn in 2015 to EUR (1,059) mn in 2016.

Upstream invested EUR 1,356 mn (2015: EUR 2,140 mn), mostly in field developments and redevelopments, drilling and workover activities in Romania, Norway and Tunisia.

In line with the revised exploration strategy, **exploration expenditure** decreased from EUR 607 mn to EUR 307 mn and was mainly spent in Norway, Romania and Bulgaria.

As of December 31, 2016, **proved oil and gas reserves** (1P) slightly increased to 1,030 mn boe (thereof OMV Petrom: 606 mn boe), supported by newly introduced booking of reserves from OMV's 10% shareholding in Pearl Petroleum Company, reserves acquired in Libya and positive reserves revisions, mainly in Norway and Romania. The 2016 one-year Reserve Replacement Rate (RRR) was 101% (2015: 44%). The three-year average RRR decreased to 70% in 2016 (2015: 73%). Proved and probable oil and gas reserves (2P) amounted to 1,696 mn boe (thereof OMV Petrom: 879 mn boe). Pearl Petroleum Company had a production contribution net to OMV equivalent to 7.5 kboe/d in 2016, which is not reflected in the total hydrocarbon production. Starting with 2017, the total hydrocarbon production of OMV will include the contribution from Pearl Petroleum Company.

Downstream

Q3/16	Q4/16	Q4/15	Δ%	in EUR mn (unless otherwise stated)	2016	2015	Δ%
378	4	(197)	n.m.	EBIT	881	334	164
8	(293)	(296)	1	Special items	(296)	(512)	42
(8)	26	(147)	n.m.	CCS effects: Inventory holding gains/(losses) ¹	55	(332)	n.m.
377	270	247	9	Clean CCS EBIT ¹	1,122	1,178	(5)
312	246	288	(14)	thereof Downstream Oil	940	1,209	(22)
65	24	(40)	n.m.	thereof Downstream Gas	182	(30)	n.m.
540	433	411	5	Clean CCS EBITD ¹	1,763	1,823	(3)
94	156	326	(52)	Capital expenditure	513	608	(16)
Downstream Oil KPIs							
3.69	5.59	5.90	(5)	OMV indicator refining margin in USD/bbl ²	4.75	7.24	(34)
405	366	357	3	Ethylene/propylene net margin in EUR/t ³	375	419	(10)
97	96	94	3	Utilization rate refineries in %	89	93	(4)
8.40	7.87	7.64	3	Total refined product sales in mn t	30.74	29.98	3
2.89	2.67	2.60	2	thereof retail sales volumes in mn t	10.40	10.34	1
0.59	0.57	0.60	(5)	thereof petrochemicals in mn t	2.31	2.30	1
Downstream Gas KPIs							
22.19	29.78	28.71	4	Natural gas sales volumes in TWh	108.89	110.12	(1)
1.91	1.78	1.92	(8)	Net electrical output in TWh	5.18	5.41	(4)

¹ Current cost of supply (CCS): Clean CCS figures exclude special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi

² Actual refining margins realized by OMV may vary from the OMV indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions

³ Calculated based on West European Contract Prices (WECP)

Fourth quarter 2016 (Q4/16) vs. fourth quarter 2015 (Q4/15)

- ▶ **Clean CCS EBIT increased by 9%, driven by better results in Downstream Gas**
- ▶ **Higher customer demand resulted in better retail and commercial volumes, but margins decreased**
- ▶ **Borealis generated again a strong result of EUR 86 mn**

Clean CCS EBIT increased from EUR 247 mn in Q4/15 to EUR 270 mn in Q4/16, mainly driven by a higher contribution of Downstream Gas, which was partly offset by a lower Downstream Oil result.

Downstream Oil clean CCS EBIT decreased from EUR 288 mn to EUR 246 mn due to a different refining product mix and lower jet fuel margins. The refineries utilization rate remained on a very high level of 96%. OMV's indicator refining margin decreased from USD 5.9/bbl in Q4/15 to USD 5.6/bbl in Q4/16, largely driven by lower naphtha spreads. At 7.9 mn t, total refined product sales were slightly up. While retail margins decreased, petrochemical margins were slightly up at EUR 366/t. The petrochemicals business overall contributed EUR 53 mn to clean CCS EBIT. At EUR 32 mn, OMV Petrol Ofisi generated a strong result, though slightly lower than the previous year.

Downstream Gas clean CCS EBIT reached EUR 24 mn. The performance of Gas Connect Austria remained stable at EUR 29 mn. This was partially offset by the gas sales result that was negative due to mark-to-market valuation effects.

Natural gas sales volumes increased by 4% to 29.8 TWh, mostly due to higher sales volumes in Romania. The power business remained challenging.

Borealis, which is accounted for at-equity and shown in the financial result of the OMV Group, generated a strong result of EUR 86 mn in Q4/16 (EUR 87 mn in Q4/15). The lower base chemicals and fertilizer business results were offset by the polyolefin business as well as the increased contribution from Borouge.

Increased crude prices over Q4/16 contributed to positive CCS effects of EUR 26 mn.

Special items of EUR (293) mn were booked in Q4/16 (Q4/15: EUR (296) mn). This was mainly related to the impairment of OMV Petrol Ofisi (EUR (148) mn). In addition, there were impairments related to the Samsun power plant (EUR (101) mn) in Turkey, the Etzel gas storage facility in Germany (EUR (73) mn) and a EUR (26) mn provision booked for the Gate LNG obligation and associated transportation commitments.

Reported EBIT for Downstream amounted to EUR 4 mn compared with EUR (197) mn in Q4/15.

Capital expenditure in Downstream decreased to EUR 156 mn in Q4/16 from EUR 326 mn in Q4/15, and thereof Downstream Oil investment was EUR 135 mn.

Fourth quarter 2016 (Q4/16) vs. third quarter 2016 (Q3/16)

Clean CCS EBIT decreased from EUR 377 mn to EUR 270 mn in Q4/16, driven by both a lower Downstream Oil and Downstream Gas result.

Clean CCS EBIT of Downstream Oil decreased from EUR 312 mn to EUR 246 mn due to seasonally lower sales volumes and margins. The utilization rate of the refineries was stable at a high level of 96% in Q4/16. The OMV indicator refining margin increased from USD 3.7/bbl in Q3/16 to USD 5.6/bbl in Q4/16 mainly due to better naphtha and middle distillate spreads. Sales volumes decreased seasonally to 7.9 mn t in Q4/16 from 8.4 mn t in Q3/16 and retail as well as commercial margins deteriorated.

In addition, the performance of the petrochemicals business decreased from EUR 75 mn to EUR 53 mn due to lower ethylene and propylene margins.

At EUR 24 mn, **Downstream Gas clean CCS EBIT** result was EUR 41 mn lower than Q3/16. Q4/16 was impacted by market-to-market valuation effects. In Q3/16, clean CCS EBIT was supported by a one-time gain of EUR 22 mn, mainly related to the clearance of a contract. Natural gas sales volumes seasonally increased from 22.19 TWh in Q3/16 to 29.78 TWh in Q4/16, mostly due to higher sales volumes in Romania. The contribution of the gas transportation business decreased from EUR 35 mn in Q3/16 to EUR 29 mn in Q4/16 due to higher costs. The power business remained challenging.

The contribution from **Borealis**, which is accounted for at-equity and shown in the financial result of the OMV Group, was down from EUR 110 mn in Q3/16 to EUR 86 mn in Q4/16, due to a weaker polyolefin and base chemicals business. The contribution from Borouge remained at a high level compared to the previous quarter.

Capital expenditure in Downstream increased to EUR 156 mn (Q3/16: EUR 94 mn). Downstream Oil investments accounted for EUR 135 mn.

January to December 2016 vs. January to December 2015

Downstream recorded a strong clean CCS EBIT of EUR 1,122 mn. This result, however, was 5% lower than previous year, given a decreased contribution from Downstream Oil.

At EUR 940 mn, **Downstream Oil clean CCS EBIT** was below the EUR 1,209 mn achieved in 2015, because of the lower refining result. The OMV indicator refining margin decreased from USD 7.2/bbl to USD 4.7/bbl, mainly due to lower naphtha and middle distillates spreads. This trend was partly compensated by lower crude prices. The refining utilization rate stood at 89% vs. 93% in 2015, reflecting the planned turnarounds of approximately one month at Schwechat and Petrobrazi in Q2/16. The clean petrochemicals EBIT was down 9% at EUR 238 mn, reflecting lower propylene margins. The retail business showed a very strong performance. At EUR 116 mn, OMV Petrol Ofisi made a significantly higher contribution to earnings than in the previous year.

At EUR 182 mn, **Downstream Gas clean EBIT** turned significantly positive, largely driven by restructuring efforts and the strong stable contribution from the gas logistics business. Natural gas sales volumes remained flat at 109 TWh in 2016. The contribution of the gas transportation business in Austria was stable at EUR 126 mn. The power business remained challenging, with net electrical output decreasing to 5.2 TWh compared with 5.4 TWh in 2015.

The contribution from **Borealis** increased to EUR 399 mn from EUR 356 mn in 2015 mainly due to a higher polyolefin business and a higher contribution from Borouge.

Special items of EUR (296) mn were recorded mainly related to the impairment of OMV Petrol Ofisi of EUR (148) mn following the reclassification of the asset as asset held for sale, as well as the impairment of the Samsun power plant of EUR (101) mn and Etzel gas storage of EUR (73) mn. Increased crude prices over the year contributed to positive CCS effects of EUR 55 mn. Reported EBIT amounted to EUR 881 mn.

CAPEX in Downstream amounted to EUR 513 mn (2015: EUR 608 mn), of which EUR 463 mn were in Downstream Oil (2015: EUR 546 mn). Downstream Oil investments related primarily to the turnaround of the refineries, OMV Petrol Ofisi contract renewals and retail maintenance. OMV invested EUR 49 mn in Downstream Gas (2015: EUR 62 mn).

Group financial statements (condensed, unaudited)

Income statement (unaudited)

Consolidated income statement in EUR mn			2016	2015
Q3/16	Q4/16	Q4/15 (unless otherwise stated)		
5,249	5,407	5,043	19,260	22,527
(92)	(96)	(79)	(355)	(327)
(4,384)	(4,855)	(6,188)	(16,559)	(22,174)
774	456	(1,225)	2,347	26
203	242	100	644	392
(245)	(237)	(244)	(1,004)	(906)
(83)	(101)	(96)	(343)	(371)
(57)	(63)	(185)	(808)	(707)
(9)	(10)	(12)	(28)	(28)
(520)	(368)	(68)	(1,078)	(413)
63	(81)	(1,729)	(271)	(2,006)
114	98	76	425	345
110	86	87	399	356
15	2	8	41	37
28	7	13	66	89
(67)	(63)	(77)	(261)	(304)
(16)	(5)	(2)	(44)	(70)
75	39	18	227	97
138	(42)	(1,711)	(45)	(1,909)
(8)	(103)	403	47	654
129	(145)	(1,308)	3	(1,255)
48	(192)	(1,017)	(217)	(1,100)
26	26	14	103	42
56	21	(305)	118	(197)
0.15	(0.59)	(3.11)	(0.67)	(3.37)
0.15	(0.59)	(3.11)	(0.66)	(3.37)
-	-	-	1.20	1.00

¹ 2016: As proposed by the Executive Board. Subject to confirmation by the Supervisory Board and the Annual General Meeting 2017

Statement of comprehensive income (condensed, unaudited)

in EUR mn			2016	2015
Q3/16	Q4/16	Q4/15		
129	(145)	(1,308)	3	(1,255)
69	(200)	74	(131)	(109)
(1)	1	0	1	(1)
1	(30)	24	(102)	119
(15)	88	22	63	95
54	(141)	120	(170)	103
0	5	19	(50)	19
0	0	9	(18)	9
0	5	28	(68)	28
1	(5)	(9)	15	(36)
0	0	(5)	2	(5)
1	(5)	(14)	17	(41)
55	(141)	134	(221)	90
184	(287)	(1,174)	(218)	(1,166)
58	(277)	(814)	(427)	(987)
26	26	14	103	42
101	(35)	(374)	106	(221)

Statement of financial position (unaudited)

Statement of financial position in EUR mn	Dec. 31, 2016	Dec. 31, 2015
Assets		
Intangible assets	1,713	3,275
Property, plant and equipment	14,613	16,440
Equity-accounted investments	2,860	2,562
Other financial assets	947	846
Other assets	70	81
Deferred taxes	839	850
Non-current assets	21,042	24,054
Inventories	1,663	1,873
Trade receivables	2,459	2,567
Other financial assets	1,245	2,245
Income tax receivables	32	108
Other assets	198	374
Cash and cash equivalents	2,069	1,348
Current assets	7,666	8,516
Assets held for sale	3,572	94
Total assets	32,280	32,664
Equity and liabilities		
Capital stock	327	327
Hybrid capital	2,231	2,231
Reserves	8,541	9,114
OMV equity of the parent	11,100	11,672
Non-controlling interests	3,011	2,626
Equity	14,110	14,298
Provisions for pensions and similar obligations	1,040	1,045
Bonds	3,725	3,721
Interest-bearing debts	1,012	871
Provisions for decommissioning and restoration obligations	3,320	3,342
Other provisions	553	535
Other financial liabilities	409	410
Other liabilities	155	160
Deferred taxes	122	229
Non-current liabilities	10,336	10,314
Trade payables	3,731	3,380
Bonds	38	295
Interest-bearing debts	222	200
Provisions for income taxes	212	215
Provisions for decommissioning and restoration obligations	92	100
Other provisions	435	418
Other financial liabilities	1,169	2,341
Other liabilities	828	1,074
Current liabilities	6,727	8,021
Liabilities associated with assets held for sale	1,107	32
Total equity and liabilities	32,280	32,664

Statement of changes in equity (condensed, unaudited)

in EUR mn	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Other reserves ¹	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
January 1, 2016	327	1,500	2,231	8,613	(989)	(10)	11,672	2,626	14,298
Net income for the period				(115)			(115)	118	3
Other comprehensive income for the period				(49)	(160)		(209)	(11)	(221)
Total comprehensive income for the period				(164)	(160)		(324)	106	(218)
Dividend distribution and hybrid coupon				(464)			(464)	(2)	(466)
Disposal of treasury shares		1				1	2		2
Share-based payments		6		1			7		7
Increase/(decrease) in non-controlling interests				206	0		206	280	486
December 31, 2016	327	1,507	2,231	8,192	(1,149)	(9)	11,100	3,011	14,110

in EUR mn	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Other reserves ¹	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
January 1, 2015	327	1,503	741	10,117	(1,086)	(11)	11,591	2,924	14,514
Net income for the period				(1,058)			(1,058)	(197)	(1,255)
Other comprehensive income for the period				10	103		113	(24)	90
Total comprehensive income for the period				(1,048)	103		(945)	(221)	(1,166)
Capital increase			1,490				1,490		1,490
Dividend distribution and hybrid coupon				(459)			(459)	(72)	(531)
Disposal of treasury shares		1				1	3		3
Share-based payments		(4)		3			(1)		(1)
Increase/(decrease) in non-controlling interests				(1)	(6)		(7)	(4)	(12)
December 31, 2015	327	1,500	2,231	8,613	(989)	(10)	11,672	2,626	14,298

¹ Other reserves contain exchange differences from the translation of foreign operations, unrealized gains and losses from hedges and available-for-sale financial assets as well as the share of other comprehensive income of equity-accounted investments

Cash flows (condensed, unaudited)

Q3/16	Q4/16	Q4/15	Summarized statement of cash flows in EUR mn	2016	2015
129	(145)	(1,308)	Net income for the period	3	(1,255)
899	1,006	2,162	Depreciation, amortization and impairments including write-ups	3,598	5,153
18	10	(401)	Deferred taxes	(178)	(787)
(4)	(63)	0	Losses/(gains) on the disposal of non-current assets	(81)	(19)
(27)	27	236	Net change in long-term provisions	(25)	233
(210)	42	(34)	Other adjustments	(290)	(91)
806	877	655	Sources of funds	3,026	3,234
(45)	(198)	101	(Increase)/decrease in inventories	(110)	207
(145)	(600)	676	(Increase)/decrease in receivables	(840)	512
24	482	(996)	(Decrease)/increase in liabilities	747	(1,004)
12	50	(2)	(Decrease)/increase in short-term provisions	54	(114)
652	611	434	Cash flow from operating activities	2,878	2,834
			Investments		
(432)	(400)	(595)	Intangible assets and property, plant and equipment	(2,022)	(2,978)
(37)	(1)	(33)	Investments, loans and other financial assets	(66)	(88)
0	0	0	Acquisitions of subsidiaries and businesses net of cash acquired	(54)	0
			Disposals		
49	219	51	Proceeds from sale of non-current assets	331	193
7	7	0	Proceeds from the sale of subsidiaries and businesses, net of cash disposed	14	0
(413)	(175)	(577)	Cash flow from investing activities	(1,797)	(2,874)
6	129	15	(Decrease)/increase in long-term borrowings	(172)	137
0	454	0	Increase in non-controlling interest	454	0
0	0	0	Decrease in non-controlling interest	36	(12)
181	(333)	(643)	(Decrease)/increase in short-term borrowings	74	(327)
0	(87)	0	Dividends paid	(466)	(530)
0	0	1,490	Capital increase and hybrid bond	0	1,490
187	164	862	Cash flow from financing activities	(74)	758
(3)	(34)	17	Effect of exchange rate changes on cash and cash equivalents	(42)	(19)
423	565	736	Net (decrease)/increase in cash and cash equivalents	965	700
1,325	1,748	612	Cash and cash equivalents at beginning of period	1,348	649
1,748	2,314	1,348	Cash and cash equivalents at end of period	2,314	1,348
0	245	0	thereof cash disclosed within Assets held for sale	245	0
1,748	2,069	1,348	Cash and cash equivalents presented in the consolidated statement of financial position	2,069	1,348
239	436	(143)	Free cash flow	1,081	(39)
239	349	(143)	Free cash flow after dividends	615	(569)
239	803	(143)	Free cash flow after dividends including non-controlling interest changes ¹	1,105	(581)

¹ In Q4/16 and 2016, the non-controlling interest change mainly includes the cash inflow from the sale of a 49% minority stake in Gas Connect Austria

Selected notes to the preliminary consolidated financial statements

Legal principles

The preliminary, condensed, unaudited, consolidated financial statements for 2016 have been prepared in line with the accounting policies that will be used in preparing the OMV Annual Report, which are consistent with those used in the 2015 Annual Report, except as described herein. The final, audited, consolidated statements will be published at the end of March 2017 as part of the 2016 Annual Report.

The preliminary condensed, consolidated financial statements for 2016 are unaudited and an external review by an auditor was not performed.

The preliminary, condensed, unaudited, consolidated financial statements for 2016 have been prepared in million EUR (EUR mn, EUR 1,000,000). Accordingly, there may be rounding differences.

General accounting policies

The following new and amended standards and interpretations have been implemented since January 1, 2016. None has had a material impact on the condensed financial statements.

- ▶ Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- ▶ Amendments to IAS 1 *Disclosure Initiative*
- ▶ Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*
- ▶ Amendments to IAS 16 and IAS 41 *Agriculture – Bearer Plants*
- ▶ Amendments to IAS 27 *Equity Method in Separate Financial Statements*
- ▶ Annual Improvements to IFRSs 2012–2014 Cycle
- ▶ Amendments to IFRS 10, IFRS 12 and IAS 28 *Investments Entities: Applying the Consolidation Exception*

Changes in the consolidated Group

Compared with the consolidated financial statements as of December 31, 2015, the consolidated Group changed as follows:

In **Upstream**, OMV Abu Dhabi Offshore GmbH, based in Vienna, was included starting with May 1, 2016 and OMV Middle East & Africa GmbH, based in Vienna, was included starting from December 31, 2016.

OMV Petrom Ukraine Finance Services GmbH and OMV Petrom Ukraine E&P GmbH, both based in Vienna, were deconsolidated as of May 1, 2016 and June 1, 2016, respectively.

OMV Tellal Hydrocarbons GmbH, OMV (FAROE ISLANDS) Exploration GmbH, OMV Oystercatcher Exploration GmbH and OMV (TUNESIEN) Sidi Mansour GmbH, all based in Vienna, were deconsolidated as of December 31, 2016.

In **Downstream**, PEGAS CEGH Gas Exchange Services GmbH, based in Vienna, has been consolidated at-equity starting on September 1, 2016. The company was set up together with Powernext and OMV holds a 49% share.

OMV Gas Marketing Trading & Finance B.V., based in Amsterdam, was included starting from December 9, 2016.

FE-Trading GmbH, based in Anif, and FE-Trading trgovina d.o.o., based in Ljubljana, were acquired and included in the consolidation scope starting on April 30, 2016.

Business combinations

Downstream

On October 12, 2015, OMV signed a contract to acquire 100% of the shares in FE-Trading GmbH, based in Anif (Austria) and FE-Trading trgovina d.o.o., based in Ljubljana (Slovenia). The companies ("FE Trading") operate a chain of unmanned filling stations in Austria and Slovenia. The transaction was closed on April 30, 2016. FE Trading has been acquired to further extend the unmanned filling station network of OMV.

The following tables show the acquired net assets as well as the calculation of the goodwill:

Fair values acquired in EUR mn	April 30, 2016
Intangible assets	16
Property, plant and equipment	19
Inventories	2
Trade receivables	2
Cash in hand and at bank	3
Total assets	44
Decommissioning and restoration obligation	(3)
Deferred Taxes	(2)
Provision for income taxes	(1)
Trade payables	(25)
Other financial liabilities	(6)
Total liabilities	(37)
Net assets acquired	6

Measurement of goodwill in EUR mn	April 30, 2016
Consideration given (cash)	26
Net assets acquired	(6)
Goodwill	20

The goodwill substantially relates to the integration effect of FE Trading into the Austrian refinery business as a marketing outlet. The goodwill is not expected to be tax deductible for income tax purposes.

As of December 31, 2016, FE-Trading GmbH and FE-Trading trgovina d.o.o. contributed EUR 61.5 mn to consolidated sales and EUR 1.0 mn to consolidated net income of the OMV Group since their inclusion. If the acquisition had already taken place at the beginning of the year, the calculated value of sales and net income contribution to the OMV Group would have been EUR 86.9 mn and EUR 0.9 mn, respectively.

Upstream

On November 15, 2016, OMV increased its stake in four Exploration and Production Sharing Agreements (EPSAs) in the Sirte Basin. OMV acquired 75% of the Second Party Share and now holds 100% of the Second Party shareholding in blocks C103, NC29/74, C102 and Nafoora Augila. The state-owned Libyan national oil corporation NOC holds the First Party Share and will remain the majority shareholder with a working interest of 88 to 90%. As a result of the transaction, OMV acquired joint control of the operations.

Changes in ownership of subsidiaries without change in control

On May 20, 2016, OMV increased its interest in EconGas GmbH, based in Vienna, to 100% by acquiring the remaining non-controlling interest.

On December 15, 2016, OMV completed the sale of a 49% minority stake in Gas Connect Austria GmbH, without losing control over the entity.

In addition to the preliminary financial statements, further information on main items affecting the preliminary financial statements as of December 31, 2016, is given as part of the description of OMV's Business Segments in the Director's Report.

Notes to the income statement

Material impairments and write-ups

Upstream

The 30% stake in the exploration and appraisal asset Rosebank (United Kingdom) was reclassified to “held for sale” as of June 30, 2016. Following the reclassification to “held for sale,” a pre-tax impairment of EUR 326 mn has been recognized in exploration expenses in 2016. The basis for the impairment was the selling price agreed with the buyer considering a best estimate for the contingent consideration (Level 3 valuation).

The transaction also triggered a reassessment of the retained 20% stake in Rosebank that led to a pre-tax impairment of EUR 217 mn in 2016, impacting exploration expenses. The basis of the valuation was the fair value less costs of disposal derived from the expected sales price of the 30% stake in Rosebank (Level 3 valuation).

The sales transaction of the 30% stake in Rosebank was closed on October 6, 2016.

The net assets of OMV (U.K.) Limited were reclassified to “held for sale” as of September 30, 2016. Following the reclassification to “held for sale,” a pre-tax impairment of the disposal group amounting to EUR 493 mn has been recognized in other operating expenses in 2016. The basis for the impairment was the selling price agreed with the buyer considering a best estimate for the contingent consideration (Level 3 valuation).

An ongoing divestment process led to the reclassification of an asset in the Middle East and Africa region to “held for sale” as of September 30, 2016, that triggered a pre-tax write-up of the asset in the amount of EUR 113 mn in 2016, impacting other operating income. The basis of the valuation was the fair value less costs of disposal derived from the expected sales price (Level 3 valuation).

Downstream

The divestment process of OMV Petrol Ofisi that was started in 2016 led to the reclassification to “held for sale” of the net assets of OMV Petrol Ofisi A.Ş., OMV Petrol Ofisi Holding Anonim Şirketi, Petrol Ofisi Havacılık Operasyonları A.Ş., Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi and Erk Petrol Yatırımları A.Ş. as of December 31, 2016. Following the reclassification to “held for sale,” a pre-tax impairment of the disposal group amounting to EUR 148 mn has been recognized in other operating expenses. The basis of the valuation was the fair value less costs of disposal derived from the expected sales price (Level 3 valuation).

A decrease in spark spreads in Turkey had an adverse effect on the Samsun power plant and led to an impairment amounting to EUR 101 mn recognized in cost of sales in 2016. The recoverable amount was computed based on the value in use using a pre-tax discount rate of 6.99%.

The gas storage business was further impacted by the decrease in summer/winter spreads, which led to a EUR 73 mn impairment of Etzel gas storage in Germany that was recognized in cost of sales. The recoverable amount was computed based on the value in use using a pre-tax discount rate of 3.89%.

Income tax

Q3/16	Q4/16	Q4/15	in EUR mn	2016	2015
(8)	(103)	403	Taxes on income and profit	47	654
10	(93)	2	Current taxes	(130)	(133)
(18)	(10)	401	Deferred taxes	178	787
6%	(242)%	24%	Effective tax rate	107%	34%

Notes to the statement of financial position

Commitments

As of December 31, 2016, OMV had contractual obligations for the acquisition of intangible assets and property, plant and equipment of EUR 1,618 mn (December 31, 2015: EUR 1,909 mn) mainly relating to exploration and production activities in Upstream, of which EUR 283 mn are related to OMV (U.K.) Limited and OMV Petrol Ofisi disposal groups.

Inventories

During 2016, there were no material write-downs of inventories.

Equity

On May 18, 2016, the Annual General Meeting approved the payment of a dividend of EUR 1.00 per share, resulting in a total dividend payment of EUR 326 mn to OMV Aktiengesellschaft stockholders. Dividend distributions to minorities amounted to EUR 2 mn in 2016. Interest payments to hybrid capital owners amounting to EUR 137 mn were also made in 2016.

The **total number of own shares** held by the Company as of December 31, 2016, amounted to 824,369 (December 31, 2015: 912,824).

Financial liabilities

As of December 31, 2016, short- and long-term borrowings, bonds and finance leases amounted to EUR 5,283 mn (December 31, 2015: EUR 5,386 mn), thereof EUR 8 mn are disclosed as liabilities associated with assets held for sale, being part of the OMV Petrol Ofisi disposal group. Finance lease liabilities amounted to EUR 278 mn (December 31, 2015: EUR 290 mn).

Material changes of contingent liabilities

In Q1/16, the Bulgarian Commission for Protection of Competition (CPC) announced the initiation of several investigations regarding the infringement of competition rules on the fuel market, with OMV Bulgaria OOD being one of the investigated companies. In Q4/16, the CPC issued a general Statement of Objections and six Disclosure Rulings addressed to each investigated company. OMV Bulgaria OOD appealed against the Disclosure Ruling issued by CPC. Taking into account all legal means of attack, a final court decision on a potential fine (limited to maximum 10% of the total turnover of the respective undertaking for the financial year preceding the date of the fining decision) should not be expected earlier than three years. At the date of these financial statements, a reliable estimation of the potential outflow of resources cannot be made and such outflow of resources is not considered probable by the management. Therefore, no provision was recorded in this respect.

In Romania, group activities related to the refining of petroleum products could lead to obligations related to soil remediation activities, depending on the requirements of environmental agencies, when these activities are closed. With reference to the Arpechim refinery site, at the date of these financial statements, a reliable estimation of the amount required to settle a potential remediation obligation cannot be made, as the performance of specialized studies to determine the degree of contamination, if any, is prevented by the physical existence of the installations; consequently, no provision has been booked in OMV's financial statements in this respect.

OMV Petrom SA is subject to a partial tax audit, having the oil and gas royalties for the period 2011–2015 as its scope. Due to various interpretations of the legal provisions with regard to calculation of gas royalties, the tax audit has been suspended until clarification of such legal basis. OMV Petrom SA considers that it has fully observed all relevant legal provisions enforced by competent regulatory authorities and therefore assesses that it is not probable that an outflow of resources embodying economic benefits will be required. Considering all the above, OMV did not reflect any provision in the financial statements in relation to this matter.

Fair value measurement

Financial instruments recognized at fair value are disclosed according to the following fair value measurement hierarchy:

Level 1: Using quoted prices in active markets for identical assets or liabilities.

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices but on internal models or other valuation methods.

in EUR mn	Dec. 31, 2016			Dec. 31, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial instruments on asset side						
Investment funds	7		7	7	-	7
Bonds	20	76	96	97	-	97
Derivatives designated and effective as hedging instruments	-	39	39	-	165	165
Other derivatives	192	585	777	732	894	1,626
Total	219	699	919	836	1,059	1,895

in EUR mn	Dec. 31, 2016			Dec. 31, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial instruments on liability side						
Liabilities on derivatives designated and effective as hedging instruments	-	70	70	-	91	91
Liabilities on other derivatives	208	632	840	779	917	1,696
Total	208	703	911	779	1,008	1,787

There were no transfers between levels of the fair value hierarchy.

With the exception of investments in other companies valued at cost, for which no reliable estimates of their fair values can be made, the carrying amounts of financial assets are the fair values.

Bonds and other interest-bearing debts amounting to EUR 4,997 mn (December 31, 2015: EUR 5,087 mn) are valued at amortized cost. The estimated fair value of these liabilities was EUR 5,515 mn (December 31, 2015: EUR 5,449 mn). The carrying amount of other financial liabilities is effectively the same as their fair value, as they are predominantly short-term.

Segment reporting

Intersegmental sales

Q3/16	Q4/16	Q4/15	Δ%	in EUR mn	2016	2015	Δ%
554	651	628	4	Upstream	2,272	2,883	(21)
31	38	21	80	Downstream	136	83	64
5	9	10	(10)	thereof Downstream Oil	28	32	(15)
32	38	54	(30)	thereof Downstream Gas	139	167	(17)
(6)	(9)	(43)	80	thereof intra-segmental elimination Downstream	(30)	(116)	74
86	105	96	9	Corporate and Other	366	393	(7)
671	794	745	7	OMV Group	2,774	3,359	(17)

Sales to external customers

Q3/16	Q4/16	Q4/15	Δ%	in EUR mn	2016	2015	Δ%
323	278	293	(5)	Upstream	1,013	1,017	0
4,926	5,125	4,749	8	Downstream	18,243	21,506	(15)
4,021	4,111	3,788	9	thereof Downstream Oil	14,603	17,290	(16)
905	1,014	961	6	thereof Downstream Gas	3,640	4,215	(14)
0	4	1	n.m.	Corporate and Other	4	4	7
5,249	5,407	5,043	7	OMV Group	19,260	22,527	(15)

Total sales (not consolidated)

Q3/16	Q4/16	Q4/15	Δ%	in EUR mn	2016	2015	Δ%
878	929	921	1	Upstream	3,285	3,900	(16)
4,956	5,163	4,770	8	Downstream	18,379	21,589	(15)
4,026	4,120	3,798	8	thereof Downstream Oil	14,630	17,323	(16)
937	1,052	1,015	4	thereof Downstream Gas	3,779	4,382	(14)
(6)	(9)	(43)	80	thereof intra-segmental elimination Downstream	(30)	(116)	74
86	109	97	12	Corporate and Other	370	397	(7)
5,920	6,201	5,788	7	OMV Group	22,034	25,886	(15)

Segment and Group profit

Q3/16	Q4/16	Q4/15	Δ%	in EUR mn	2016	2015	Δ%
(319)	(34)	(1,526)	98	EBIT Upstream	(1,059)	(2,371)	55
378	4	(197)	n.m.	EBIT Downstream	881	334	164
309	183	138	33	thereof EBIT Downstream Oil	930	890	5
69	(180)	(334)	46	thereof EBIT Downstream Gas	(49)	(555)	91
(8)	(29)	(40)	26	EBIT Corporate and Other	(56)	(48)	(16)
51	(60)	(1,762)	97	EBIT segment total	(235)	(2,085)	89
11	(21)	33	n.m.	Consolidation: Elimination of intersegmental profits	(36)	79	n.m.
63	(81)	(1,729)	95	OMV Group EBIT	(271)	(2,006)	86
75	39	18	110	Net financial result	227	97	135
138	(42)	(1,711)	98	OMV Group profit before tax	(45)	(1,909)	98

Assets ¹

in EUR mn	Dec. 31, 2016	Dec. 31, 2015
Upstream	11,250	13,036
Downstream	4,915	6,492
thereof Downstream Oil	3,710	4,985
thereof Downstream Gas	1,205	1,507
Corporate and Other	161	188
Total	16,326	19,715

¹ Segment assets consist of intangible assets and property, plant and equipment

Other notes

Transactions with related parties

In 2016, there were arm's-length supplies of goods and services between the Group and equity-accounted companies.

Significant transactions with related parties in EUR mn	2016		2015	
	Sales and other income	Purchases	Sales and other income	Purchases
Borealis	1,015	35	1,262	41
GENOL Gesellschaft m.b.H. & Co	237	2	285	2
Erdöl-Lagergesellschaft m.b.H.	46	62	44	49
Enerco Enerji Sanayi ve Ticaret A.Ş.	2	157	0	219
Trans Austria Gasleitung GmbH	36	11	21	7
PEGAS CEGH Gas Exchange Services GmbH	8	-	-	-

Balance sheet positions in EUR mn	Dec. 31, 2016	Dec. 31, 2015
Loans receivable	2	19
Trade receivables	39	26
Trade payables	37	28
Prepayments received	157	168

In 2016 OMV received dividend income of EUR 153 mn (2015: EUR 36 mn) from Borealis AG, EUR 14 mn (2015: EUR nil) from Enerco Enerji Sanayi ve Ticaret A.Ş, EUR 9 mn (2015: EUR 9 mn) from Trans Austria Gasleitung GmbH and EUR 1 mn (2015: EUR 1 mn) from Freya Bunde-Etzel GmbH & Co. KG.

In January 2017, Borealis received the two decisions of the Finnish Board of Adjustment with regard to Borealis Technology Oy. The Board of Adjustment has confirmed the Finnish tax authority's view that the license arrangements, entered into between Borealis Technology Oy and Borealis AG in 2008 and 2010, should be considered as a sale of businesses. The Board of Adjustment is requesting Borealis to pay an additional EUR 297 mn, comprising taxes, late payment interest and penalties. Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Borealis will therefore appeal this decision to the Helsinki Administrative Court and has obtained a suspension of payment until the final decision.

At the end of December 2015, Borealis received a reassessment decision from the Finnish tax authority for its Finnish subsidiary Borealis Polymers Oy with regard to the year 2009. The authority is requesting Borealis to pay an additional EUR 153 mn, an amount comprising taxes, late payment interest and penalties. Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Borealis appealed the reassessment decision to the Finnish tax authority's Board of Adjustment in February 2016. The decision of the Board of Adjustment is expected in the first half of the 2017 calendar year. A suspension of payment has been obtained pending the decision.

Subsequent events

On January 13, 2017, OMV closed the sale of 100% of the shares held in OMV (U.K.) Limited to Siccar Point Energy Limited, Aberdeen, following the fulfillment of the agreed conditions, including regulatory approval.

Declaration of the management

We confirm to the best of our knowledge that the preliminary and unaudited financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group Directors' report gives a true and fair view of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces.

Vienna, February 16, 2017

The Executive Board



Rainer Seele
Chairman of the Executive Board
and Chief Executive Officer



Reinhard Florey
Chief Financial Officer



Johann Pleininger
Member of the Executive Board
Upstream



Manfred Leitner
Member of the Executive Board
Downstream

Further information

Abbreviations and definitions

bbbl: barrel(s), i.e. approximately 159 liters; **bcf**: billion standard cubic feet; **bn**: billion; **boe**: barrel(s) of oil equivalent; **boe/d**: boe per day; **capital employed**: equity including non-controlling interests plus net debt; **CCS / CCS effects / Inventory holding gains / (losses)**: Current Cost of Supply; inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances in case the net realizable value of the inventory is lower than its cost. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effects on reported results (EBIT, Net income, etc.). The amount disclosed as CCS effect represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to net realizable value) and the charge based on the current cost of supply. The current cost of supply is calculated monthly using data from supply and production systems at Downstream Oil level; **clean CCS EBIT**: Earnings Before Interest and Taxes adjusted for special items and CCS effects. Group clean CCS EBIT is calculated by adding the clean CCS EBIT of Downstream Oil, the clean EBIT of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost; **clean CCS EPS**: Clean CCS Earnings Per Share is calculated as clean CCS net income attributable to stockholders divided by weighted number of shares; **clean CCS net income attributable to stockholders**: Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS; **clean CCS ROACE**: Clean CCS Return On Average Capital Employed is calculated as NOPAT (as a sum of current and last three quarters) adjusted for the after-tax effect of special items and CCS, divided by average capital employed (on a rolling basis, as an average of last four quarters) (%); **Co&O**: Corporate and Other; **EBITD**: Earnings Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets; **EPS**: Earnings Per Share; **EUR**: Euro; **FX**: Foreign Exchange; **Gearing ratio**: Net debt divided by equity expressed as a percentage; **kbbl, kbbl/d**: Thousand barrels, kbbl per day; **kboe, kboe/d**: Thousand barrels of oil equivalent, kboe per day; **LNG**: Liquefied Natural Gas; **mn**: million; **MWh**: Megawatt hour(s); **n.a.**: not available; **n.m.**: not meaningful; **Net debt**: Interest bearing debts plus finance lease liabilities less cash and cash equivalents; **NGL**: Natural Gas Liquids; **NOPAT**: Net Operating Profit After Tax, profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments; **ROFA**: Return On Fixed Assets, EBIT divided by average intangible and tangible assets expressed as a percentage; **ROACE**: Return On Average Capital Employed, NOPAT divided by average capital employed expressed as a percentage; **ROE**: Return On Equity, net income for the year divided by average equity expressed as a percentage (ROFA, ROACE and ROE indicators are calculated on a rolling basis based on the previous four consecutive quarters); **RON**: New Romanian leu; **Special items**: Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Group's reported financial performance; **t**: Metric ton(s); **TRY**: Turkish lira; **TWh**: Terawatt hour(s); **USD**: US dollar

For a full list of abbreviations and definitions please see the OMV Annual Report.

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