Directors' report (incl. outlook)

Directors' report of OMV Group

Group financials			EUR mn
	2015	2014[1]	Δ
Sales revenue	22,527	35,913	(37)%
Earnings Before Interest and Taxes (EBIT)	(2,006)	969	n.m.
Net income for the year	(1,255)	527	n.m.
Net income attributable to stockholders of the parent	(1,100)	278	n.m.
Cash flow from operating activities	2,834	3,666	(23)%
Capital expenditure[2]	2,769	3,832	(28)%
Employees as of December 31	24,124	25,501	(5)%

[1] Figures for 2014 were adjusted according to IAS 8
[2] Includes acquisitions as well as equity-accounted investments and other interests; adjusted for capitalized decommissioning costs, exploration wells that have not found proved reserves, borrowing costs and other additions which by definition are not considered as capital expenditure

The challenging market environment in 2015 led to an operating loss of EUR (2,006) mn, EUR 2,975 mn below last year's operating gain mainly due to significant impairments across the Upstream portfolio as a result of the drop in oil and gas prices, being partly offset by an improved Downstream result due to higher refining margins. Net special items of EUR (3,028) mn (2014: EUR (908) mn) were mainly related to impairments in Upstream as well as the Samsun power plant in Turkey, the Etzel gas storage in Germany and a further provision charged against the Gate LNG obligation and associated transportation commitments. The net financial result of EUR 97 mn was above that in 2014 (EUR (177) mn) mainly driven by a higher result contribution coming from associated companies (mainly Borealis). The Group recognized current taxes on income of EUR (133) mn and deferred taxes of EUR 787 mn in 2015. The effective tax rate of 34% in 2015 was impacted by impairments (2014: 33%). Net income attributable to stockholders of the parent was EUR (1,100) mn, below the 2014 figure of EUR 278 mn. Non-controlling and hybrid interests amounted to EUR (155) mn (2014: EUR 249 mn). The challenging market environment had a significant effect on OMV's result and consequently on the performance ratios: Return On Average Capital Employed (ROACE) stood at (6)%, significantly down from 3% in 2014. Return On Net Assets (RONA) decreased from 3% to (5)%.

2015 was a challenging year for the **Upstream** Business Segment. This Business Segment is active as operator or as joint venture partner in 17 countries, the majority of which have both exploration and production assets. OMV's geographical footprint in 2015 covers Romania, Austria, Northwest Europe, Africa and Australasia, Middle East and Caspian, having a hydrocarbon mix relatively equally split between oil and gas. Approximately two thirds from the production volumes of 303 kboe/d in 2015 and proved reserves of 1,028 mn boe at the end of the year stem from the mature core countries, Romania and Austria. These are complemented by the balanced international portfolio in which the North Sea region has developed into a core area that contributed approximately 50 kboe/d to the 2015 production. The key projects in OMV's exploration and development portfolio are Neptun Deep (Black Sea) and Lebada Est in Romania, Cambo Hub, Rosebank and Schiehallion in the United Kingdom, Gudrun, Gullfaks, Edvard Grieg, Aasta Hansteen and Wisting in Norway, Nawara in Tunisia as well as Shuwaihat and East Abu Dhabi in the United Arab Emirates.

Oil and gas production stood at 303 kboe/d in 2015

In 2015, OMV combined its oil and gas downstream activities into one **Downstream** Business Segment. **Downstream Oil** operates along the entire oil value chain: It processes equity and third party crude in its three refineries

For definitions of these ratios, readers are referred to the glossary of **abbreviations and definitions,** which is an integral part of the Directors' report

Strong Downstream result partly offset lower Upstream result

and markets refined products to commercial customers and through its retail network of 3,795 filling stations. The refineries in Schwechat (Austria) and Burghausen (Germany) operate petrochemical complexes, having the petrochemical company Borealis as a key customer, in which OMV holds a stake of 36%. **Downstream Gas** markets OMV’s European equity gas production as well as third party gas to end-use customers and on Europe’s main gas hubs. It operates a ~900 km high-pressure natural gas pipeline network in Austria, together with 30 TWh of storage capacity and holds a 65% stake in the Central European Gas Hub (CEGH), an important gas trading hub in Central and Eastern Europe. Furthermore, OMV operates two gas-fired power plants with a total generation capacity of 1.7 GW in Romania and Turkey.

Earnings Before Interest and Taxes (EBIT)

Upstream EBIT decreased significantly by EUR (3,837) mn to EUR (2,371) mn, mainly due to impairments amounting to EUR (2,449) mn and significantly lower oil and gas prices. In addition, lower sales volumes and higher depreciation weighed on the result, which was only partly offset by lower production and exploration expenses. The Group has entered into oil price hedges which improved the result in 2015 by EUR 74 mn. Total OMV daily production of oil, NGL and gas of 303 kboe/d was 2% below the level of 2014. The production shut-ins in Libya and Yemen could not be compensated by the higher contribution of Norway. Total OMV daily oil and NGL production was 4% below the level of 2014, mainly reflecting the production shut-ins in Libya and Yemen. Total OMV daily gas production was on the same level as 2014. Total sales volumes decreased by 5%. Net special items of EUR (2,509) mn in 2015 were mainly related to the impairments across the portfolio.

Downstream recorded a very strong EBIT in 2015 which increased from EUR (538) mn in 2014 to EUR 334 mn, due to a significantly increased contribution of the Downstream Oil business. **Downstream Oil** EBIT was EUR 890 mn, substantially above 2014 which amounted to EUR (338) mn mainly due to the significantly increased refining margins in 2015 and the impairment of goodwill related to OMV Petrol Ofisi booked in 2014 (EUR (334) mn). The OMV indicator refining margin increased from USD 3.28/bbl in 2014 to USD 7.24/bbl in 2015. The petrochemical contribution improved compared to 2014, as a result of increased ethylene/propylene net margins and higher volumes. The retail performance benefited from the lower oil price environment which resulted in higher sales volumes. This was partly offset by a weaker performance of OMV Petrol Ofisi, which was negatively influenced by regulatory intervention. **Downstream Gas** EBIT decreased from EUR (200) mn in 2014 to EUR (555) mn in 2015, mainly as a result of a further provision charged against the Gate LNG obligation and associated transportation commitments, impairments of the Samsun power plant and the Etzel gas storage, as well as a weak gas market environment with lower gas sales volumes and lower gas margins. Natural gas sales volumes declined to 110.12 TWh in 2015 vs. 114.35 TWh

Earnings Before Interest and Taxes (EBIT)			EUR mn
	2015	2014 [1]	Δ
Upstream	(2,371)	1,466	n.m.
Downstream	334	(538)	n.m.
thereof Downstream Oil	890	(338)	n.m.
thereof Downstream Gas	(555)	(200)	178%
Corporate and Other	(48)	(63)	(23)%
Consolidation: Elimination of inter-segmental profits	79	104	(24)%
OMV Group	**(2,006)**	**969**	**n.m.**

[1] Figures for 2014 were adjusted according to IAS 8

in 2014. Net electrical output decreased in 2015 to 5.41 TWh vs. 5.81 TWh in 2014, due to a lower output of the Samsun power plant driven by negative spark spreads in Turkey. The decrease in Turkey more than offset the higher net electrical output in Romania. The contribution of the gas transportation business in Austria decreased to EUR 123 mn in 2015 vs. EUR 150 mn in 2014, due to the spin-off of the TAG pipeline operations in Q4/14.

EBIT in the **Corporate and Other (Co&O)** segment increased by 23% to EUR (48) mn in 2015.

Notes to the income statement

OMV is an integrated, international oil and gas company. As the crude oil produced by Upstream is passed on to Downstream Oil and either processed at Group refineries or – in large part – marketed via OMV Supply & Trading Limited, the Downstream Oil business represents the largest share of the Group's consolidated sales. The volatility in the main factors affecting profitability – crude oil and gas prices and USD exchange rates – may cause considerable swings in sales and cost of sales, and the impact on earnings is therefore difficult to predict. Compared to 2014, **consolidated sales revenues** decreased by 37% to EUR 22,527 mn, mainly driven by lower sales in Downstream Oil. Sales of the **Upstream** Business Segment decreased by 32% to EUR 3,900 mn. After the elimination of intra-group transactions of EUR 2,883 mn, the contribution of Upstream to consolidated sales revenues was EUR 1,017 mn or about 5% of the Group's total sales revenues (2014: EUR 1,489 mn or 4%). Consolidated sales in **Downstream Oil** amounted to EUR 17,290 mn or 77% of total sales (2014: EUR 27,787 mn or 77%). **Downstream Gas** sales decreased to EUR 4,382 mn (2014: EUR 6,799 mn). After elimination of intra-segmental sales to refineries, Downstream Gas contribution in 2015 was 19% of total sales or EUR 4,215 mn (2014: EUR 6,632 mn or 18%). Sales to external customers are split up by geographical areas on the basis of where the delivery of goods or services is effective. Austria retained its position as the Group's most important **geographical market** with sales of EUR 5,787 mn or 26% of the Group's total (2014: EUR 9,005 mn or 25%). Sales revenues in Germany decreased from EUR 6,260 mn in 2014 to EUR 3,595 mn in 2015, representing a revenue contribution of 16% (2014: 17%), mainly as a result of the Bayernoil refinery divestment in 2014. In Romania, the sales revenues amounted to EUR 3,307 mn or 15% of total sales revenues (2014: EUR 3,809 mn or 11%). Sales revenues in Turkey decreased to EUR 5,638 mn, or 25% of OMV Group's total sales in 2015 (2014: EUR 8,235 mn or 23%).

Summarized income statement			**EUR mn**
	2015	2014 [1]	Δ
Sales revenues	22,527	35,913	(37)%
Direct selling expenses	(327)	(342)	(4)%
Cost of sales	(22,174)	(32,613)	(32)%
Other operating income	392	337	16%
Selling and administrative expenses	(1,277)	(1,366)	(6)%
Exploration, research and development expenses	(734)	(485)	52%
Other operating expenses	(413)	(476)	(13)%
Earnings Before Interest and Taxes (EBIT)	**(2,006)**	**969**	**n.m.**
Net financial result	97	(177)	n.m.
Taxes on income	654	(265)	n.m.
Net income for the year	**(1,255)**	**527**	**n.m.**
thereof attributable to hybrid capital owners	42	38	11%
thereof attributable to non-controlling interests	(197)	211	n.m.
Net income attributable to stockholders of the parent	**(1,100)**	**278**	**n.m.**

[1] Figures for 2014 were adjusted according to IAS 8

Improved net financial result

Sales in the rest of CEE were EUR 2,669 mn or 12% of Group sales revenues (2014: EUR 3,779 mn or 11%). Rest of Europe accounted for EUR 914 mn or 4% (2014: EUR 1,957 mn or 5%). Sales revenues in the rest of the world decreased to EUR 616 mn, representing 3% of total sales revenues (2014: EUR 2,867 mn or 8%). **Direct selling expenses,** mainly consisting of third-party freight-out expenses, remained stable at EUR (327) mn (2014: EUR (342) mn). **Cost of sales,** which include variable and fixed production costs as well as costs of goods and materials employed, decreased by 32% to EUR (22,174) mn. **Other operating income** increased to EUR 392 mn (2014: EUR 337 mn) in 2015, mainly due to a EUR 44 mn gain from an insurance claim in New Zealand and from the positive outcome of a litigation dispute in OMV Petrom SA (EUR 25 mn). **Selling and administrative expenses** amounting in total to EUR (1,277) mn decreased by 6% compared to the previous year, mainly related to impairments of filling stations booked in 2014 (2014: EUR (1,366) mn). **Exploration expenses** amounting to EUR (707) mn increased by 54% mainly due to impairments booked in 2015. **Research and development (R&D) expenses** increased by 11% to EUR (28) mn. **Other operating expenses** decreased by 13% compared to 2014, amounting to EUR (413) mn. The **net financial result** amounted to EUR 97 mn (2014: EUR (177) mn). The improvement compared to last year was mainly driven by higher income from equity-accounted investments and an improved net interest result. **Income from equity-accounted investments** in total amounted to EUR 345 mn (2014: EUR 180 mn) and reflected mainly the share of the pro rata result of Borealis group amounting to EUR 356 mn (2014: EUR 205 mn). **Dividend income** amounted to EUR 37 mn (2014: EUR 16 mn). The **net interest result** showed an expense balance of EUR (215) mn (2014: EUR (330) mn). The positive effect compared to 2014 was mainly related to lower interest expenses due to the improved financing structure and one-off effects in 2014 (late payment interest charges following a tax review of the years 2009 and 2010 of OMV Petrom SA). **Taxes on income** were EUR 654 mn (2014: EUR (265) mn). Current income tax expenses amounted to EUR (133) mn (2014: EUR (515) mn) and deferred tax income amounted to EUR 787 mn (2014: EUR 250 mn). The Group's effective tax rate increased to 34% (2014: 33%) and was impacted by impairments of assets in the Upstream Business Segment, resulting in a high tax relief.

Capital expenditure [1]			EUR mn
	2015	2014	Δ
Upstream	2,140	2,951	(27)%
Downstream	608	850	(28)%
thereof Downstream Oil	546	607	(10)%
thereof Downstream Gas	62	243	(75)%
Corporate and Other	21	31	(32)%
Total capital expenditure	**2,769**	**3,832**	**(28)%**
+/– Other adjustments	433	670	(35)%
– Investments in financial assets	(12)	(76)	(85)%
Additions according to statement of non-current assets (intangible and tangible assets)	**3,190**	**4,426**	**(28)%**
+/– Non-cash changes	(211)	(592)	(64)%
Cash outflow due to investments in intangible and tangible assets	**2,978**	**3,834**	**(22)%**
+ Cash outflow due to investments in in other companies, securities, loans and other financial assets	88	76	15%
Investments as shown in the cash flow statement	**3,066**	**3,910**	**(22)%**

[1] Includes acquisitions as well as equity-accounted investments and other interests; adjusted for capitalized decommissioning costs, exploration wells that have not found proved reserves, borrowing costs and other additions which by definition are not considered as capital expenditure

Capital expenditure (CAPEX)

CAPEX decreased to EUR 2,769 mn (2014: EUR 3,832 mn). **Upstream** invested EUR 2,140 mn (2014: EUR 2,951 mn) mainly in field developments in Norway and field redevelopments, drilling and workover activities in Romania. CAPEX in **Downstream** amounted to EUR 608 mn (2014: EUR 850 mn), thereof EUR 546 mn in Downstream Oil (2014: EUR 607 mn) and EUR 62 mn in Downstream Gas (2014: EUR 243 mn). CAPEX in the **Co&O** segment was EUR 21 mn (2014: EUR 31 mn). The reconciliation of total capital expenditure to additions according to the statement of non-current assets (intangible and tangible) mainly relates to additions, which by definition are not considered to be capital expenditure, as well as investments in financial assets. The difference between the additions shown in the statement of non-current assets and the investments reported in the cash flow statement partly arise from additions to intangible and tangible assets that did not affect investing cash flows during the period (including accrued liabilities arising from investments, new finance leases, decommissioning and capitalized borrowing costs). In addition, cash outflows due to investments in financial assets are included in the overall investments shown in the cash flow statement.

Statement of financial position

Total assets decreased by EUR 1,191 mn to EUR 32,664 mn. The decrease in **non-current assets** amounting to EUR 1,410 mn was mainly related to the significant impairments recognized during the year and depreciation, depletion and amortization, partly offset by investments made. **Equity-accounted investments** increased by EUR 431 mn. Changes of equity-accounted investments included to a large extent the result contribution of Borealis as well as the proportional results from other equity-accounted investments, currency translation of foreign

CAPEX decreased to EUR 2,769 mn in 2015

Summarized statement of financial position				**EUR mn**
Assets	**2015**	%	2014[1]	%
Non-current assets	24,054	74	25,464	75
Intangible assets and property, plant and equipment	19,715	60	21,941	65
Equity-accounted investments	2,562	8	2,131	6
Other non-current assets	927	3	933	3
Deferred tax assets	850	3	459	1
Current assets	8,516	26	8,298	25
Inventories	1,873	6	2,231	7
Trade receivables	2,567	8	3,042	9
Other current assets	4,076	12	3,026	9
Assets held for sale	94	0	93	0
Equity and liabilities				
Equity	14,298	44	14,514	43
Non-current liabilities	10,314	32	10,449	31
Pensions and similar obligations	1,045	3	1,115	3
Bonds and other interest-bearing debts	4,592	14	4,642	14
Decommissioning and restoration obligations	3,342	10	3,148	9
Other provisions and liabilities	1,105	3	972	3
Deferred tax liabilities	229	1	572	2
Current liabilities	8,021	25	8,863	26
Trade payables	3,380	10	4,330	13
Bonds and other interest-bearing debts	494	2	598	2
Provisions and other liabilities	4,147	13	3,935	12
Liabilities associated with assets held for sale	32	0	29	0
Total assets/equity and liabilities	**32,664**	**100**	**33,855**	**100**

[1] Figures for 2014 were adjusted according to IAS 8

Gearing ratio stood at 28% in 2015

Equity ratio increased to 44%

operations and other changes. **Other non-current assets,** which primarily comprise non-current receivables, loans and securities, decreased by EUR 6 mn to EUR 927 mn. **Deferred tax assets** increased to EUR 850 mn (2014: EUR 459 mn) mainly driven by impairments of assets in the Upstream Business Segment. **Current assets** increased by EUR 218 mn and amounted to EUR 8,516 mn as at December 31, 2015. The volatility of both oil and gas prices led to higher level of derivatives being the main reason for the EUR 1,051 mn increase in other current assets. By contrast, **inventories** decreased by EUR 358 mn and **trade receivables** by EUR 474 mn mainly triggered by lower commodity prices as well as reduced business activities as a consequence of the Bayernoil divestment. **Current assets held for sale** slightly increased by EUR 1 mn.

Equity (including non-controlling interest) remained stable, whereas the equity ratio increased slightly to 44% (2014: 43%). **Pensions and similar obligations** decreased by EUR 70 mn. **Non-current decommissioning and restoration obligations** rose by EUR 194 mn, mainly due to reassessment of provisions, driven by parameter changes in OMV Petrom SA. **Current and non-current bonds and other interest-bearing debts** decreased by EUR 153 mn, mainly related to the repayments of the US private placement bond and other long-term debt as well as short-term money market lines, partly compensated by new drawings of long-term loans.

Trade payables decreased by EUR 951 mn, mainly due to lower oil prices. **Current and non-current other provisions and other liabilities** increased by EUR 346 mn. The increase was driven to a large extent by the EUR 674 mn increase in **other financial liabilities** mainly due to a higher balance of derivatives primarily caused by the decline in both oil and gas prices. Other effects came from higher provisions for the Gate LNG obligation and associated transportation commitments. **Deferred tax liabilities** decreased to EUR 229 mn (2014: EUR 572 mn) mainly driven by impairments of assets in the Upstream Business Segment.

Gearing ratio

As of December 31, 2015, short- and long-term borrowings, bonds and financial leases amounted to EUR 5,386 mn (2014: EUR 5,551 mn), while cash and cash equivalents increased to EUR 1,348 mn (2014: EUR 649 mn) in total. **Net debt** decreased by EUR 864 mn to EUR 4,038 mn (2014: EUR 4,902 mn). At December 31, 2015, the **gearing ratio,** defined as net debt divided by equity, was 28% (2014: 34%). On December 7, 2015, the Group issued hybrid notes in an aggregate amount of EUR 1.5 bn, in two tranches of EUR 750 mn each. According to IFRS the net proceeds of the hybrid bonds can be fully treated as equity.

Cash flow

The Group's cash flow statement is prepared using the indirect method, whereby adjustments are made for changes in the group of consolidated companies, foreign exchange differences and other non-cash transactions. **Cash flow from operating activities** decreased by EUR 832 mn or 23% from EUR 3,666 mn in 2014 to EUR 2,834 mn in 2015. The reconciliation of net income for the year to the cash flow from operating activities (before changes in net working capital components) resulted in a net upward adjustment of EUR 4,489 mn for 2015 (2014: EUR 2,734 mn). The adjustment for depreciation, amortization and impairments was EUR 5,159 mn (2014: EUR 3,167 mn) and EUR (787) mn (2014: EUR (250) mn) for deferred taxes. The current tax expense less net tax payments resulted in a decrease of EUR 115 mn (2014: EUR 54 mn). The share of equity-accounted investments' result and other dividend income less the dividend payments received contributed to a decrease of EUR 298 mn (2014: EUR 153 mn), mainly due to significant positive non-cash results of Borealis in 2015. The net interest expenses related to loans and other liabilities less interest paid resulted in a decrease of EUR 23 mn (2014: EUR 46 mn). The net increase in long-term provisions (including employee benefits and decommissioning and restoration obligations) resulted in a positive cash flow adjustment of EUR 233 mn (2014:

negative cash flow of EUR 14 mn), mainly related to an additional provision booked for the Gate LNG obligation and associated transportation commitments. The total of write-ups of fixed assets and other non-cash items resulted in an increase of EUR 341 mn (2014: EUR 79 mn). Other non-cash items included, among others, the write-down of inventories related to the significant decline in prices at year end and unrealized losses from derivatives. In 2015, there was a significant cash outflow from net working capital components of EUR 400 mn (2014: cash inflow of EUR 405 mn). Receivables and inventories decreased by EUR 719 mn (2014: EUR 455 mn), mainly due to a lower price environment, as well as lower quantities in stock. Liabilities decreased by EUR 1,004 mn (2014: EUR 135 mn), the negative impact being mainly related to lower supply-related liabilities as a result of the low price environment. Short-term provisions decreased by EUR 114 mn (2014: increase of EUR 85 mn). **Cash outflows for investments in non-current assets** of EUR 3,066 mn (2014: EUR 3,910 mn) were partly offset by proceeds from the sale of non-current assets amounting to EUR 193 mn (2014: EUR 516 mn). In 2014, the proceeds included cash inflows from the sale of subsidiaries and businesses, net of cash disposed amounting to EUR 341 mn, mainly related to the sale of the 45% stake in the Bayernoil refinery network. **Net cash outflow from investment activities** totaled EUR 2,874 mn (2014: EUR 3,394 mn). The lower cash outflow in 2015 reflected the measures taken to reduce investments. Cash outflows from the net decrease of short- and long-term borrowings amounted to EUR 190 mn (2014: inflows of EUR 331 mn). In 2015, there were repayments of the US private placement bond and other long-term debt and finance leases as well as short-term money market lines, partially offset by new drawings of long-term loans. In 2014, there were EUR 750 mn cash inflows from the issuance of a new Eurobond, offset by the EUR 702 mn repayment of a Eurobond in April. In 2015, the Group acquired the remaining non-controlling stake of 1.2% in OMV Petrol Ofisi A.Ş. In 2014, the additional stake of 1.8% in OMV Petrol Ofisi A.Ş. and the remaining non-controlling interest in Adria-Wien Pipeline GmbH were acquired. Cash outflows for dividend payments amounted to EUR 530 mn (2014: EUR 650 mn), of which EUR 408 mn (2014: EUR 408 mn) were paid to OMV shareholders, EUR 71 mn (2014: EUR 191 mn) to shareholders of non-controlling interests and EUR 51 mn (2014: EUR 51 mn) to hybrid capital owners. During 2015, there was a significant net cash inflow of funds following the issuance of the new hybrid notes in the amount of EUR 1,490 mn. **Net cash inflow from financing activities** amounted to EUR 758 mn (2014: net cash outflow of EUR 342 mn).

Cash inflow from hybrid notes issuance in the amount of EUR 1,490 mn

Risk management

In common with the entire oil and gas industry, OMV is exposed to a variety of risks – including market and financial risks, operational and strategic risks.

- **Market and financial risks** are arising from volatility in the prices of commodities, foreign exchange rates or interest rates. Also of importance are credit risks, which arise from the inability of a counterparty to meet a payment or delivery commitment. As an oil and gas company, OMV has a significant exposure to oil and gas prices. Substantial FX exposures include the USD, RON, NOK and TRY.
- **Operational risks** include especially all risks related with physical assets, HSSE, regulatory/compliance risks or project risks.
- **Strategic risks** arise for example from changes in technology but also include reputational and political risks. OMV operates in countries that are subject to political instability, in particular Libya, Yemen, Pakistan and Tunisia. The possible political changes may lead to disruptions and limitations in production as well as increased tax burden, restrictions on foreign ownership or even nationalization of property.

It is OMV's view that the Group's overall risk is significantly reduced due to its substantial diversification and the related, partially offsetting effects of different risks. The balancing effects of offsetting industry risks, however, can often lag or weaken. Therefore, OMV's risk management activities focus on the group-wide net risk exposure of the existing and future portfolio. The areas of risk management and insurance are centrally coordinated within the Corporate Finance department, which ensures that well-defined and consistent risk management processes, tools and techniques are applied across the entire organization. Risk ownership is assigned to those managers who are best suited to oversee and manage the related risk.

Risk policy objective is to safeguard the cash flows required by the Group

The overall objective of the risk policy is to safeguard the cash flows required by the Group and to maintain a strong investment grade credit rating in line with the Group's risk appetite. New business strategies and the associated risks are also monitored with respect to rating implications. To protect the Group's cash flow from the potential negative impact of falling oil prices, derivative instruments were used to hedge the proceeds from the sale of 50,000 bbl/d for the period July 2015 – June 2016. The transaction was accounted for as a cash flow hedge until August 2015, when OMV monetized the oil price hedges for the period Q4/15 through Q2/16, leading to a positive EBIT impact of EUR 74 mn in 2015. Furthermore, a EUR 12 mn valuation gain on the January – June 2016 hedging instruments is reported within other comprehensive income and will be recycled to profit and loss in 2016. In the Downstream business, OMV is especially exposed to volatile refining margins and inventory risks. In order to mitigate those risks corresponding hedging activities are taken. Those include margin hedges as well as stock hedges. In addition, Emission Compliance Management takes care of a balanced position of emission allowances via selling the surplus or covering the gap. Financial risks (e.g. market prices, currencies) are reviewed quarterly by the Financial Risk Committee. A cross functional committee with senior management members of OMV Group – the Risk Committee – ensures that an Enterprise Wide Risk Management (EWRM) program is in place to effectively manage the integrated risks across the OMV Group. EWRM is continuously enhanced. The main purpose is to deliver value through risk-based management decision making. Thorough assessment of financial, operational and strategic risks should support the exploitation of business opportunities in a systematic manner in order to ensure sustainable growth in OMV's value. Since 2003, the EWRM system has helped to enhance risk awareness and risk management skills across the entire organization, including within subsidiaries in more than 20 countries. The risk culture is supported by an IT application facilitating the risk management processes established within OMV Group: risk identification, risk analysis, risk evaluation, risk treatment, reporting and risk reviewing through continuous surveillance of changes to the risk profile. Overall risk resulting from the bottom-up risk management process is computed with the aid of Monte Carlo simulations and compared against planning data. This is further combined with a senior management view from a top-down approach to capture the strategic risks. This process also includes those companies that are not fully consolidated. Twice a year the results from this process are consolidated and presented to the Executive Board and the Audit Committee. In compliance with the Austrian Code of Corporate Governance, the effectiveness of the EWRM system is evaluated by the external auditor on an annual basis. The key non-financial and financial risks identified in respect of OMV's medium-term plan are market price risks, political risks, regulatory and compliance risks, business process risks, foreign exchange risks (particularly relating to the USD, RON, NOK and TRY), project risks, personnel risks as well as hazard risks. OMV has extensive experience in the political environment in CEE and SEE. Political developments in all markets where OMV operates are kept under constant observation. Furthermore, country-specific risks are assessed before entering new countries. Risks related to the EU Emission Trading Scheme (EU ETS) are separately recorded and aggregated for the Group as a whole. Furthermore, OMV is monitoring emerging regulations related to climate change in all operating countries. Through systematic staff succession and development planning, Corporate Human Resources plans for suitable managerial staff to meet future growth requirements in order to mitigate personnel risks. Control and mitigation of identified and assessed risks takes place at all organizational levels using clearly defined risk policies and responsibilities. The key Group risks are governed centrally to ensure the ability to meet the strategic objectives, through the essence of corporate directives, including those relating to health, safety, security and environment, legal matters and compliance, human resources and corporate social responsibility, with special emphasis on human rights and market price risks. Analysis and management of financial risks arising from foreign currencies, interest rates, commodity prices, counterparties, liquidity as well as insurable risks are undertaken in a consolidated way within Corporate Finance. Market price risk is monitored and analyzed centrally as to the potential cash flow impact using a specific risk analysis model that considers portfolio effects. Results of the risk analysis are discussed by the Financial Risk Committee comprising senior management of the Business Segments and corporate functions. Proposals for hedging strategies are submitted to the Executive Board for approval. The primary foreign currency risks are related to USD, RON, NOK and TRY currency exposure. The Group has a net USD long position, mainly resulting from sales of oil and gas production. The effects on cash flows and/or the statement of financial position (translation risk) as well as the correlation with the oil price are regularly monitored. Translation exposure arises from consolidation of subsidiaries with different functional currencies like USD, RON, NOK and TRY. To balance the Group's interest rate portfolio, loans can be converted from fixed to floating rates and vice versa, according to predefined rules. The main counterparty credit risks are assessed, monitored and controlled at Group and segment level, using predetermined credit limits for all counterparties, banks and security providers. The procedures are governed by guidelines at OMV, OMV Petrom and OMV Petrol Ofisi level.

HSSE (Health, Safety, Security, Environment)

HSSE is a key value of OMV. The physical and mental well-being and safety of the employees as well as the integrity of OMV operating facilities, are of crucial importance. Loss prevention and proactive risk management are essential to maintaining OMV's license to operate and to reach OMV vision "ZERO harm – NO losses". Sadly, in 2015 there were two work-related fatalities. OMV have started a group-wide "Behavior Based Safety" project which is aimed at bringing OMV closer to an incident-free environment. In 2015, the main security focus was the emerging situation in the Middle East and North Africa regions. The general political and security development in Tunisia, Yemen, Libya and Pakistan required permanent monitoring in order to enable timely security related decisions. Due to the security incidents in Paris, Brussels and Turkey, travel intelligence was of major importance. The most severe impact on OMV activities occurred in Yemen and Libya with stops in production whilst maintaining local offices, whereas the increasing activities in Tunisia necessitated a rigorous security program. Key HSSE actions in 2015 included:

OMV HSSE vision "ZERO harm – NO losses"

- Issuance of a new HSSE Policy and HSSE Directive, including a Major Accident Prevention Policy
- Starting the group-wide roll out of the Behavior Based Safety Project focused on safety awareness trainings which has already yielded positive results in OMV Petrom
- Revision of the carbon strategy of OMV
- Launch of a fatigue awareness program and a cardiovascular prevention program
- Completion of eight process safety operations integrity assessments for risk based-selected operations in Upstream
- Launch of a systematic approach of internal performance assessment for verification of the compliance and the effectiveness of process safety relevant regulations in Downstream
- More than 90% of Upstream frontline staff completed all seven modules of a computer based process safety training; in Downstream, these modules have been rolled out to specified target groups

- Implementation of an improved safety walk concept focusing on conversations with employees and contractors about safe behavior and hazard awareness
- Response to travel related security threats by utilizing a new developed travel security system to provide pre-travel information, a travel authorization process, monitoring and advising international travelers
- Implementation of a common security risk assessment process and methodology for all OMV locations, resulting in a review of threats and mitigation measures that deliver a consolidated security risk picture for key decision makers
- Performance of a complete operational security review of all OMV locations in Tunisia, resulting in an enhanced security package at OMV offices and continued confidence of OMV key contractors
- Conducting a crisis response exercise in Tunisia
- Improving the kidnap and ransom preparedness and response, by conducting workshops with senior management, country management (Libya, Tunisia, Yemen, Pakistan), awareness training for local personnel in Tunisia and Dubai

OMV targets to reduce greenhouse gas intensity by 10% by 2021 vs. 2013

OMV's goal is to optimize processes in order to use natural resources as efficiently as possible, and to reduce emissions and discharges. Although spill risk management is a key focus across OMV operations, there have unfortunately been six major hydrocarbon spills (L3-L5 according to OMV definitions), totaling 55,400 liters of hydrocarbons spilled. Three were caused by corrosion, one by a traffic accident and two occurred due to integrity issues. OMV has revised the Group's carbon strategy and has introduced "GHG intensity" as the new group wide performance target aiming to reduce greenhouse gas (GHG) emissions and save energy. The target is to reduce OMV's overall GHG intensity by 10% by 2021 compared to 2013. OMV carries out a broad range of incremental energy efficiency improvements across all operations. OMV Refining, Gas Connect Austria and OMV Petrom have an Energy Management System certified to ISO 50001. Key action areas include:

- The modernization program at the Petrobrazi refinery is having a significant impact with its energy saving program leading to significant GHG emissions savings
- The introduction of a zero continuous flaring and venting policy (except for safety purposes) for new Upstream projects, as well as phase-out requirements for existing continuous flaring and venting
- OMV has achieved a significant reduction in the amount of vented gas, due to field modernization and optimization projects in OMV Petrom Upstream

Regarding water management, the focus is on efficient water use and state-of-the-art water treatment. In 2015, OMV started to implement the water strategy with a main focus on the Group's primary water consumers. Water related risks of priority sites have been identified and water management plans have been developed. This will be further rolled out in other relevant sites in 2016.

Eco-Innovation

Research on new technologies is essential to addressing the challenges of climate change and building a bridge between the present situation and the EU climate targets. As part of the research project wind2hydrogen, OMV is working with partners on ways to transform wind-generated electricity to split water into hydrogen and oxygen using electrolysis. Together with its partners, OMV has developed a wind2hydrogen pilot plant. The goal of the project is to set up the conditions needed to produce "green hydrogen" from renewable electricity so that the energy can be stored for use, whenever it is convenient for consumers. OMV has also started preparing options for the long-term future. At the Christian Doppler Laboratory in Cambridge, Erwin Reisner and his team are researching ways to convert sunlight into usable energy-syngas. By 2019, the research team wants to develop a prototype of a reactor to produce larger amounts of hydrogen.

Information required by section 243a Unternehmensgesetzbuch (Austrian Commercial Code)

The following information is disclosed according to section 243a Austrian Commercial Code:

1. The capital stock amounts to EUR 327,272,727 and is divided into 327,272,727 bearer shares of no par value. There is only one class of shares.
2. There is a consortium agreement between the two core shareholders, Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) and International Petroleum Investment Company (IPIC), which provides for coordinated behavior and certain limitations to transfers of stockholdings.
3. ÖBIB holds 31.5% and IPIC holds 24.9% of the capital stock.
4. All shares have the same control rights.
5. Employees who are shareholders directly exercise their voting right at the Annual General Meeting.
6. The Company's Executive Board must consist of two to six members. The Company's Supervisory Board must consist of at least six members elected by the Annual General Meeting and of the members nominated under section 110 (1) Arbeitsverfassungsgesetz (Austrian Labor Constitution Act). Resolutions concerning the dismissal of members of the Supervisory Board pursuant to section 87 (8) Aktiengesetz (Austrian Stock Corporation Act) require a simple majority of the votes cast. To approve capital increases pursuant to section 149 Austrian Stock Corporation Act and alterations of the Articles of Association (except those concerning the Company's objects), simple majorities of the votes and capital represented in adopting the resolution are sufficient.
7. a) With regard to the expiration on May 13, 2014 of the authorized capital decided upon by the Annual General Meeting on May 13, 2009, the Annual General Meeting has authorized the Executive Board on May 14, 2014, subject to the approval of the Supervisory Board, to increase by May 14, 2019, at once or in several tranches, also by way of indirect offer for subscription after taking over by one or several credit institutions according to Section 153 Paragraph 6 Stock Corporation Act, against cash contributions, the share capital by not more than EUR 32,727,272 by issuing up to 32,727,272 new no-par value common voting shares in bearer form. Subject to the approval of the Supervisory Board, the Executive Board has been authorized to exclude in this connection the subscription right of the shareholders, (i) to adjust fractional amounts or (ii) to satisfy stock options or long term incentive plans including matching share plans for employees, senior employees and members of the Executive Board/management boards of the Company or one of its affiliates, or other employees' stock ownership plans and subject to the approval of the Supervisory Board, to set the issue price and conditions of issuance (authorized capital). The Supervisory Board has been authorized to adopt amendments to the Articles of Association resulting from the issuance of shares according to the authorized capital.

   b) On May 17, 2011, the Annual General Meeting authorized the Executive Board to repurchase treasury shares of up to 10% of the capital stock during a period of 30 months from the day of the resolution in question. Treasury shares could be

The Corporate Governance Report is integrated into this Annual Report and additional details are available on OMV's website: **www.omv.com > Investor Relations > Corporate Governance & Organization**

Safety performance indicators

	2015	2014	2013
Lost-Time Injury Rate (LTIR) per million hours worked for own employees	0.26	0.46	0.52
Lost-Time Injury Rate (LTIR) per million hours worked for contractors	0.28	0.42	0.52
Lost-Time Injury Rate (LTIR) per million hours worked, total	**0.27**	**0.44**	**0.52**
Total Recordable Injury Rate (TRIR) per million hours worked for own employees	0.59	0.98	1.11
Total Recordable Injury Rate (TRIR) per million hours worked for contractors	0.79	0.96	1.30
Total Recordable Injury Rate (TRIR) per million hours worked, total	**0.73**	**0.97**	**1.24**

repurchased via the stock exchange, by way of public tender or in any other legally permitted way and to any legally permitted purpose until November 16, 2013. The Executive Board had also been authorized to rescind treasury shares upon repurchase as well as treasury shares currently owned by the Company without any further resolution by the Annual General Meeting until the same date.

c) The Executive Board has also been authorized until May 16, 2016, upon approval by the Supervisory Board but without any further resolution by the Annual General Meeting, to sell or use treasury shares upon repurchase as well as treasury shares currently owned by the Company via the stock exchange, by way of public tender, or in any other way. In particular, treasury shares can be utilized (i) to satisfy stock option and Long Term Incentive Plans for employees, executive staff and members of the Executive Board or the management of the Company or affiliated subsidiaries as well as other employees' bonus schemes, (ii) for convertible bonds, if issued, (iii) as a compensation for the acquisition of enterprises, participations or other assets and (iv) to any other legally permitted purpose. The general shareholders' subscription rights can be excluded and this authorization can be exercised wholly or partly.

8. a) A hybrid bond with a size of EUR 750 mn was placed on the market on May 25, 2011. As the repayment of principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid bond (less costs of issuance) were fully treated as equity. The hybrid bears a fixed interest rate of 6.75% until April 26, 2018, thereafter a reset fixed rate (to be determined) until April 26, 2023, and thereafter a floating interest rate with a 100 basis points step up. The hybrid bond has no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has in particular the right to repay the hybrid bond at certain dates. In the case of a change of control, OMV may call the hybrid bond for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid bond.

b) On December 7, 2015, OMV issued hybrid notes with an aggregate size of EUR 1.5 bn, in two tranches of EUR 750 mn each. As the repayment of principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid notes (less costs of issuance) are fully treated as equity. Tranche 1 bears a fixed interest coupon of 5.250% until but excluding December 9, 2021, which is the first call date of tranche 1, and tranche 2 bears a fixed interest coupon of 6.250% until but excluding December 9, 2025, which is the first call date of tranche 2. From December 9, 2021, until but excluding December 9, 2025, hybrid notes of tranche 1 will bear interest according to a fixed reset interest rate to be determined according to the relevant 5-year swap rate and an additional margin of 4.942% and, from December 9, 2025, with an additional step-up of 100 basis points. From December 9, 2025, hybrid notes of tranche 2 will bear interest according to a fixed reset interest rate to be determined according to the relevant 5-year swap rate and an additional margin of 5.409%, with an additional step-up of 100 basis points. The hybrid notes have no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has in particular the right to repay the hybrid notes at certain dates. In the case of a change of control, OMV may call the hybrid notes for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid notes.

9. At December 31, 2015, no other material agreements to which OMV is a party are in place which in case of change of control due to a takeover offer would come into effect, be amended or terminated.

10. There are no agreements between the Company and members of the Executive Board and Supervisory Board or employees regarding the payment of compensation in the event of a public takeover bid.
11. The most important elements of the internal control and risk management system regarding the accounting process are the following: Standards for the internal control system are defined by internal Corporate Guidelines. Corporate Internal Audit controls the compliance with these standards through regular audits, based on the annual audit plan approved by the Audit Committee, or through ad-hoc audits. The results of those audits are presented to the Audit Committee. The establishment of group-wide standards for the preparation of annual and interim financial statements by means of the corporate IFRS Accounting Manual is also regulated by an internal Corporate Guideline. The Group uses a comprehensive risk management system. The essential processes of the financial reporting system have been identified and analyzed. For the main "End-to-end" processes (e.g. Purchase-to-Pay, Order-to-Cash) group-wide standards are defined. Based on a rolling time plan, the implementation and the effectiveness are being monitored. In addition, the effectiveness of the risk management system is regularly evaluated by external auditors. The results of the evaluation are reported to the audit committee.

Outlook

Market environment: For the year 2016, OMV expects the Brent oil price to average around USD 40/bbl. The Brent-Urals spread is anticipated to be wider than in recent years. The gas market environment is expected to remain challenging in 2016. Refining margins are expected to decline from 2015 levels due to persisting overcapacity in European markets. In the petrochemical business, margins are also expected to decline from 2015. Due to the decreased oil price, lower product prices are expected to support the demand for mineral oil products.

Group: CAPEX for 2016 is expected to be around EUR 2.4 bn. In 2015, OMV implemented a cost reduction program yielding savings of approx. EUR 200 mn compared to 2014. Cost reduction efforts continue, to reflect the current difficult environment, with additional savings of EUR 100 mn targeted in 2017 vs. 2015. In Q3/15, OMV Group has monetized its oil price hedges for the period Q4/15 through Q2/16. This will improve the Group's Upstream EBIT by USD 13 mn in the first half year of 2016.

CAPEX expected to be around EUR 2.4 bn in 2016

Upstream: Production in Libya and Yemen is expected to be affected throughout the year due to the extended critical security situation. Excluding these two countries, OMV expects total production for 2016 to average approximately 300 kboe/d. The combined production of Romania and Austria is expected to average in the range of 190-200 kboe/d. In Romania, works at onshore facilities including shut-ins at key wells are planned in the third quarter which will have an impact on production. In Norway, the average production for 2016 is expected to increase to approx. 60 kboe/d due to additional volumes mainly from the ramp up of Edvard Grieg. The total production level in Norway will be affected by planned turnarounds during the year. Upstream capital expenditure for 2016 is expected to be roughly 70% of total Group CAPEX and includes, among others, drilling and workover activities in Romania and Austria and the following major investment projects: Gullfaks, Aasta Hansteen and Edvard Grieg in Norway, Nawara in Tunisia and Schiehallion in the UK. In the Neptun Deep block (Romanian Black Sea), the second exploration drilling campaign was completed in January 2016 with seven wells finalized, the majority of them encountering gas. Further interpretation and analysis of the data gathered is required to enhance the assessment and determine the full block potential. The results of the drilling campaign are sufficiently encouraging to progress more detailed work to determine if a development is commercially viable. Exploration and appraisal expenditure is expected to be around EUR 450 mn in 2016.

Subsequent events: Please refer to **Note 37** in the Consolidated Financial Statements

Divestment of a stake of up to 49% in Gas Connect Austria expected to be signed in 2016

Downstream: Capacity utilization adjusted for turnaround periods is expected to remain high due to the strong performance in all sales channels and will support the stable profit and cash contribution from the Downstream Oil business. Major shutdowns are planned in the Schwechat refinery for approx. one month from the end of Q1/16 into Q2/16 and in the Petrobrazi refinery for approx. one month in Q2/16. In October 2015 OMV signed a contract to acquire 100% of the shares in FE-Trading GmbH and FE-Trading trgovina d.o.o., companies that operate a chain of unmanned filling stations in Austria and Slovenia. The closing is expected in 2016. OMV has initiated a process to sell up to 100% of its wholly owned subsidiary OMV Petrol Ofisi A.Ş. OMV is currently selecting its advisors to support the potential transaction and the structuring of the envisaged process. Natural gas sales margins are expected to remain at low levels, due to the continued weak gas market environment. Spark spreads in Romania and Turkey are expected to remain weak. The divestment of a stake of up to 49% in Gas Connect Austria has been initiated and the transaction is expected to be signed in 2016. OMV has signed an agreement with its partners for the takeover of the remaining stake of 35.75% in EconGas by OMV, for which antitrust authorities approval is expected during 2016. Consequently, EconGas will be fully integrated into OMV Group, representing a further step in restructuring and increasing the efficiency of the gas business. The final investment decision for the Nord Stream 2 pipeline project is planned to be taken in the course of 2016.

Vienna, March 22, 2016

The Executive Board

Rainer Seele	David C. Davies	Johann Pleininger	Manfred Leitner