

## Dear Shareholders,

I am very pleased to be able to inform you about an extraordinarily successful financial year in 2017. OMV's stock price increased by 57% in 2017, far exceeding the FTSEuro-first E300 Oil & Gas, which saw stable development. This performance clearly shows that OMV not only successfully met the challenges of a difficult market environment but also implemented important and far-reaching measures to restructure its portfolio. As a result, the Company's competitive ability, profitability and value have increased considerably and sustainably. A clear focus on profitable growth and its core activities and regions as well as strict cost management were the keys to success. This strategic focus and its systematic implementation were also acknowledged by the capital markets.

The Company's achievements in recent years have created a solid basis for OMV's future development and have expanded its range of strategic options.

In the following, I would like to inform you about the Supervisory Board's work during the 2017 financial year.

### **Composition of the Executive Board and Supervisory Board**

With the extension of Rainer Seele's and Johann Pleininger's mandates in May 2017, the Executive Board affirmed the composition of the executive team. The periods of tenure for Rainer Seele and Johann Pleininger were both extended by two years until 2020. In addition, Johann Pleininger was named Deputy CEO as of July 1, 2017. There were no changes to the members of the Supervisory Board during the 2017 financial year.

### **Supervisory Board activities**

The Supervisory Board carried out its activities during the financial year with great care and in accordance with the law, the Company's Articles of Association and the Internal Rules. It oversaw the Executive Board's governance of OMV and advised it in decision-making processes on the basis of detailed written and verbal reports as well as constructive discussions between the Supervisory Board and the Executive Board. The Executive Board provided the Supervisory Board with regular, timely and comprehensive reports on the Company's business activities, on the general economic situation in its key markets and the overall business environment as well as on the opportunities and risks to OMV's business development.

The focus of the Supervisory Board's activities in 2017 was on evaluating measures to restructure OMV's portfolio in accordance with the approved strategy, which significantly enhanced the Company's competitive ability, strengthened its relationships with key business partners and considerably increased its reserves.



» OMV's competitive ability, profitability and value have increased considerably.

**PETER LÖSCHER**  
Chairman of the Supervisory Board

The acquisition of a 24.99% stake in the Yuzhno Russkoye natural gas field in Western Siberia as well as the sale of OMV Petrol Ofisi, both of which were successfully completed in 2017, are particularly worth mentioning in this context. In addition, in April 2017, OMV signed long-term financing agreements for Nord Stream 2 together with other European energy companies, thereby taking an important step toward the implementation of the pipeline project.

A further major focal point of the Supervisory Board's activities in 2017 was the Executive and Supervisory boards' intensive work on the further development of the Company's strategic orientation, which led to the approval of the strategy by the Supervisory Board in December 2017.

Special attention was also paid to finalizing the Supervisory Board's comprehensive and externally supported self-evaluation, the purpose of which was to continuously optimize the efficiency and effectiveness of the Supervisory Board's activities. The results were intensively discussed during the meeting of the Supervisory Board in March 2017 as well as in subsequent bilateral talks with the Board's chairman. The proposed suggestions for improvement were then implemented. In doing so, the Supervisory Board affirms that it adheres to international best practices and acknowledges its responsibility to shareholders.

#### **Activities of Supervisory Board committees**

In addition to preparing the decision regarding the extension of Rainer Seele's and Johann Pleininger's mandates, the **Presidential and Nomination Committee** placed a particular focus on the issue of long-term Executive Board succession planning during the 2017 financial year. Working together with the Chairman of the Executive Board, the committee conducted a detailed analysis with the purpose of identifying internal potentials as well as suitable development measures.

In light of the mandatory gender quota<sup>1</sup> for Supervisory Boards, effective January 1, 2018, and in order for the Company's strategic areas of focus to be reflected in the competency profiles of the Supervisory Board members, the Presidential and Nomination Committee also initiated a discussion regarding future Supervisory Board members' qualifications profile. The goal is for the requirements defined therein to be taken into consideration in future proposals for Supervisory Board members. Within the scope of this discussion, the shareholder and employee representatives agreed to fulfill the gender quota separately. In addition to the induction program for new Supervisory Board members that has already been established, the Presidential and Nomination Committee also developed a new continuous education program for the Supervisory Board, which will be implemented in the 2018 financial year.

The **Remuneration Committee** conducted a comprehensive market comparison of the Executive Board's base salary. In addition, the committee entered into in-depth talks with selected proxy firms as well as institutional investors in order to discuss their suggestions with regard to variable compensation plans for the Executive Board, among other topics. With the goal of acting on the insights gained, an external evaluation of the executive remuneration structure was subsequently initiated. The results of this analysis as well as the details of the new compensation structure will be presented to shareholders at the 2018 Annual General Meeting.

The **Audit Committee** looked at important topics related to accounting processes, the internal audit program, risk management and the Group's internal control system. The OMV Group's auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., participated in each of the Audit Committee's meetings, and the Supervisory Board regularly took advantage of the opportunity to discuss matters with the auditor without the presence of the members of the Executive Board.

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<sup>1</sup> Beginning on January 1, 2018, when voting on or appointing members to the supervisory board of a public company, a mandatory minimum percentage of 30% male members and 30% female members of the supervisory board must be observed if the supervisory board consists of at least six shareholder representatives and the company's workforce of at least 20% female or male employees. In general, this minimum percentage must be met overall, taking both shareholder representatives and employee representatives into account (board-level compliance). A majority of either shareholder or employee representatives is authorized to veto this board-level compliance rule

Decisions regarding key investment and M&A projects were prepared on the basis of extensive information and intensive discussions at regular meetings of the **Portfolio and Project Committee**, which were held prior to the meetings of the Supervisory Board. In addition, the Portfolio and Project Committee repeatedly dealt with strategic considerations regarding the long-term focus of the Company's portfolio.

Further details regarding the activities of the Supervisory Board and its committees can be found in the (Consolidated) Corporate Governance Report.

#### **Annual financial statement and dividends**

Following a comprehensive audit and discussions with the auditor during meetings of the Audit Committee and the Supervisory Board, the Supervisory Board has approved the directors' report and the consolidated annual report pursuant to section 96(1) of the Stock Corporation Act as well as the annual financial statement and the consolidated annual financial statement pursuant to section 96(4) of the Stock Corporation Act. Both the 2017 annual financial statement and the 2017 consolidated annual financial statement received an unqualified opinion from the auditing company Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The Supervisory Board also approved the (Consolidated) Corporate Governance Report audited by both the Supervisory Board and the Audit Committee as well as the (consolidated) report on payments to government agencies. The Supervisory Board found no issues during the audits. Following the audit, the Supervisory Board accepted the Executive Board's proposal to distribute a dividend of EUR 1.50 per share and to carry the remaining amount forward to new account. The Supervisory Board will audit the separate consolidated non-financial report (sustainability report) and this report will be published separately and after the annual report together with the corresponding Supervisory Board report.

The 2017 financial year was an extremely successful year for OMV and was also a year in which the Company was able to set a course for further profitable growth. On behalf of the entire Supervisory Board, I would like to thank the Executive Board and all employees for their commitment and successful work in the 2017 financial year. I would like to give special thanks to OMV's shareholders for their trust as well as to all of OMV's customers and partners.

Vienna, March 14, 2018

On behalf of the Supervisory Board

Peter Löscher m.p.