OMV Upstream explores and produces oil and gas profitably, safely and sustainably in Europe, the Middle East, Africa, Russia and Australasia. As part of an integrated oil and gas company, we supply the raw materials for affordable energy and innovative products to increase people’s quality of life, and we do so in a safe, secure, responsible and profitable way. All these commitments combined are the added value of OMV and a promise of quality for all its partners and customers.

This why OMV continuously strives to strengthen its reserves base while decreasing costs. It is also why OMV is a leader in various technologies for oil and gas exploration, enabling it to maximize production even from very mature fields and to maintain its solid safety record.

In 2017 OMV took significant actions to reshape its portfolio in line with the focus on low-cost production regions and sustainable reserves replacement rate. These included entering Russia with approximately 100 kboe/d added to daily production, the divestment of selected assets and efforts to strengthen partnerships in the Middle East and Africa region. Production cost were USD 8.8/boe, a decrease of 17%, mainly as a result of higher production coupled with the successful implementation of the cost reduction program.

OMV continues to focus its portfolio on core regions with a production of more than 50 kboe/d each. Portfolio growth with sustainable reserve replacement is being pursued with the development of projects in selected regions (such as the Middle East and Russia). The development region Australasia is to be developed into a core region by 2025 in order to unlock the growth potential of the rapidly growing Asian market by achieving critical mass. A first step was taken at the beginning of 2018 with the acquisition of Shell’s Upstream assets in New Zealand.

In 2017, our RRR was boosted to 191%, buoyed by the acquisition of the 24.99% in the Yuzhno Russkoye natural gas field in Russia as well as positive reserves revisions, largely in Norway and Romania, and a contract extension in the Kurdistan Region of Iraq following the settlement agreement between the Kurdistan Regional Government of Iraq and Pearl after arbitration.

In all, OMV is pursuing a geopolitically and technologically balanced and economically resilient portfolio.
Value growth in Upstream

In the newly launched OMV Strategy 2025, value growth will continue to be the guiding principle for selecting growth projects: Low-cost, highly profitable barrels are prioritized over a growth in volume. Based on the current forecast and project pipeline, OMV aims to increase production to roughly 500 kboe/d by 2020 and roughly 600 kboe/d by 2025. Targeted production costs of below USD 8/boe will improve the costs position and therefore value creation.

OMV aims to sustainably increase the value of the Upstream portfolio through M&A activities in regions with low development and production costs and through a risk-based approach. Adherence to strict cost management and profitability-oriented capital discipline will remain of the utmost importance.

OMV will successively increase the share of natural gas in its portfolio to more than 50% by 2025 to improve the long-term profitability and carbon efficiency of its portfolio.

OMV’s reserve replacement strategy is focused on the acquisition of reserves and complementary E&A activities that will continually be adapted to the production goal. To ensure a reserve replacement rate of more than 100% (three-year average) in the long term, 1P reserves will be increased to more than 2 bn boe by 2025 along with an average reserve life of eight to ten years.

Strategic partnerships will remain an important lever for access to oil and gas fields of significant sizes, with long-term perspectives and value creation.

Upstream’s Technology Strengths

Innovation contributes to the optimization of operational business, value creation, evaluating new business opportunities and developing innovative business models.

In Upstream, the use of new technologies is a key driver in optimizing production and reserve replacement. The global Upstream digitalization program will further improve OMV’s competitive position and transform it into a top digital player.

OMV’s TECH Center & Lab in Gänserndorf, Lower Austria, is situated right in the middle of one of Europe’s oldest oil fields. This ensures ideal conditions for the application of innovative processes and technologies. Solutions developed and tested here help OMV recover optimum volumes from mature fields. With recovery rates of up to 60 percent, OMV is one of the international industry leaders.

With the recent increase in sour crude, pipelines and processing equipment are degrading faster than usual. To address this, OMV Upstream is building up its expertise in nanotechnology. In 2017, a pilot test to prevent paraffin deposition in well bores by using nanoparticles was conducted and showed promising results. Further areas of research are nanocoatings for corrosion protection and wear reduction.

OMV Upstream in 2017

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily oil and gas production</td>
<td>348 kboe/d</td>
</tr>
<tr>
<td>Total oil and gas production</td>
<td>127.0 mn boe</td>
</tr>
<tr>
<td>Proven oil and gas reserves</td>
<td>1.15 bn boe</td>
</tr>
<tr>
<td>Proven and Probable reserves</td>
<td>1.944 bn boe</td>
</tr>
<tr>
<td>Reserves Replacement Rate</td>
<td>191 %</td>
</tr>
</tbody>
</table>
OMV also uses state-of-the-art seismic technologies: For many years the company has been collecting and evaluating enormous amounts of data from the core of the earth using advanced IT tools. OMV geoscientists utilize the valuable support of high-performance computer systems. These systems create virtual field models and analyze them using artificial intelligence, delivering deep insights into potential oil and gas reservoirs to decision makers. Based on their data evaluation results, the systems also provide targeted interpretation assessments and suggestions for action.

The latest IT asset in OMV’s tool kit is the state-of-the-art 3D Visualization Center. Here, OMV experts from all over the globe can analyze and interpret seismic data collectively – independent of where they are. These unique, high-resolution 3D visualizations serve as a sound basis for decision-making as they depict reservoirs down to the smallest detail.

1971 First international exploration and production project in Tunisia
1985 Acquisition of a stake in oil production in Libya
1993 Discovery of the onshore Miano gas field (Pakistan)
1998 Discovery of the onshore Sawan gas field (Pakistan)
1999 Takeover of the Australian exploration company CULTUS Petroleum
2003 Acquisition of the Upstream business of Preussag Energie
2004 Acquisition of 51% in Petrom makes Romania OMV Upstream’s top producer
2009 Production start in the offshore Maari oil field (New Zealand)
First OMV operated deep water well Tornado (UK)
2011 Purchase of Upstream assets from Pioneer (Tunisia) and Petronas (Pakistan)
2012 Domino-1 offshore discovery in the Neptun block (Black Sea) Acquisition of first FPSO vessel “Raroa” (New Zealand)
2013 Offshore acquisition of stakes in Gudrun, Gulfiks (both Norway) and Schiehallion, Rosebank (both UK)
2014 Completion of the biggest 3D seismic campaign in OMV history in the Han Asparuh offshore block (Bulgaria)

with the casing-while-drilling technique at OMV Petrom’s Totea 4545 onshore well (Romania)
2015 Wisting Central II offshore discovery (Norway)
2016 Production at offshore Maari field (New Zealand) reaches 30 mn boe gross
World record for shallowest horizontal offshore well from a floating drilling unit at Wisting Central II (Norway)
2016 Basic Agreement for potential asset swap with Gazprom: OMV to receive 24.98% in Russian Achimov IV & V for 38.5% in OMV (Norge) AS
2017 Acquisition of 24.99% in Yuzhno Russkoye gas field (Russia)
2018 Acquisition of Shell assets (New Zealand)