

Directors' report – operational review

Business developments in 2015

Sales for the 2015 financial year were EUR 108.57 mn (2014: EUR 132.09 mn). As OMV Aktiengesellschaft is a pure holding company, most of the sales consist of corporate service charges billed to the subsidiaries, which substantially decreased compared to the previous year.

Earnings Before Interest and Taxes (EBIT) were EUR (53.53) mn (2014: EUR (36.35) mn). Lower EBIT in 2015 was mainly coming from lower sales partly compensated by lower administration costs due to the cost saving program.

The **financial result** in 2015 was EUR (578.20) mn (2014: EUR (775.24) mn). The financial items of OMV Aktiengesellschaft as a pure holding company mainly consist of the dividends and other income from investments of the operative companies. Net income from investments was EUR (424.46) mn and thus substantially below 2014 (EUR (697.36) mn), mainly because of impairments of participations in 2015. For the investment in OMV Petrol Ofisi A.Ş., an impairment of EUR 424.36 mn (2014: EUR 1,067.57 mn) has been reported, mainly due to a regulatory intervention (margin ceiling) and an overall higher risk assessment in Turkey. The dividend of OMV Petrom amounting to EUR 73.51 mn was below last year (2014: EUR 200.00 mn). In 2015 a provision for contingent losses was booked for EconGas in the amount of EUR 272.10 mn.

The contribution of the companies in the **Upstream** segment excluding OMV Petrom was below previous year's dividend, at EUR nil (2014: EUR 200.00 mn). The lower result mainly reflected the significant drop in oil and gas prices.

The contribution of the companies in the **Downstream** segment excluding OMV Petrom was above previous year, at EUR 323.04 mn (2014: EUR (40.71) mn). Investment income from the Downstream Oil segment excluding OMV Petrom increased to EUR 493.11 mn (2014: EUR (67.40) mn). The higher result came from the increased refining margins. The investment income contribution from the Downstream Gas segment excluding OMV Petrom was below the previous year for profit pooling EUR (184.71) mn (2014: EUR 13.32 mn) and above previous year for dividends EUR 21.97 mn (2014: EUR 13.37 mn). The lower Downstream Gas result reflected the weak gas market environment.

Investment

Key investment items in 2015 were capital injections to OMV Solutions GmbH and to OMV Exploration & Production GmbH.

Cash flows from operating activities for 2015 amounted to EUR 177.26 mn (2014: EUR 64.48 mn), cash flows from investing activities to EUR (542.70) mn (2014: EUR (160.18) mn) and cash flows from financing activities to EUR 1,104.92 mn (2014: EUR 17.10 mn).

Net loss for the year amounted to EUR (939.94) mn (2014: EUR (920.31) mn net loss for the year).

Total assets increased to EUR 14,258.31 mn (2014: EUR 13,386.42 mn).

At balance sheet date, **stockholders' equity** including untaxed reserves stood at EUR 4,984.79 mn (2014: EUR 6,333.26 mn). The equity ratio as of December 31, 2015, was 34.96% (2014: 47.31%).

The ratio of **fixed assets** to total assets was 83.02% at balance sheet date (2014: 93.69%).

Return On Equity (**ROE**) was (16.61)% (2014: (13.16)%).

In 2015, the average **number of employees** at the holding company was 430 (2014: 442).

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

Corporate Governance Report

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.

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 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. 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. 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.

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. 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 Group 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.

Sustainability & HSSE (Health, Safety, Security, Environment)

At OMV, we have a long tradition of responsibility towards the environment and the society. In 2015, we embedded sustainability further in our operations. The OMV sustainability strategy, Resourcefulness, brings together our responsible commitments on health, safety, security, environment, diversity, business ethics, human rights and stakeholder engagement and it is expressed by three key focus areas: Eco-Efficiency, Eco-Innovation and Skills to Succeed. Resourcefulness is our way of achieving the business targets in a sustainable and responsible way and enables us to keep the license to operate. Sustainability Governance: Two governance bodies manage and oversee our sustainability strategy, Resourcefulness. The Resourcefulness Executive Team is chaired by the CEO and comprises representatives of each Resourcefulness topic and Business Segment and is responsible for further developing our strategy and implementing it into operations. It is advised by the Resourcefulness Advisory Board, chaired also by the CEO. It comprises high-ranking external experts. HSSE is a key value of OMV business. The physical and mental well-being and safety of our people, 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". In 2015, the main security focus was the emerging situation in the Middle East and North Africa regions. OMV's goal is to optimize processes in order to use natural resources as efficiently as possible, and to reduce emissions and discharges. OMV have revised the Group's carbon strategy and have introduced "greenhouse gas intensity" as the new group-wide performance target. OMV focuses on reducing greenhouse gas emissions and saving energy costs.

Research and Development

OMV Aktiengesellschaft is not performing research and development projects itself, but coordinates the group-wide research and development projects.

Subsequent events for OMV Group

Starting with January 1, 2016, the internal organizational structure of the Upstream Business

Segment was changed. This also affects the regional split. The new regions are Austria, Romania, North Sea, Middle East and Africa and Australasia.

OMV announced in February 2016 the initiation of 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.

On January 18, 2016 and on February 25, 2016, the Bulgarian Commission for Protection of Competition announced the initiation of several investigations about the infringement of competition rules on fuel market. OMV Bulgaria OOD is subject to these investigations, among other major retailers on Bulgarian market. The sanctions for antitrust infringements are up to 10% of the total turnover of the company in the financial year prior to the sanctioning decision. No request of providing information was received so far from the authorities. At the date of signing these financial statements, the outcome of investigations could not be evaluated and no provision was recorded in this respect.

Outlook for OMV Group

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.

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.

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.S. 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
Chairman



David C. Davies
Deputy-Chairman



Johann Pleininger



Manfred Leitner