# 4

# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

107 —— 226



Notes

# Auditor's Report[1]

## Report on the Consolidated Financial Statements

### Audit Opinion

We have audited the consolidated financial statements of

**OMV Aktiengesellschaft, Vienna,**

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements except for "Oil and Gas Reserve Estimation and Disclosures (unaudited)".

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2017 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRSs) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

### Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

- Accounting for the acquisition of an interest in the Yuzhno-Russkoye field
- Recoverability of intangible exploration and evaluation (E&E) assets
- Recoverability of the carrying value of property, plant and equipment
- Estimation of oil and gas reserves
- Recoverability of receivable from Romanian State
- Estimation of provision for decommissioning and restoration obligations

[1] This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the directors' report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the directors' report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for the acquisition of an interest in the Yuzhno-Russkoye field**<br><br>The net assets acquired at 30 November 2017 amounted to € 1,719 mn.<br><br>Under IFRS, an entity is required to allocate the purchase price in recognizing assets acquired and liabilities assumed at the acquisition date at fair values.<br><br>The valuation of assets acquired and liabilities assumed is judgmental and complex, requiring significant judgement in applying forecasts and assumptions made by management.<br><br>The principal risk relates to the intangible asset's estimated fair value and value of the redetermination right which is accounted as an asset at fair value and reported within other financial assets. Given the extent of the judgment in valuing these assets, we believe that the fair value calculation carries significant risk of material misstatement.<br><br>OMV management engaged an independent expert to provide valuation support with respect to the determination of the fair values of the assets acquired and liabilities assumed under IFRS 3.<br><br>OMV Group's disclosures about the acquisition of an interest in the YuzhnoRusskoye field are included in Note 3 (Consolidation). | We assessed management's accounting treatment as well as purchase price allocation. Specifically our work included, but was not limited to, the following procedures:<br><br>▶ Read the purchase agreement to gain an understanding of the key terms and conditions and to confirm if the correct accounting treatment was applied;<br><br>▶ Assess the competence of both internal and external specialists and the objectivity and independence of external specialists, to consider whether they were appropriately qualified to carry out the valuation;<br><br>▶ Engage our internal valuation specialist to assist us in the audit of the purchase price allocation and discount rates used;<br><br>▶ Assess the valuation model, the cash flow forecasts, and the key assumptions used in the calculation of the intangible asset's fair value; and<br><br>▶ Assess the valuation and accounting of the redetermination right. |

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Recoverability of intangible exploration and evaluation (E&E) assets**<br><br>The carrying value of intangible E&E assets amounted to € 1,019 mn at 31 December 2017, after a write off (impairment) of € 119 mn in 2017.<br><br>Under IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount.<br><br>The assessment of the carrying value requires management to apply judgement and estimates in assessing whether any impairment has arisen at yearend, and in quantifying any such impairment.<br><br>The principal risks relate to management's intention to proceed with a future work program for a prospect or licence, the likelihood of licence renewal, and the success of drilling and geological analysis to date.<br><br>OMV Group's disclosures about intangible E&E assets and related impairment testing are included in Note 4 (Accounting and valuation principles), Note 8 (Depreciation, amortization and impairment charges) and Note 13 (Intangible assets). | We evaluated management's assessment of the carrying value of intangible E&E assets performed with reference to the criteria of IFRS 6 and the Group's accounting policy. Specifically our work included, but was not limited to, the following procedures:<br><br>▶ Inquire whether management has the intention to carry out exploration and evaluation activity in the relevant exploration area which included the review of management's budget and discussions with senior management as to the intentions and strategy of the Group;<br><br>▶ Read Executive Board minutes of meetings and consider whether there were negative indicators that certain projects might be unsuccessful;<br><br>▶ Discuss with management about the status of the largest exploration projects;<br><br>▶ Assess whether the Group has the ability to finance any planned future exploration and evaluation activity;<br><br>▶ Identify the existence of any fields where the Group's right to explore is either at, or close to, expiry and review management's assessment whether there are any risks related to renewal of the licence; and<br><br>▶ Review of supporting evidence where an E&E asset has been impaired. |

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| **Recoverability of the carrying value of property, plant and equipment**<br><br>The carrying amount of property, plant and equipment amounted to € 13,654 mn at 31 December 2017, after an impairment charge of € 100 mn in 2017. The impairment mainly relates to oil & gas assets.<br><br>Under IFRS, an entity is required to assess, whether indicators for potential impairment or reversal of impairment previously recorded exist and if they exist, an impairment test is required.<br><br>The assessment of the recoverability of the carrying amount of property, plant and equipment requires judgement in assessing whether there is an indication that an asset should be impaired and in measuring any such impairment.<br><br>The principal risk relates to management's estimates of future cash flows and discount rates, which are used to project the recoverability of property, plant and equipment. These future cash flows from oil & gas assets are mainly sensitive to assumptions in future oil and gas prices, production volumes and production costs.<br><br>OMV Group's disclosures about property, plant and equipment and related impairment testing are included in Note 2 (Estimates and Assumptions), Note 8 (Depreciation, amortization and impairment charges) and Note 14 (Property, plant and equipment). | We assessed and tested management's assessment of the recoverability of the carrying amount of property, plant and equipment by evaluating management's assessment whether indicators for potential impairment or reversal of impairment previously recorded exist. Where an impairment test was required, we evaluated management's assumptions. Specifically our work included, but was not limited to, the following procedures:<br><br>▶ Assess the design and implementation of the controls over the valuation process;<br><br>▶ Review and evaluation of management's assessment of the existence of impairment indicators;<br><br>▶ Compare the assumptions used within the future cash flow models to approved budgets and business plans;<br><br>▶ Compare production profiles to oil and gas reserves and future short and long term oil and gas prices to consensus analysts' forecasts and those adopted by other international oil companies;<br><br>▶ Involve our valuation specialists to assist us in the analysis of discount rates; and<br><br>▶ Assess the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year. |

### Key Audit Matter

**Estimation of oil and gas reserves**

Oil and gas reserves are an indicator of the future potential of the group's performance. Furthermore, they have an impact on the financial statements as they are the basis for production profiles in future cash flow estimates and basis for depreciation & amortization.

The estimation of oil and gas reserves requires judgement and assumptions made by management and engineers.

The principal risk is the impact of the oil and gas reserves estimate on the financial statements through impairment testing, depreciation & amortization and decommissioning provision estimate.

OMV Group's disclosures about oil and gas reserves and related impairment testing are included in Note 2 (Estimates and Assumptions), Note 8 (Depreciation, amortization and impairment charges) and Note 23 (Provisions).

### How our audit addressed the key audit matter

Our procedures have focused on management's estimation process in the determination of oil and gas reserves. Specifically our work included, but was not limited to, the following procedures:

- Walkthrough and understand the Group's process and controls associated with the oil and gas reserves estimation process;
- Test controls of the oil and gas reserves review process;
- Analysis of the internal certification process for technical and commercial specialists who are responsible for oil and gas reserves estimation;
- Assess the competence of internal specialists, to consider whether they were appropriately qualified to carry out the estimation of oil and gas reserves;
- Test whether significant additions or reductions in oil and gas reserves were made in the period in which the new information became available and in compliance with Group's Reserves and Resources Guidelines; and
- Test that the updated oil and gas reserve estimates were included appropriately in the Group's consideration of impairment and in accounting for depreciation & amortization.

**Key Audit Matter**

**Recoverability of receivable from Romanian State**

As part of the privatization agreement regarding OMV Petrom SA, the Group is entitled to the reimbursement by the Romanian State of part of wells abandonment (decommissioning) and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, the Group has recorded a receivable from the Romanian State amounting to € 434 mn at 31 December 2017.

The assessment of the recoverability of the receivables from the Romanian State, requires management to make judgements and estimates to assess the uncertainty regarding the expenditure recoverable from Romanian State. The assessment process is considering inter alia history of amounts claimed, documentation process and requirements, potential litigation or arbitration proceedings.

OMV Group's disclosures about Environmental and Decommissioning State Receivables are included in Note 2 (Estimates and assumptions) and Note 18 (Other financial assets).

**How our audit addressed the key audit matter**

We assessed management's estimate regarding recoverability of the receivables from the Romanian State. Our work included, but was not limited to, the following procedures:

- Read the stipulations of the Annex P of the privatization agreement dated 23 July 2004, related to the acquisition by OMV Aktiengesellschaft of shares in the National Petroleum Company Petrom SA, as approved by Law no. 555/2004. Annex P includes stipulations related to the obligation of the seller (i.e. Ministry of Economy and Commerce) to reimburse the Company for historical environmental losses and abandonment costs, provided certain conditions are met;
- Review management's assessment of the recoverability of the receivables from the Romanian State, including the history of amounts claimed vs. amounts accepted and reimbursed, and discuss with management about the status of the notices of claims submitted by the Group and of the Arbitration process;
- Trace the receivables for which notices of claim have been submitted to the respective notices of claims;
- Trace the receivables for which decommissioning was performed but the notices of claim have not yet been submitted to the respective decommissioning costs;
- Trace the receivables for which decommissioning has not yet been performed against the respective decommissioning provisions;
- Discuss with management the estimates of timing of collection; and
- Test the mathematical accuracy of the calculation of the net present value of the receivables recorded.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Estimation of provision for decommissioning and restoration obligations**<br><br>The total provision for decommissioning and restoration obligations amounted to € 3,180 mn at 31 December 2017.<br><br>Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities.<br><br>The principal risk relates to management's estimates of future costs, discount rates and inflation rates, which are used to project the provision for decommissioning and restoration obligations.<br><br>OMV Group's disclosures about the provision for decommissioning and restoration obligations are included in Note 2 (Estimates and Assumptions) and Note 23 (Provisions). | We assessed management's annual estimation of the provision for decommissioning and restoration obligations. Specifically our work included, but was not limited to, the following procedures:<br><br>▶ Assess the design and implementation of the controls over the decommissioning and restoration obligations estimation process;<br><br>▶ Compare current estimates of costs with actual decommissioning and restoration costs previously incurred. Where no previous data was available, we reconciled cost estimates to third party support or internal engineers' estimates;<br><br>▶ Review of supporting evidence for any material revisions in cost estimates during the year;<br><br>▶ Confirm whether the decommissioning dates are consistent with the Group's budget and business plans;<br><br>▶ Involve our valuation specialists to assist us in the analysis of discount rates and inflation rates; and<br><br>Test the mathematical accuracy of the decommissioning and restoration obligation calculation. |

## Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### Comments on the Directors' Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the directors' report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the directors' report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the directors' report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the directors' report for the Group.

### Opinion

In our opinion, the directors' report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

### Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the directors' report for the Group came to our attention.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the directors' report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

### Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at May 24, 2017. We were appointed by the Supervisory Board on September 15, 2017. We are auditors without cease since 2011.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

### Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Mr. Alexander Wlasto, Certified Public Accountant.

Vienna, March 14, 2018

**Ernst & Young**
Wirtschaftsprüfungsgesellschaft m. b. H.

Alexander Wlasto m.p.
Wirtschaftsprüfer/ Certified Public Accountant

Katharina Schrenk m.p.
Wirtschaftsprüferin/Certified Public Accountant

# Consolidated Income Statement for 2017

## Consolidated income statement

EUR mn

| | Note | 2017 | 2016 |
|---|---|---|---|
| **Sales revenues** | | **20,222** | **19,260** |
| Other operating income | 6 | 488 | 646 |
| Net income from equity-accounted investments | 6 | 510 | 425 |
| **Total revenues and other operating income** | | **21,220** | **20,331** |
| Purchases (net of inventory variation) | | (12,331) | (12,297) |
| Production and operating expenses | | (1,645) | (1,686) |
| Production and similar taxes | | (311) | (290) |
| Depreciation, amortization and impairment charges | 8 | (1,852) | (3,235) |
| Selling, distribution and administrative expenses | | (1,636) | (1,721) |
| Exploration expenses | | (221) | (790) |
| Other operating expenses | 9 | (1,491) | (344) |
| **Operating Result** | | **1,732** | **(32)** |
| Dividend income | | 15 | 41 |
| Interest income | 10 | 64 | 66 |
| Interest expenses | 10 | (265) | (261) |
| Other financial income and expenses | 10 | (60) | (44) |
| **Net financial result** | | **(246)** | **(198)** |
| **Profit before tax** | | **1,486** | **(230)** |
| Taxes on income | 11 | (634) | 47 |
| **Net income for the year** | | **853** | **(183)** |
| thereof attributable to stockholders of the parent | | 435 | (403) |
| thereof attributable to hybrid capital owners | | 103 | 103 |
| thereof attributable to non-controlling interests | | 315 | 118 |
| **Basic Earnings Per Share (EPS) in EUR** | 12 | **1.33** | **(1.24)** |
| **Diluted Earnings Per Share (EPS) in EUR** | 12 | **1.33** | **(1.23)** |

# Consolidated Statement of Comprehensive Income for 2017

**Consolidated statement of comprehensive income**

EUR mn

| | Note | 2017 | 2016 |
|---|---|---|---|
| **Net income for the year** | | **853** | **(183)** |
| **Exchange differences from translation of foreign operations** | | **340** | **(113)** |
| Gains/(losses) arising during the year, before income taxes | | (734) | (114) |
| Reclassification of (gains)/losses to net income | | 1,075 | 2 |
| **Gains/(losses) on available-for-sale financial assets** | | **0** | **1** |
| Gains/(losses) arising during the year, before income taxes | | 0 | 1 |
| **Gains/(losses) on hedges** | | **32** | **(102)** |
| Gains/(losses) arising during the year, before income taxes | | 15 | (43) |
| Reclassification of (gains)/losses to net income | | 18 | (59) |
| **Share of other comprehensive income of equity-accounted investments** | | **(161)** | **63** |
| **Total of items that may be reclassified ("recycled") subsequently to the income statement** | | **212** | **(151)** |
| **Remeasurement gains/(losses) on defined benefit plans** | | **7** | **(67)** |
| **Share of other comprehensive income of equity-accounted investments** | | **(10)** | **(18)** |
| **Total of items that will not be reclassified ("recycled") subsequently to the income statement** | | **(3)** | **(86)** |
| Income taxes relating to items that may be reclassified ("recycled") subsequently to the income statement | | 5 | 15 |
| Income taxes relating to items that will not be reclassified ("recycled") subsequently to the income statement | | 2 | 2 |
| **Total income taxes relating to components of other comprehensive income** | 21 | **7** | **17** |
| **Other comprehensive income for the year, net of tax** | 21 | **216** | **(220)** |
| **Total comprehensive income for the year** | | **1,069** | **(403)** |
| thereof attributable to stockholders of the parent | | 716 | (611) |
| thereof attributable to hybrid capital owners | | 103 | 103 |
| thereof attributable to non-controlling interests | | 250 | 105 |

# Consolidated Statement of Financial Position as of December 31, 2017

## Assets

EUR mn

| | Note | 2017 | 2016 |
|---|---|---|---|
| Intangible assets | 13 | 2,648 | 1,713 |
| Property, plant and equipment | 14 | 13,654 | 14,613 |
| Equity-accounted investments | 15 | 2,913 | 2,860 |
| Other financial assets | 18 | 1,959 | 947 |
| Other assets | 19 | 55 | 70 |
| Deferred taxes | 25 | 744 | 839 |
| **Non-current assets** | | **21,972** | **21,042** |
| Inventories | 16 | 1,503 | 1,663 |
| Trade receivables | 17 | 2,503 | 2,459 |
| Other financial assets | 18 | 1,140 | 1,245 |
| Income tax receivables | | 15 | 32 |
| Other assets | 19 | 265 | 198 |
| Cash and cash equivalents | 26 | 3,972 | 2,069 |
| **Current assets** | | **9,398** | **7,666** |
| Assets held for sale | 20 | 206 | 3,405 |
| **Total assets** | | **31,576** | **32,112** |

## Equity and liabilities

EUR mn

| | Note | 2017 | 2016 |
|---|---|---|---|
| Share capital | | 327 | 327 |
| Hybrid capital | | 2,231 | 2,231 |
| Reserves | | 8,658 | 8,357 |
| **OMV equity of the parent** [1] | | **11,216** | **10,915** |
| Non-controlling interests | 22 | 3,118 | 3,010 |
| **Total equity** | 21 | **14,334** | **13,925** |
| Provisions for pensions and similar obligations | 23 | 1,003 | 1,057 |
| Bonds | 24 | 3,968 | 3,725 |
| Other interest-bearing debts | 24 | 823 | 1,012 |
| Provisions for decommissioning and restoration obligations | 23 | 3,070 | 3,320 |
| Other provisions | 23 | 497 | 553 |
| Other financial liabilities | 24 | 405 | 409 |
| Other liabilities | 24 | 148 | 155 |
| Deferred taxes | 25 | 437 | 122 |
| **Non-current liabilities** | | **10,352** | **10,354** |
| Trade payables | 24 | 3,262 | 3,731 |
| Bonds | 24 | 788 | 38 |
| Other interest-bearing debts | 24 | 114 | 222 |
| Income tax liabilities | | 140 | 212 |
| Decommissioning and restoration obligations | 23 | 110 | 92 |
| Other provisions | 23 | 349 | 435 |
| Other financial liabilities | 24 | 1,288 | 1,169 |
| Other liabilities | 24 | 775 | 828 |
| **Current liabilities** | | **6,826** | **6,727** |
| Liabilities associated with assets held for sale | 20 | 63 | 1,107 |
| **Total equity and liabilities** | | **31,576** | **32,112** |

[1] 2017 includes EUR 42 mn recognized in other comprehensive income and accumulated in equity related to Pakistan disposal group. 2016 includes EUR 148 mn recognized in other comprehensive income and accumulated in equity related to OMV (U.K.) Limited disposal group and EUR (1,127) mn related to OMV Petrol Ofisi disposal group

# Consolidated Statement of Changes in Equity for 2017

## Consolidated statement of changes in equity in 2017 [1]

EUR mn

| | Share capital | Capital reserves | Hybrid capital | Revenue reserves | Translation of foreign operations | Available-for-sale financial assets |
|---|---|---|---|---|---|---|
| **January 1, 2017** | **327** | **1,507** | **2,231** | **7,990** | **(1,251)** | **0** |
| Net income for the year | — | — | — | 537 | — | — |
| Other comprehensive income for the year | — | — | — | 8 | 413 | 0 |
| **Total comprehensive income for the year** | **—** | **—** | **—** | **545** | **413** | **0** |
| Dividend distribution and hybrid coupon | — | — | — | (529) | — | — |
| Disposal of treasury shares | — | 1 | — | — | — | — |
| Share-based payments | — | 9 | — | — | — | — |
| **December 31, 2017** | **327** | **1,517** | **2,231** | **8,006** | **(838)** | **0** |

## Consolidated statement of changes in equity in 2016 [1]

EUR mn

| | Share capital | Capital reserves | Hybrid capital | Revenue reserves | Translation of foreign operations | Available-for-sale financial assets |
|---|---|---|---|---|---|---|
| **January 1, 2016** | **327** | **1,500** | **2,231** | **8,613** | **(1,148)** | **0** |
| Net income for the year | — | — | — | (301) | — | — |
| Other comprehensive income for the year | — | — | — | (66) | (103) | 1 |
| **Total comprehensive income for the year** | **—** | **—** | **—** | **(366)** | **(103)** | **1** |
| Dividend distribution and hybrid coupon | — | — | — | (464) | — | — |
| Disposal of treasury shares | — | 1 | — | — | — | — |
| Share-based payments | — | 6 | — | 1 | — | — |
| Increase/(decrease) in non-controlling interests | — | — | — | 206 | — | — |
| **December 31, 2016** | **327** | **1,507** | **2,231** | **7,990** | **(1,251)** | **0** |

[1] See Note 21
[2] 2017 includes EUR 42 mn recognized in other comprehensive income and accumulated in equity related to Pakistan disposal group. 2016 includes EUR 148 mn recognized in other comprehensive income and accumulated in equity related to OMV (U.K.) Limited disposal group and EUR (1,127) mn related to OMV Petrol Ofisi disposal group

| Hedges | Share of other compr. income of equity-accounted investments | Treasury shares | OMV equity of the parent 2 | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|
| **(24)** | **144** | **(9)** | **10,915** | **3,010** | **13,925** |
| — | — | — | 537 | 315 | 853 |
| 32 | (171) | — | 282 | (66) | 216 |
| **32** | **(171)** | **—** | **819** | **250** | **1,069** |
| — | — | — | (529) | (141) | (670) |
| — | — | 1 | 2 | — | 2 |
| — | — | — | 9 | — | 9 |
| **8** | **(27)** | **(8)** | **11,216** | **3,118** | **14,334** |

| Hedges | Share of other compr. income of equity-accounted investments | Treasury shares | OMV equity of the parent 2 | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|
| **60** | **99** | **(10)** | **11,672** | **2,626** | **14,298** |
| — | — | — | (301) | 118 | (183) |
| (84) | 45 | — | (208) | (12) | (220) |
| **(84)** | **45** | **—** | **(508)** | **105** | **(403)** |
| **—** | **—** | **—** | **(464)** | **(2)** | **(466)** |
| — | — | 1 | 2 | — | 2 |
| — | — | — | 7 | — | 7 |
| | | | | | |
| — | — | — | 206 | 280 | 486 |
| **(24)** | **144** | **(9)** | **10,915** | **3,010** | **13,925** |

# Consolidated Statement of Cash Flows for 2017

## Consolidated statement of cash flows [1]

EUR mn

| | 2017 | 2016 |
|---|---|---|
| **Net income for the year** | **853** | **(183)** |
| Depreciation, amortization and impairments | 1,988 | 3,898 |
| Write-ups of fixed assets | (47) | (114) |
| Deferred taxes | 142 | (178) |
| Current taxes | 492 | 130 |
| Income taxes paid | (551) | (143) |
| Tax refunds | 23 | 88 |
| Losses/(gains) from disposal of non-current assets and businesses | 0 | (81) |
| Income from equity-accounted investments and other dividend income | (525) | (466) |
| Dividends received from equity-accounted investments and other companies | 384 | 217 |
| Interest expense | 126 | 119 |
| Interest paid | (149) | (168) |
| Interest income | (55) | (56) |
| Interest received | 33 | 26 |
| Increase/(decrease) in personnel provisions | (35) | (49) |
| Increase/(decrease) in long-term provisions | 45 | 23 |
| Other changes | 1,148 | (37) |
| | **3,871** | **3,026** |
| Decrease/(increase) in inventories | 70 | (110) |
| Decrease/(increase) in receivables | (51) | (840) |
| Increase/(decrease) in liabilities | (347) | 747 |
| Increase/(decrease) in short-term provisions | (96) | 54 |
| **Cash flow from operating activities** | **3,448** | **2,878** |
| **Investments** | | |
| Intangible assets and property, plant and equipment | (1,586) | (2,022) |
| Investments, loans and other financial assets | (366) | (66) |
| Acquisitions of subsidiaries and businesses net of cash acquired | (1,644) | (54) |
| **Disposals** | | |
| Proceeds from the sale of non-current assets | 72 | 331 |
| Proceeds from the sale of subsidiaries and businesses, net of cash disposed | 1,758 | 14 |
| **Cash flow from investing activities** | **(1,766)** | **(1,797)** |
| Increase in long-term borrowings | 1,001 | 242 |
| Repayments of long-term borrowings | (217) | (414) |
| Increase/(decrease) in short-term borrowings | (89) | 74 |
| Increase in non-controlling interest | — | 454 |
| Decrease in non-controlling interest | — | 36 |
| Dividends paid to OMV equity holders | (529) | (464) |
| Dividends paid to non-controlling interests | (140) | (2) |
| **Cash flow from financing activities** | **27** | **(74)** |
| Effect of foreign exchange rate changes on cash and cash equivalents | (42) | (42) |
| **Net increase/(decrease) in cash and cash equivalents** | **1,667** | **965** |
| Cash and cash equivalents at beginning of year | 2,314 | 1,348 |
| Cash and cash equivalents at end of year | 3,981 | 2,314 |
| Thereof cash disclosed within Assets held for sale | 9 | 245 |
| **Cash and cash equivalents presented in the consolidated statement of financial position** | **3,972** | **2,069** |

[1] See Note 26

# Notes: Accounting Principles and Policies

## 1 Legal principles and general accounting policies

**OMV Aktiengesellschaft** (registered in the Austrian Register of Companies with its office based at Trabrennstraße 6-8, 1020 Vienna, Austria), is an integrated, international oil and gas company with activities in Upstream and Downstream. **Upstream** engages in the business of oil and gas exploration, development and production and focuses on the regions CEE (Romania, Austria and Kazakhstan), North Sea, Middle East and Africa as well as Russia and selected development areas. **Downstream** operates the refineries in Schwechat (Austria), Burghausen (Germany) and Petrobrazi (Romania) and a filling station network in Central and Southeastern Europe. Downstream Gas engages in gas transit through and transport within Austria, as well as in gas storage, marketing and trading. The power business extends the gas value chain into gas-fired power plants.

These financial statements have been prepared and are in **compliance with International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with the supplementary accounting regulations pursuant to Sec. 245a, Para. 1 of the Austrian Commercial Code (UGB).** The financial year corresponds to the calendar year.

The consolidated financial statements are in general based on the historical cost principle, except for certain items that have been measured at fair value as described in Note 4 Accounting and valuation principles.

The consolidated financial statements for 2017 have been prepared in million EUR (EUR mn, EUR 1,000,000). Accordingly, there may be rounding differences.

The consolidated financial statements for 2017 were approved by the Supervisory Board on March 14, 2018.

## 2 Estimates and assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported for assets, liabilities, income and expenses, as well as the amounts disclosed in the Notes. Actual outcomes could differ from these estimates. Estimates and assumptions need to be made particularly with respect to oil and gas reserves, provisions for decommissioning and restoration costs, provisions for onerous contracts and the recoverability of intangible assets and property, plant and equipment and other financial assets, which mainly refer to the contractual position towards Gazprom with regard to the reserves redetermination of Yuzhno Russkoye field as well as contingent considerations from the divestment of the 30% stake in Rosebank and of OMV (U.K.) Limited (see Note 3 and Note 18 for further details).

Oil and gas production assets are depreciated using the units of production (UOP) method on the basis of total proved developed reserves or total proved reserves (see Note 4.3g). Reserves are estimated by the Group's own engineers. In addition, external reviews are performed every two years. An external review for the year 2017 will be performed in 2018 by DeGolyer and MacNaughton, with the results expected in the second half of the year.

Estimates of future restoration costs are also based on reports prepared by Group engineers and on past experience. Provisions for decommissioning and restoration costs require estimates of interest rates, which have material effects on the amounts of the provision. The real interest rates applied for calculating the provision for decommissioning and restoration costs are between 0.0% and 3.0% (2016: 0.0% and 3.0%). With regard to provisions for onerous contracts, the discount factor to be applied is an important estimate, in addition to the amount and timing of future cash flows.

The management is periodically assessing the receivable related to expenditure recoverable from the Romanian State. The assessment process is considering inter alia the history of amounts claimed, documentation process related requirements, potential litigation or arbitration proceedings (see Note 18).

The Group assesses each asset or cash generating unit (CGU) each reporting period to determine whether any indication of impairment exists (except for goodwill, which is assessed annually regardless of indicators). Where an indicator exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. These assessments require the use of different estimates and assumptions depending on the business such as oil and gas prices, discount rates, reserves, growth rates, gross margins and spark spreads. There is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

In the Upstream business segment each field is a CGU. If a group of two or more fields and related infrastructure facilities generate cash flows that are mutually interdependent ("area"), they are grouped into one CGU. The key valuation assumptions for the recoverable amounts of Upstream assets are the oil and natural gas prices, production volumes and the discount rates. The production profiles were estimated based on past experience and represent management's best estimate of future production. The cash flow projections for the first five years are based on the mid-term plan and thereafter on a "life of field" planning and therefore cover the whole life term of the field.

The nominal oil and gas price assumptions and the EUR-USD exchange rate are listed below:

**2017**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Brent oil price (USD/bbl) | 55 | 65 | 70 | 75 | 75 |
| CEGH gas price (EUR/MWh) | 18 | 19 | 20 | 20 | 20 |
| EUR-USD exchange rate | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 |
| Brent oil price (EUR/bbl) | 48 | 57 | 61 | 65 | 65 |

**2016**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Brent oil price (USD/bbl) | 55 | 65 | 70 | 75 | 75 |
| CEGH gas price (EUR/MWh) | 15 | 16 | 17 | 18 | 19 |
| EUR-USD exchange rate | 1.1 | 1.15 | 1.15 | 1.15 | 1.15 |
| Brent oil price (EUR/bbl) | 50 | 57 | 61 | 65 | 65 |

The long-term price assumptions from 2023 onwards are derived from USD 75 per barrel for Brent and EUR 20 per MWh for CEGH inflated for the remaining life of each asset. The assumptions used for oil and gas prices for short and medium term are based on management's best estimate and were consistent with external sources. The long-term assumptions were consistent with data provided by external studies and consider long-term views of global supply and demand.

In the Downstream Oil business, besides the discount rates, the recoverable amounts are mainly impacted by the indicator refinery margin and the utilization rate in the refineries and by the integrated margin and sales volumes in retail.

In the Downstream Gas business each power plant and each gas storage facility is considered as a separate CGU. Besides the discount rates, the main valuation assumptions for the calculation of the recoverable amounts are the spark spreads for the power plants and the summer/winter spreads for the gas storages.

Further information on the assumptions and estimates upon which these consolidated financial statements are based can be found in the explanations of the individual items (for business combinations see Note 3, for impairment tests see Notes 8 and 13 and for provisions see Note 23).

## 3 Consolidation

The consolidated financial statements comprise the financial statements of OMV Aktiengesellschaft and the entities it controls (its subsidiaries) as at December 31, 2017.

Control is achieved when OMV is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To have power over an investee, the investor must have existing rights that give it the current ability to direct the relevant activities of the investee.

There is a presumption that a majority of voting rights result in control. To support this presumption and when OMV has less than a majority of the voting or similar rights of an investee, OMV considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements as well as voting rights and potential voting rights. OMV reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when OMV obtains control over the subsidiary and ceases when OMV loses control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date OMV gained control until the date OMV ceased to control the subsidiary.

A list of subsidiaries, equity-accounted investments and other investments is included under Note 39 including consolidation method, Business Segment, place of business and interest held by OMV.

The financial statements of all consolidated companies have the statement of financial position date December 31, and are prepared in accordance with uniform group-wide accounting standards.

**Number of consolidated companies**

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Full consoli-dation | Share of assets and liabilities | Equity consoli-dation | Full consoli-dation | Share of assets and liabilities | Equity consoli-dation |
| **At the beginning of the year** | **101** | **1** | **12** | **104** | **1** | **11** |
| Included for the first time | 6 | — | 3 | 5 | — | 1 |
| Merged | (2) | — | — | (2) | — | — |
| Deconsolidated during the year | (7) | (1) | — | (6) | — | — |
| **At the end of the year** | **98** | **—** | **15** | **101** | **1** | **12** |
| [thereof domiciled and operating abroad] | [47] | [—] | [7] | [52] | [1] | [6] |
| [thereof domiciled in Austria and operating abroad] | [26] | [—] | [—] | [23] | [—] | [—] |

## Consolidated group

In **Upstream**, OMV (U.K.) Limited, based in London, has been deconsolidated on January 13, 2017, following the successful closing of the sales transaction.

OMV Russia Upstream GmbH, based in Vienna, was included starting from March 15, 2017.

OMV Tunisia Upstream GmbH, based in Vienna, was included starting from August 23, 2017.

OMV acquired interests in OJSC Severneftegazprom, based in Krasnoselkup, Russian Federation (24.99% interest, at-equity consolidated) and in JSC Gazprom YRGM Development, based in Salekhard, Russian Federation (99.99% economic interest, fully consolidated) as of November 30, 2017.

In **Downstream**, FE-Trading Deutschland GmbH, based in Berchtesgaden, was included starting from April 6, 2017.

OMV Trading GmbH was merged with OMV Gas Marketing & Trading GmbH, both based in Vienna, as of June 1, 2017.

Haramidere Depoculuk A.Ş., based in Istanbul, was included starting from June 2, 2017.

OMV Petrol Ofisi A.Ş., Petrol Ofisi Havacilik Operasyonlari A.Ş., OMV Petrol Ofisi Holding Anonim Şirketi, Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi and Erk Petrol Yatırımları A.Ş., all based in Istanbul, have been deconsolidated as of June 13, 2017, following the successful closing of the sales transaction.

OMV Gaz ve Enerji Holding Anonim Şirketi was merged with OMV Enerji Ticaret Anonim Şirketi, both based in Istanbul, as of September 7, 2017.

OMV Refining & Marketing Middle East & Asia GmbH, based in Vienna, was included starting from September 19, 2017.

On December 6, 2017 OMV acquired a 40% stake in SMATRICS GmbH & Co KG and E-Mobility Provider Austria GmbH, both based in Vienna, which are accounted for at-equity.

OMV Petrom Wind Power SRL, based in Bucharest, was deconsolidated as of December 28, 2017, following the successful closing of the sales transaction.

In **Corporate and Other**, Amical Insurance Limited, based in Douglas, was deconsolidated as of November 10, 2017, as a result of the liquidation process.

All entities included for the first time in 2017 were newly formed or existing, wholly owned subsidiaries, except if specifically described otherwise above.

## Business combinations

On November 30, 2017, OMV completed the acquisition of an interest in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The transaction provides OMV with access to a field on plateau production with stable long-term cash flow alongside low production costs. The establishment of Russia as a new core region marked an important milestone in OMV's successful strategy execution.

The purchase price paid by OMV to Uniper amounted to EUR 1,719 mn and included customary closing adjustments.

The interest in the natural gas field was obtained by acquiring a stake of 24.99% in OJSC Severneftegazprom (SNGP), which holds the production license to the Yuzhno Russkoye field. SNGP is accounted for using the equity method as an associated company in OMV Group Consolidated Financial Statements.

The marketing of OMV's share of the gas produced is being carried out through the distribution company JSC Gazprom YRGM Development (YRGM). OMV is entitled to 99.99% of the earnings of YRGM by means of a non-voting preference share. As the activities of YRGM are predetermined and OMV is fully exposed to the variability of returns due to its right to receive dividend payments, OMV controls YRGM in accordance with IFRS 10 and therefore the company is fully consolidated.

Furthermore, OMV acquired from Uniper SE a contractual position towards Gazprom with regard to the reserves redetermination. The volume of gas reserves in Yuzhno Russkoye field was contractually agreed between Uniper SE and Gazprom and, in case the reserves are higher or lower than what was assumed in the agreement, either OMV could be obligated to compensate Gazprom (but would profit in the future from higher sales volumes) or Gazprom could be obligated to compensate OMV. The reserves redetermination is linked to the actual amount of the gas reserves. The actual volume of gas reserves in Yuzhno Russkoye is expected to be agreed in 2023.

OMV decided that the redetermination right is accounted as an asset at fair value (Level 3) and reported within other financial assets position.

The fair value of the net assets acquired matched the purchase price paid and is further detailed in the following table. The fair value of the trade receivables matched their carrying amount, and all contractual cash flows are expected to be collected.

**Fair values acquired**

EUR mn

| | November 30, 2017 |
|---|---|
| Intangible assets | 1,106 |
| Equity-accounted investments | 117 |
| Other financial assets | 628 |
| **Non-current assets** | **1,851** |
| Trade receivables | 53 |
| Cash and cash equivalents | 75 |
| **Current assets** | **128** |
| **Total assets** | **1,979** |
| Trade payables | 39 |
| Deferred taxes | 221 |
| **Total liabilities** | **260** |
| **Net assets acquired** | **1,719** |

More details on the impact of the transaction on OMV Group's cash flow can be found in Note 26.

In 2017, SNGP and YRGM contributed EUR 56 mn to consolidated sales and EUR 16 mn to consolidated net income of OMV Group since their inclusion. If the acquisition had already taken place at the beginning of the year, the calculated value of the sales and net income contribution to the OMV Group would have been EUR 594 mn and EUR 122 mn, respectively.

### Changes in ownership of subsidiaries with gain/loss of control

On January 13, 2017 the sale of 100% of the shares of the wholly owned subsidiary OMV (U.K.) Limited to Siccar Point Energy Limited, Aberdeen, was closed. The gain on the disposal of the subsidiary amounted to EUR 137 mn and was recognized in the line "Other operating income." The gain is mainly attributable to the reclassification ("recycling") of FX gains from other comprehensive income to the income statement. As a result of the disposal, a receivable for the contingent consideration has been recognized, which represents the fair value of the expected consideration (Level 3). The amount of the contingent consideration and the related encashment timeline are dependent on the date when the Rosebank project coventurers approve the final investment decision (please see Note 18 for further details on the contingent consideration).

On June 13, 2017, the sale of all shares in OMV Petrol Ofisi A.Ş., Petrol Ofisi Havacilik Operasyonlari A.Ş., OMV Petrol Ofisi Holding Anonim Şirketi, Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi and Erk Petrol Yatırımları A.Ş. to VIP Turkey Enerji A.Ş., a subsidiary of Vitol Investment Partnership Ltd., was closed. The loss on the disposal of the subsidiaries and joint operation was recognized in the line "Other operating expenses" and amounted to EUR 1,209 mn. The loss is mainly related to the reclassification ("recycling") of FX losses from other comprehensive income to the income statement. As a result of the disposal, a deferred, unconditional consideration of EUR 20 mn has been recognized in other long-term financial assets.

On December 28, 2017, the sale of Petrom Wind Power SRL was closed, without having a material impact on the Group income statement.

More details on the impact of the transactions on OMV's cash flow can be found in Note 26.

## Joint arrangements

On December 6, 2017, OMV acquired a 40% stake in SMATRICS GmbH & Co. KG (SMATRICS) and in E-Mobility Provider Austria GmbH. SMATRICS is Austria's leading complete provider for all services related to electro mobility.

The arrangement is classified as joint arrangement based on the fact that two-thirds majority is required for significant decisions leading to joint control of OMV. As the parties of the arrangement have no rights to the assets and obligations for the liabilities relating to the arrangement, it was concluded that the joint arrangement is classified as a joint venture in line with IFRS 11 and is accounted for according to the equity method.

The consolidated financial statements also include OMV's share of the assets, obligations for liabilities, share of income and expenses of joint operations as defined by IFRS 11.

The table below includes a list of material joint operations:

### Material joint operations (IFRS 11)

| Name | Nature of activities | Operating segment | Principal place of business | **% ownership 2017** | % ownership 2016 |
|---|---|---|---|---|---|
| Nafoora - Augila [1] | Onshore development of hydrocarbon reservoirs | Upstream | Libya | 100 | 100 |
| Concession 103 [1] | Onshore development and production of hydrocarbons | Upstream | Libya | 100 | 100 |
| Latif [2] | Onshore development and production of hydrocarbons | Upstream | Pakistan | 33 | 33 |
| Mehar [2, 3] | Onshore development and production of hydrocarbons | Upstream | Pakistan | 59 | 59 |
| Neptun Deep | Offshore exploration for hydrocarbons | Upstream | Romania | 50 | 50 |
| Cherouq | Onshore development and production of hydrocarbons | Upstream | Tunisia | 50 | 50 |
| Nawara | Onshore development of hydrocarbons reservoirs | Upstream | Tunisia | 50 | 50 |
| Cambo [4] | Offshore exploration for hydrocarbons | Upstream | United Kingdom | — | 48 |
| Schiehallion [4] | Offshore development of hydrocarbon reservoirs | Upstream | United Kingdom | — | 12 |
| Block S(2) | Onshore development and production of hydrocarbons | Upstream | Yemen | 44 | 44 |
| Marmara [5] | Product terminal | Downstream | Turkey | — | 45 |

[1] The percentage disclosed represents the Second Party Share. The state owned Libyan national oil corporation NOC is entitled to of 88% to 90% of the production ("primary split")
[2] Part of the Pakistan disposal group
[3] OMV has no control over the Mehar joint operation as the minimum percentage for relevant decision taking is 76%
[4] Part of OMV (U.K.) Limited divestment
[5] Part of OMV Petrol Ofisi divestment

## Other significant arrangements

Significant joint exploration and production activities are conducted also through unincorporated arrangements that do not meet the definition of joint control according to IFRS 11. This is mainly because the required votes for control can be achieved by more than one combination of consenting votes of involved parties. Such agreements are accounted for by showing OMV's share of the assets, obligations for liabilities, share of income and expense.

### Other significant arrangements

| Name | Nature of activities | Operating segment | Principal place of business | % ownership 2017 | % ownership 2016 |
|---|---|---|---|---|---|
| NC 115 [1] | Onshore development and production of hydrocarbons | Upstream | Libya | 30 | 30 |
| NC 186 [1] | Onshore development and production of hydrocarbons | Upstream | Libya | 24 | 24 |
| Maari [2] | Offshore production of hydrocarbons | Upstream | New Zealand | 69 | 69 |
| Pohokura | Offshore production of hydrocarbons | Upstream | New Zealand | 26 | 26 |
| Aasta Hansteen | Offshore development of hydrocarbon reservoirs | Upstream | Norway | 15 | 15 |
| Edvard Grieg | Offshore production of hydrocarbons | Upstream | Norway | 20 | 20 |
| Gudrun | Offshore production of hydrocarbons | Upstream | Norway | 24 | 24 |
| Gullfaks | Offshore production of hydrocarbons | Upstream | Norway | 19 | 19 |
| Wisting | Offshore exploration for hydrocarbons | Upstream | Norway | 25 | 25 |
| Rosebank [3] | Offshore exploration for and development of hydrocarbon reservoirs | Upstream | United Kingdom | — | 20 |

[1] The percentage disclosed represents the Second Party Share. The state owned Libyan national oil corporation is entitled to 88% to 90% of the production ("primary split")
[2] OMV does not have control nor joint control over the Maari fields as there is more than one combination of parties which ensures the necessary majority (75%) for relevant decisions
[3] Part of OMV (U.K.) Limited divestment

For details on equity-accounted joint arrangements please refer to Note 15.

### Interests in unconsolidated structured entities

OMV is selling trade receivables in a securitization program to Carnuntum DAC, based in Dublin, Ireland. In 2017, OMV transferred trade receivables amounting in total to EUR 4,275 mn to Carnuntum DAC (2016: EUR 3,658 mn).

As at December 31, 2017, OMV held seller participation notes in Carnuntum DAC amounting to EUR 138 mn (2016: EUR 110 mn) shown in other financial assets. As of December 31, 2017, the maximum exposure to loss from the securitization transaction was EUR 120 mn (2016: EUR 123 mn).

The fair value of the seller participation notes corresponds to their book value. The seller participation notes are senior to a loss reserve and a third party investor participation. The risk retained by OMV Group is insignificant and therefore the trade receivables sold are derecognized in their entirety. The receivables are sold at their nominal amount less a discount. The discount was recognized in profit or loss and amounted in total to EUR 25 mn in 2017 (2016: EUR 23 mn). Interest income on the notes held in Carnuntum DAC amounted to EUR 3 mn in 2017 (2016: EUR 3 mn). In addition, OMV received a service fee for the debtor management services provided for the receivables sold.

OMV did not provide any financial support to Carnuntum DAC and does not intend to provide such support in the future.

## 4 Accounting and valuation principles

### 1) First-time adoption of revised standards

The accounting policies adopted are consistent with those of the previous financial year, except for the changes as described below.

The Group has adopted the following amended standards with a date of initial application of January 1, 2017:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendment to IFRS 12)

These amendments did not have a material impact on the consolidated financial statements of the Group. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities (see Note 26).

### 2) New structure of the consolidated income statement

The consolidated income statement has been restructured in line with industry best practice to comprehensively reflect the operations of the Group and to enhance transparency for the users of the financial statements.
The main changes to the income statement are:

**a) "Net income from equity-accounted investments" is now part of "Total revenues and other income"**

- Net income from equity-accounted investments was previously included within the net financial result.

- In the revised income statement, the net income from equity-accounted investments is included in "Total revenues and other income" and contributes to the "Operating Result". The "Operating Result" includes the former sub-total "Earnings Before Interest and Taxes" and the net result from equity-accounted investments. Thus, the "Operating Result" reflects now the operational result of OMV including contributions from associates and joint ventures.

**b) The line items "Purchases (net of inventory variation)", "Production and operating expenses" and "Production and similar taxes" are now shown separately**

- Previously, these items were mainly disclosed within the line "Cost of sales".

- Purchases (net of inventory variation): This line item includes the cost of goods and materials that are used for conversion into finished or intermediary products as well as goods purchased for reselling. This position also includes inventory changes and write-offs.

- Production and operating expenses: This line item contains all costs incurred when manufacturing a good or providing a service.

- Production and similar taxes: This line item contains production taxes, royalties and other taxes related to hydrocarbon production.

**c) "Selling, distribution and administrative expenses" are now combined and reported in one line item**

- These costs were previously disclosed as part of selling expenses and administrative expenses.

- The new selling, distribution and administrative expenses line item includes all costs directly related to marketing and selling of products and administrative costs.

**d) "Depreciation, amortization and impairment charges" are now disclosed as a separate line item**

- Previously, "Depreciation, amortization and impairment charges" were included in "Cost of sales", "Selling expenses", "Administrative expenses", "Exploration expenses" and "Other operating expenses" depending on the type of asset depreciated or impaired.

- Impairments related to exploration assets remain part of "Exploration expenses".

For comparative purposes, figures of the prior year have been adjusted according to the new structure.

### 3) New or revised standards and interpretations not yet mandatory

OMV has not applied the following new or revised IFRSs and interpretations that have been issued but are not yet effective. EU endorsement is still pending in some cases.

#### a) Estimated impact of the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on the consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at January 1, 2018 is based on the assessments undertaken to date and is not considered material. The actual impacts of adopting the standards at January 1, 2018 may still change until the Group presents its financial statements that include the date of initial application.

#### b) IFRS 9 Financial Instruments

In July 2014, the IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9 Financial Instruments. IFRS 9 introduces key changes to the classification and measurement of financial assets being based on a business model and contractual cash flows approach and implements a new impairment model based on expected credit losses. In addition, changes to hedge accounting have been made with the objective to better represent the effect of risk management activities that an entity adopts to manage exposures.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Currently, all trade receivables are measured at amortized cost less any impairment. Upon the application of IFRS 9, however, the portfolio of receivables eligible for factoring or the securitization program will be measured at FVTPL as they are held within a business model with an objective to sell them. Moreover, the trade receivables from arrangements with provisional pricing will also be measured at FVTPL as the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. The adjustment to revenue reserves due to the new classification under IFRS 9 is expected to be insignificant.

Available-for-sale financial assets, which include mainly investment funds and debt instruments, are recognized at fair value through OCI under IAS 39. Upon application of IFRS 9 the investment funds will be measured at FVTPL. Based on the Group's assessment debt instruments previously classified as available-for-sale financial assets, mainly consisting of bonds, are held within the business model with an objective to collect the contractual cash flows. Upon application of IFRS 9 they will be therefore measured at amortized cost with an adjustment to the accumulated OCI against their carrying amount. The effect of both changes in OMV Group's equity is expected to be immaterial.

IFRS 9 eliminates the exemption to measure unquoted equity instruments at cost rather than at fair value, in circumstances in which the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot reasonably be assessed. It only allows measurement at fair value and states indicators when the cost might not be a good representative of fair value. At December 31, 2017, the Group had unquoted equity investments measured at cost with a carrying amount of EUR 39 mn. Under IFRS 9, all equity investments will be designated as measured at fair value through OCI as they are held for long-term strategic purposes. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss and no gains or losses will be reclassified to the income statement on disposal. The related impact in OMV Group's equity is still being assessed and is expected to be between EUR 25 mn and EUR 40 mn.

There will be no impact on the Group's classification and measurement of financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. Financial assets measured at amortized cost and debt instruments that will be carried at FVOCI will be subject to the impairment provisions of IFRS 9. In general, the application of the expected credit loss model will result in earlier recognition of credit losses and increase the amount of loss allowance recognized for the relevant items. Impairment losses are calculated based on a three-stage model using the credit default swap, internal or external counterparty rating and the associated probability of default. For certain financial instruments such as trade receivables, impairment losses are assessed under a simplified approach recognizing lifetime expected credit losses. The related impact in OMV Group's equity upon initial application of IFRS 9 is expected to be approximately EUR (10) mn.

Under IFRS 9, generally more hedging instruments and hedged items will qualify for hedge accounting. Based on the current assessment, the Group's current hedging relationships will qualify as continuing hedges upon the adoption of IFRS 9.

Except for hedge accounting, IFRS 9 is to be applied retrospectively. As permitted by IFRS 9, OMV will not restate the figures of the comparative period. The retrospective impact of applying IFRS 9 will be accounted for through adjustments to the opening balances of the respective positions in equity as at January 1, 2018.

**c) IFRS 15 Revenue from Contracts with Customers**
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 replaces all existing revenue recognition requirements in IFRS and applies to all revenue arising from contracts with customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

A project has been carried out in order to determine the impact of this new standard on the revenue recognition in OMV Group. The main project steps were:

- Identifying and assessing the main revenue streams,
- Determining key areas of potential differences between old and new revenue recognition principles and
- Reviewing a sample of contracts for each revenue stream.

The following issues with an impact on the recognition and presentation of the consolidated revenues were identified:

- Additional transactions have been identified in which OMV acts in the capacity of an agent. An agent recognizes revenue for the commission or fee earned for facilitating the transfer of goods or services. Under IFRS 15, the assessment will be based on whether the Group controls the specific goods or services before transferring to the customer, rather than whether it has exposure to significant risks and rewards associated with the sale of the goods or services. Furthermore, under IFRS 15 more transactions have to be considered as non-monetary exchanges between entities in the same line of business which do not qualify for revenue recognition. These changes will lead to a decrease in revenue by approximately 1-2%, without any impact on the margin.
- Long-term supply contracts were analyzed with regards to the identification of the performance obligations, determination of the transaction price and the allocation of the transaction price to the performance obligations. In this analysis, a small number of contracts with stepped prices in different periods where the rates do not reflect the value of the goods at the time of delivery were identified. Whereas under IAS 18 the invoiced amount is recognized as revenue, under IFRS 15 the revenue will be recognized based on the average contractual price.

  The estimated impact on retained earnings at January 1, 2018 as a result of changes in accounting for these contracts is an increase of EUR 3 mn. The impact of these changes on other items in the consolidated statement of financial position is an increase in contract assets.
- There will be in the future two different categories of revenues – those which are within the scope of IFRS 15 and other revenues. Other revenues include mainly revenues from commodity sales/purchases transactions which are within the scope of IFRS 9 – Financial Instruments as well as the adjustment of revenues from considering the national oil company's profit share as income tax in certain production sharing agreements in the Upstream segment (see Note 4.4e).

In addition, the following conclusions have been drawn in the project:

- The Group applies the sales method for the accounting for over-/underlifts in the Upstream business. Under the sales method, revenue is recognized based on the actual sales to third parties, regardless of the Group's percentage interest or entitlement. This method is generally considered to be in line with IFRS 15 and consequently no impact from IFRS 15 is expected on the accounting for over-/underlifts.
- For customer loyalty programs operated by the Group, revenue is currently allocated between the loyalty program and the products transferred using the residual value method. According to this method, consideration is allocated to the award credits granted based on their fair value and the remainder of the consideration is allocated to the products sold. Under IFRS 15, consideration has to be allocated between the award credits granted and the products sold based on their relative stand-alone selling prices. The Group does not expect the application of IFRS 15 to result in a significant impact on the allocation of revenue between the award credits and products sold.
- In some customer contracts for the delivery of natural gas, the fees charged to the customer comprise a fixed charge as well as a variable fee depending on the volumes delivered. There was only one performance obligation identified in these contracts which is to stand-ready for the delivery of gas over a certain period. According to IFRS 15, the revenue from the fixed charges and the variable fees will be recognized in line with the amount chargeable to the customer. As a consequence, IFRS 15 will not have any impact on the accounting for these contracts.

The Group will adopt the new standard on January 1, 2018 using the modified retrospective method, with the cumulated adjustment from initially applying this standard recognized at January 1, 2018. As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

**d) IFRS 16 Leases**

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard IAS 17 and several interpretations and sets out new rules for lease accounting. For the lessee's accounting, IFRS 16 will eliminate the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, will introduce a single lessee accounting model. Applying that model, a lessee will be required to recognize assets and liabilities for most leases and depreciation of lease assets separately from interest on lease liabilities in the income statement. For lessors, there will only be minor changes compared to IAS 17.

The Group has started an assessment of the potential impact of IFRS 16 on its consolidated financial statements and a project for implementation of the new requirements. The most significant impact identified is that the Group will recognize new assets and liabilities for most of its operating leases (see Note 14). In the income statement, depreciation charges and interest expense will be reported instead of lease expense. Some commitments will be covered by the exceptions for short-term and low-value leases. There is no significant impact expected on the existing finance leases.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. OMV plans to apply IFRS 16 initially on January 1, 2019 using the modified retrospective approach for transition.

### e) Other new or revised standards and interpretations not yet mandatory

In addition, the following standards, interpretations and amendments were issued which are not expected to have any material effects on the Group's financial statements:

| Standards, interpretations and amendments | IASB effective date |
|---|---|
| Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions | January 1, 2018 |
| Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | January 1, 2018 |
| Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IAS 28 and IFRS 1) | January 1, 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | January 1, 2018 |
| Amendments to IAS 40 Transfers of Investment Property | January 1, 2018 |
| Amendments to IFRS 9 Prepayment Features with Negative Compensation | January 1, 2019 |
| Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures | January 1, 2019 |
| Annual Improvements to IFRS Standards 2015-2017 Cycle | January 1, 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatment | January 1, 2019 |
| IFRS 17 Insurance Contracts | January 1, 2021 |

## 4) Summary of accounting and valuation principles

### a) Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities of subsidiaries acquired are included at their fair value at the time of acquisition. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration classified as financial asset or liability is subsequently measured at fair value with the changes in fair value recognized in profit or loss.

Goodwill is calculated as the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interest and the fair value of the equity previously held by OMV in the acquired entity over the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as an asset and tested for impairment at least yearly. Impairments are recorded immediately through profit or loss, subsequent write-ups are not possible. Any gain on a bargain purchase is recognized in profit or loss immediately.

**b) Revenue recognition**
In general, revenues are realized when goods or services are supplied to and acknowledged by the customer, the amount receivable is fixed or can be determined, and collection is probable. Specifically, revenues are recognized in the Upstream segment when products are delivered and risks as well as rewards of ownership have passed to the customer.

In the gas business, sales under long-term contracts are recognized on delivery. Additional gas volumes supplied under these contracts are recognized when accepted by the customer. Gas storage revenues are recognized on the basis of committed storage volumes and withdrawal rates; similarly, gas transport revenues are recognized on the basis of committed volumes. Revenue from the delivery of electricity is realized at the performance date.

In the retail business, revenues from the Group's own filling stations are recognized when products are supplied to the customers. In the case of non-Group filling stations, revenues are recognized when products are delivered to the stations. Award credits, related to customer loyalty programs operated within the Downstream Oil business, are recognized as a separate component of the sales transaction in which they are granted. Consideration received is allocated between the products sold and the award credits issued in the form of points. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Where forward sales and purchase contracts for commodities are determined to be for trading purposes and not for the final physical delivery, the associated sales and purchases are reported net within sales revenues.

**c) Exploration expenses**
Exploration expenses relate exclusively to Upstream and comprise the costs associated with unproved reserves. These include geological and geophysical costs for the identification and investigation of areas with possible oil and gas reserves and administrative, legal and consulting costs in connection with exploration. They also include all impairments on exploration wells where no proved reserves could be demonstrated. Depreciation of economically successful exploration wells is reported as depreciation, amortization and impairment charges.

**d) Research and development**
Expenditure related to research activities is recognized as expense in the period in which it is incurred. Research and development (R&D) expenses, which are presented in the income statement within other operating expenses, include all direct and indirect materials, personnel and external services costs incurred in connection with the focused search for new development techniques and significant improvements in products, services and processes and in connection with research activities. Development costs are capitalized if the recognition criteria according to IAS 38 are fulfilled.

R&D grants received from third parties are shown in other operating income. Government grants provided for projects or services are generally deducted from the cost of the assets. For grants received from customers, income is recognized over the service period in case of a future service obligation; without a service obligation the entire income is recognized immediately.

**e) Exploration and production sharing agreements**
Exploration and production sharing agreements (EPSAs) are contracts for oil and gas licenses in which production is shared between one or more oil companies and the host country/national oil company in defined proportions. Exploration expenditures are carried by the oil companies as a rule and recovered from the state or the national oil company through so called "cost oil" in a successful case only. Under certain EPSA contracts the host country's/national oil company's profit share represents imposed income taxes and is treated as such for purposes of the income statement presentation.

**f) Intangible assets and property, plant and equipment**
Intangible assets and property, plant and equipment are recognized at costs of acquisition or construction (where and to the extent applicable) net of accumulated depreciation, amortization and impairment losses. Such cost includes directly attributable costs of major inspections and general overhauls which are capitalized in the year in which they are incurred, and thereafter depreciated on a straight-line basis over the period until the next inspection/overhaul. The costs for replacements of components are capitalized and carrying values of the replaced parts are derecognized. Costs relating to minor maintenance and repairs are treated as expenses in the year in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite useful lives and goodwill are not subject to amortization, but must be tested for impairment at least annually. Intangible assets with finite useful lives (except exploration licenses, see Note 4.4g) and depreciable property, plant and equipment are amortized or depreciated over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired.

Depreciation and amortization is calculated on a straight-line basis, except for upstream activities, where depletion occurs to a large extent on a unit-of-production basis. In the consolidated income statement, depreciation and amortization as well as impairment losses for all tangible and intangible assets are disclosed as depreciation, amortization and impairment charges, except for impairment losses for exploration assets which are presented as exploration expenses.

| Useful life | | Years |
|---|---|---|
| **Intangible assets** | | |
| Goodwill | | Indefinite |
| Software | | 3–5 |
| Concessions, licenses, contract-related intangible assets etc. | | 5–20, contract duration or unit-of production method |
| **Business-specific property, plant and equipment** | | |
| Upstream | Oil and gas wells | Unit-of-production method |
| Downstream Gas | Gas pipelines | 30 |
| | Gas power plants | 8–30 |
| Downstream Oil | Storage tanks | 40 |
| | Refinery facilities | 25 |
| | Pipeline systems | 20 |
| | Filling stations | 5–20 |
| **Other property, plant and equipment** | | |
| Production and office buildings | | 20–50 |
| Other technical plant and equipment | | 10–20 |
| Fixtures and fittings | | 4–10 |

### g) Oil and gas assets

Upstream activities are recorded using the successful efforts method. The acquisition costs of geological and geophysical studies before the discovery of proved reserves form part of expenses for the period. The costs of wells are capitalized and reported as intangible assets until the existence or absence of potentially commercially viable oil or gas reserves is determined. Wells which are not commercially viable are expensed. The costs of exploration wells whose commercial viability has not yet been determined continue to be capitalized as long as the following conditions are satisfied:

- Sufficient oil and gas reserves have been discovered that would justify completion as a production well
- Sufficient progress is being made in assessing the economic and technical feasibility to justify beginning field development in the near future

Exploratory wells in progress at period end which are determined to be unsuccessful subsequent to the statement of financial position date are treated as non-adjusting events, meaning that the costs incurred for such exploratory wells remain capitalized in the financial statements of the reporting period under review and will be expensed in the subsequent period. Information on such non-adjusting subsequent events after the statement of financial position date is disclosed in Note 38.

License acquisition costs and capitalized exploration and appraisal activities are generally not amortized as long as they are related to unproved reserves, but tested for impairment. Once the reserves are proved and commercial viability is established, the related assets are reclassified into tangible assets. Development expenditure on the construction, installation or completion of infrastructure facilities such as platforms and pipelines and drilling development wells is capitalized within tangible assets. Once production starts, depreciation commences. Capitalized exploration and development costs and support equipment are generally depleted based on proved developed reserves by applying the unit-of-production method; only capitalized exploration rights and acquired reserves are amortized on the basis of total proved reserves.

**h) Impairment of non-financial assets**

In accordance with IAS 36, the Group assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case the impairment test is done on the level of the cash generating unit. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset has to be considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The pre-tax discount rate is determined by way of iteration. The cash flows are generally derived from the recent budgets and planning calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the reasons for impairment no longer apply in a subsequent period, a reversal is to be recognized in profit or loss. The increased carrying amount related to the reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization, depreciation or depletion) had no impairment loss been recognized in prior years.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

**i) Assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts are to be realized by sale rather than through continued use. This is the case when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are no longer depreciated.

**j) Leases**
The Group holds a number of assets for its various activities under lease contracts. These leases are analyzed based on the situations and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases. A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not meet the definition of a finance lease are classified as operating leases.

Finance leases are capitalized at the lower of the present value of the minimum lease payments or fair value and then depreciated over their expected useful lives or the duration of the lease, if shorter. A liability equivalent to the capitalized amount is recognized, and future lease payments are split into the finance charge and the capital repayment element.

In the case of operating leases, lease payments are recognized on a straight-line basis over the lease term.

Lease contracts are distinguished from service contracts, which do not convey the right to use a specific asset. OMV has entered into long-term contracts for storage capacities, pipeline and other transportation capacities, and contracts for processing, producing or modifying goods. Such capacity contracts are not considered leases if they do not involve specified single assets or do not convey the right to control the use of the assets. Payments for such contracts are expensed in the period for which the capacities are contractually available to OMV.

**k) Associated companies and joint arrangements**
Associated companies are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. Joint arrangements, which are arrangements of which the Group has joint control together with one or more parties, are classified into joint ventures and joint operations. Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement. Joint operations are joint arrangements in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Investments in associated companies or joint ventures are accounted for using the equity method, under which the investment is initially recognized at cost and subsequently adjusted for the Group's share of the profit or loss less dividends received and the Group's share of other comprehensive income and other movements in equity.

At each statement of financial position date, investments in associates and joint ventures are reviewed for any objective evidence of impairment. If there is such evidence, the amount of impairment is calculated as the difference between the recoverable amount of the associate or joint venture and its carrying amount and recognized in profit and loss.

For joint operations, which exist in the Upstream segment, the Group's share of all assets, liabilities, income and expenses is included in the consolidated financial statements. Acquisitions of interests in a joint operation, in which the activity of the joint operation constitutes a business, are accounted for according to the relevant IFRS 3 principles for business combination accounting (see Note 4.4a).

**l) Non-derivative financial assets**
At initial recognition OMV classifies its financial assets into the following three categories: Financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset. All regular way trades are recognized and derecognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Securities are classified as **at fair value through profit or loss** when they are either held for trading or if they are designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

**Loans** and **receivables** are measured at amortized cost less any impairment. Whether loans and receivables are impaired is assessed individually for financial assets that are individually significant and collectively for financial assets that are not individually significant.

**Available-for-sale financial assets**, which include mainly investment funds and debt instruments, are recognized at fair value. The fair value of these instruments is the published exchange price as these instruments were traded on active markets as of statement of financial position date.

Unrealized gains and losses are disclosed separately in other comprehensive income net of any attributable tax effects. If there is objective evidence of impairment, write-downs including amounts previously recognized in other comprehensive income, are recognized in profit and loss. If the reason for the recognition of an impairment loss subsequently ceases to exist, the amount of the reversal up to amortized costs is included either as income in the case of debt instruments, or is taken to equity in the case of equity instruments.

**Investments in unconsolidated subsidiaries** and **other companies**, whose fair value cannot be reliably estimated due to situations in which the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot reasonably be assessed, are measured at acquisition cost less any impairment losses.

At every statement of financial position date, the carrying amounts of financial assets not classified as at fair value through profit or loss are reviewed for objective evidence of impairment. Evidence of impairment may include for example indications that the debtor or issuer is experiencing significant financial difficulty, default or delinquency in payments, the probability that the debtor or issuer will enter bankruptcy or a considerable detrimental change in the debtor's or issuer's technological, economical, legal environment and/or market environment. In the case of equity instruments classified as available for sale, objective evidence would include significant or prolonged decrease in fair value below cost. Any impairment is recognized in profit or loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### m) Derivative financial instruments

Derivative instruments are used to hedge risks resulting from changes in currency exchange rates and commodity prices. Derivative instruments are recognized at fair value, which reflects the estimated prices that OMV would pay or receive if the positions were transferred at statement of financial position date. Quotations from respective exchanges, banks or appropriate pricing models have been used to estimate the fair value of these instruments at statement of financial position date. Price calculation in these models is based on forward prices of the underlying, foreign exchange rates, counterparty credit risk as well as volatility indicators as of statement of financial position date. Unrealized gains and losses are recognized as income or expense, except where hedge accounting is applied.

Those derivatives qualifying and designated as hedges are either (i) a fair value hedge when hedging exposure to changes in the fair value of a recognized asset or liability or (ii) a cash flow hedge when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

For cash flow hedges, the effective part of the changes in fair value is recognized in other comprehensive income, while the ineffective part is recognized immediately in the income statement. Where the hedging of cash flows results in an asset or liability, the amounts that have previously been recognized in other comprehensive income are reclassified into profit and loss in the period in which the hedged position affects earnings.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, are accounted for as financial instruments. However, contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are not accounted for as derivative financial instruments, but rather as executory contracts. However, even though such contracts are not financial instruments, they may contain embedded derivatives. Embedded derivatives are accounted for separately from the host contract when the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

Currently embedded derivatives exist mainly within long-term gas contracts, amongst others. These embedded derivatives are regarded as clearly and closely related to the host gas contracts because for the time being no active market for such volumes exists. Consequently these instruments are not separated from their host contracts.

### n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets are capitalized until these assets are substantially ready for their intended use or sale. All other costs of borrowing are expensed in the period in which they are incurred.

### o) Government grants

Government grants – except for emission rights (see Note 4.4r) – are recognized as income or deducted from the related asset where it is reasonable to expect that the granting conditions will be met and that the grants will be received.

### p) Inventories

Inventories are recognized at the lower of cost and net realizable value using the average price method for acquisition or production or the individual costs for not interchangeable goods respectively. Costs of production comprise directly attributable costs as well as fixed and variable indirect material and production overhead costs. Production-related administrative costs, the costs of company pension schemes and voluntary employee benefits are also included. In refineries, a carrying capacity approach is applied according to which the production costs are allocated to product groups on the basis of their relative market values at the end of the period.

A special accounting treatment is applied to inventories held according to compulsory stock obligations in Austria. The additional quantities in crude oil and products held under the Austrian Oil Stockholding Act (2013) are valued using a long-term weighted average price method, applied on the basis of oil equivalents. Quantities exceeding the compulsory stocks are valued at the lower of current production or acquisition costs and the net realizable value.

### q) Cash and cash equivalents

Cash and cash equivalents include cash balances, bank accounts and highly liquid short-term investments with low realization risk, i.e. negligible short-term exchange and interest risks. The maximum maturity at the time of acquisition for such investments is three months.

### r) Provisions

A provision is recorded when it is probable that an obligation will be settled and the settlement amount can be estimated reliably. Provisions for individual obligations are based on the best estimate of the amount necessary to settle the obligation, discounted to the present value in the case of long-term obligations.

**Decommissioning and environmental obligations:** The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities. These decommissioning and restoration obligations are principally of material importance in the Upstream segment (oil and gas wells, surface facilities) and in connection with filling stations on third-party property. At the time the obligation arises, it is provided for in full by recognizing the present value of future decommissioning and restoration expenses as a liability. An equivalent amount is capitalized as part of the carrying amount of long-lived assets. Any such obligation is calculated on the basis of best estimates. The capitalized asset is depreciated on a straight-line basis in Downstream and using the unit-of-production method in Upstream. The unwinding of discounting leads to interest expense and accordingly to increased obligations at each statement of financial position date until decommissioning or restoration. For other environmental risks and measures, provisions are recognized if such obligations are probable and the amount of the obligation can be estimated reliably.

**Pensions and similar obligations:** OMV has both defined contribution and defined benefit pension plans. In the case of defined contribution plans, OMV has no obligations beyond payment of the agreed premiums, and no provision is therefore recognized. In contrast, participants in defined benefit plans are entitled to pensions at certain levels. The risks associated with these defined benefit pension plans remain with OMV. Defined benefit pension obligations are accounted for by recognizing provisions for pensions.

Provisions for pensions, severance payments and jubilee payments are calculated using the projected unit credit method, which divides the costs of the estimated benefit entitlements over the whole period of employment and thus takes future increases in remuneration into account. Actuarial gains and losses for defined benefit pension and severance payment obligations are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are not reclassified to profit or loss in subsequent periods. Actuarial gains and losses on obligations for jubilee payments are recognized in profit or loss. Net interest expense is calculated on the basis of the net defined benefit obligation and disclosed as part of the financial result. Differences between the return on plan assets and interest income on plan assets included in the net interest expense is recognized in other comprehensive income.

Provisions for voluntary and mandatory separations under restructuring programs are recognized if a detailed plan has been approved by management and communicated to those affected prior to the statement of financial position date and an irrevocable commitment is thereby established. Voluntary modifications to employees' remuneration arrangements are recognized on the basis of the expected number of employees accepting the employing company's offer. Provisions for obligations related to individual separation agreements which lead to fixed payments over a defined period of time are recognized at the present value of the obligation.

**Emission allowances** received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce financial obligations related to $CO_2$ emissions; provisions are recognized only for shortfalls (see Note 23).

### s) Non-derivative financial liabilities

Liabilities are carried at amortized cost, with the exception of derivative financial instruments, which are recognized at fair value. Long-term liabilities are discounted using the effective interest rate method.

**t) Taxes on income including deferred taxes**

In addition to corporate income taxes and trade earnings taxes, typical upstream taxes from oil and gas production like the country's/national oil company's profit share for certain EPSAs (see Note 4.4e) are disclosed as income taxes.

Deferred taxes are recognized for temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Tax losses carried forward are taken into account in calculating deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Where a deferred tax asset or liability arises on a business combination, that deferred tax asset or liability is calculated at the date of acquisition and affects goodwill.

Deferred tax is not recognized for

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities at Group level are shown net where there is a right of set-off and the taxes relate to matters subject to the same tax jurisdiction.

**u) Long Term Incentive (LTI) plans and OMV Share Part of Annual Bonus**

Starting with 2009, LTI plans were introduced for the Executive Board, selected senior executives and selected employees with outstanding development potential. In 2013, a Matching Share Plan (renamed to OMV Share Part of Annual Bonus in 2017) has been introduced for the Executive Board. At each vesting date bonus shares, respectively bonuses will be granted to the participants; disbursement is made in cash or shares.

Fair values are determined using models which are based on the expected target achievements and the expected share prices. For cash-settled awards, provisions based on applicable fair values are built up over the vesting period, so that by the end of the vesting period the fair value of the bonus share to be granted is fully provided for. For equity-settled awards, a corresponding entry in equity is recognized for the movement in cumulative expense. For more details on the plans see Note 32.

## 5 Foreign currency translation

Monetary foreign currency balances are measured at closing rates, and exchange gains and losses accrued at statement of financial position date are recognized in the income statement.

The financial statements of Group companies with functional currencies different from the Group's presentation currency are translated using the closing rate method. Differences arising from statement of financial position items translated at closing rates are disclosed in other comprehensive income. Income statement items are translated at average rates for the period (mean rates). The use of average rates for the income statement creates additional differences compared to the application of the closing rates in the statement of financial position which are directly adjusted in other comprehensive income.

The main rates applied in translating currencies to EUR were as follows:

**Foreign currency translation**

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Statement of financial position date | Average | Statement of financial position date | Average |
| Australian dollar (AUD) | 1.535 | 1.473 | 1.460 | 1.488 |
| Bulgarian lev (BGN) | 1.956 | 1.956 | 1.956 | 1.956 |
| Czech crown (CZK) | 25.535 | 26.326 | 27.021 | 27.034 |
| Hungarian forint (HUF) | 310.330 | 309.193 | 309.830 | 311.438 |
| New Zealand dollar (NZD) | 1.685 | 1.590 | 1.516 | 1.589 |
| Norwegian krone (NOK) | 9.840 | 9.327 | 9.086 | 9.291 |
| Romanian leu (RON) | 4.659 | 4.569 | 4.539 | 4.490 |
| Russian ruble (RUB) | 69.392 | 65.938 | 64.300 | 74.145 |
| Turkish lira (TRY) | 4.546 | 4.121 | 3.707 | 3.343 |
| US dollar (USD) | 1.199 | 1.130 | 1.054 | 1.107 |

# Notes to the Income Statement

## 6 Other operating income and net income from equity-accounted investments

**Other operating income and net income from equity-accounted investments**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| **Other operating income** | **488** | **646** |
| [thereof gains on the disposal of non-current assets not including financial assets] | [15] | [131] |
| [thereof write-up of non-current assets not including financial assets] | [47] | [114] |
| [thereof exchange gains from operating activities] | [88] | [123] |
| | | |
| **Net income from equity-accounted investments** | **510** | **425** |
| [thereof income from equity-accounted investments] | [512] | [425] |
| [thereof expenses from equity-accounted investments] | [(3)] | [(1)] |

Besides the categories described above, **other operating income** in 2017 included gains of EUR 137 mn related to the disposal of OMV (U.K.) Limited, which is mainly attributable to the reclassification ("recycling") of FX gains from other comprehensive income to the income statement as well as insurance income related to a damage claim in Brazi power plant in the amount of EUR 35 mn. Write-ups of non-current assets not including financial assets were mainly related to the Pakistan cash generating units with EUR 26 mn following the signing of a sales agreement for the two Pakistani subsidiaries and the reclassification to assets held for sale.

In 2016, other operating income included mainly a write-up of EUR 113 mn related to the reclassification of Ashtart field in Tunisia to "held for sale" and a gain of EUR 87 mn in OMV Petrol Ofisi A.Ş. from the sale of Aliağa Terminal.

The increase in **net income from equity-accounted investments** compared to 2016 was mainly related to Pearl Petroleum Company Limited, following the reach of a settlement over a dispute concerning certain matters under the Heads of Agreement at the Khor Mor and Chemchemal fields. The net result 2017 was thereby positively impacted by EUR 90 mn.

## 7 Personnel expenses

The positions of the income statement contain the following **personnel expenses**:

**Personnel expenses**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Wages and salaries | 754 | 792 |
| Costs of defined benefit plans | 12 | 8 |
| Costs of defined contribution plans | 25 | 28 |
| Net expenses for personnel reduction schemes | 16 | 48 |
| Other employee benefits | 140 | 118 |
| Taxes and social contribution | 169 | 174 |
| **Total** | **1,116** | **1,169** |

The total expenses for pensions included in the costs of defined benefit plans, costs of defined contribution plans and net expenses for personnel reduction schemes amounted to EUR 37 mn (2016: EUR 48 mn).

## 8 Depreciation, amortization and impairment charges

Impairment losses are part of the income statement line “Depreciation, amortization and impairment charges”, except for impairment losses related to exploration and appraisal assets which are shown in “Exploration expenses”. The following tables provide a reconciliation to the amounts reported in the income statement.

**Depreciation, amortization and impairment losses (excluding exploration and appraisal)**

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Depreciation and amortization | 1,761 | 2,057 |
| Impairment losses (excl. exploration and appraisal) | 90 | 1,178 |
| **Total** | **1,852** | **3,235** |

**Total impairments (including exploration and appraisal)**

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Impairment losses (excl. exploration and appraisal) | 90 | 1,178 |
| Impairment losses (exploration and appraisal) | 135 | 658 |
| **Total** | **226** | **1,836** |

### Impairments in Upstream

Total impairments in the Upstream segment were mainly related to unsuccessful exploration wells in Romania, United Arab Emirates, Bulgaria and Norway (EUR 116 mn) as well as to unsuccessful workovers and obsolete or replaced assets in Romania (EUR 63 mn).

In 2016, the 30% stake in the exploration and appraisal asset Rosebank (United Kingdom) was reclassified to “held for sale” triggering a pre-tax impairment of EUR 326 mn recognized in exploration expenses.

The divestment of a 30% stake in Rosebank triggered a reassessment of the retained 20% interest, which led to a pre-tax impairment of EUR 217 mn impacting exploration expenses.

The net assets of OMV (U.K.) Limited were reclassified to “held for sale” as of September 30, 2016, followed by a pre-tax impairment amounting to EUR 493 mn.

Furthermore, due to a downward revision of the reserves, a pre-tax impairment loss of EUR 55 mn was incurred on gas fields in Pakistan.

Other impairments in 2016 were mainly related to unsuccessful exploration wells and write-offs of exploration licenses in North Sea, Romania and Madagascar (EUR 90 mn), and to unsuccessful workovers and obsolete or replaced assets in Romania (EUR 73 mn).

### Impairments in Downstream

In 2017, there were no significant impairments in the Downstream Business Segment.

In 2016, a decrease in the expected long-term spark spreads in Turkey led to an impairment amounting to EUR 101 mn of the power plant. Furthermore, due to worsened economic surroundings for the gas storage business a EUR 73 mn impairment of Etzel gas storage in Germany was recognized.

The divestment process of OMV Petrol Ofisi Group led to the reclassification to “held for sale” of the net assets as of December 31, 2016, triggering a pre-tax impairment amounting to EUR 334 mn.

## 9 Other operating expenses

**Other operating expenses**

EUR mn

| | 2017 | 2016 |
|---|---|---|
| **Other operating expenses** | **1,491** | **344** |
| [thereof expenses on disposals of non-current assets not including financial assets] | [19] | [32] |
| [thereof exchange losses from operating activities] | [105] | [135] |
| [thereof personnel reduction schemes] | [16] | [48] |
| [thereof research and development expenses] | [33] | [28] |

Besides the categories described above, **other operating expenses** in 2017 contained a loss on the divestment of OMV Petrol Ofisi disposal group in amount of EUR 1,209 mn, which is mainly related to the reclassification (“recycling”) of FX losses from other comprehensive income to the income statement. They also included a fair value adjustment in amount of EUR 36 mn for the contingent considerations from the divestments of the 30% stake in Rosebank and of OMV (U.K.) Limited, which are dependent on the date when the Rosebank project coventurers will approve the final investment decision. For further details see Note 18. Moreover, other operating expenses included a positive impact of OMV Petrom SA from the partial reversal of provision related to litigations with employees, following the outcome of court decisions.

In 2016, other operating expenses included a valuation allowance for other financial assets considering the uncertainty regarding the expenditure recoverable from Romanian state.

## 10 Net financial result

**Interest income**

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Interest income from loans, receivables and cash deposits | 51 | 27 |
| Interest income on discounted receivables | 10 | 9 |
| Other interest income | 4 | 29 |
| **Interest income** | **64** | **66** |

**Interest income from loans, receivables and cash deposits** included EUR 20 mn (2016: EUR nil) related to Nord Stream 2 financing agreement. For further details see Note 18.

**Other interest income** in 2016 was mainly related to the positive outcome of a litigation dispute in OMV Petrom SA.

**Interest expenses**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Interest expenses on financial liabilities measured at amortized cost | 124 | 119 |
| Interest expenses component of provisions | 133 | 134 |
| Interest expenses non-financial liabilities | 8 | 7 |
| **Interest expenses** | **265** | **261** |

The **interest expenses component of provisions** contained accrued interest on pension provisions and severance of EUR 15 mn (2016: EUR 20 mn) and interest accrued on provisions for jubilee payments, personnel reduction plans and other employee benefits of EUR 3 mn (2016: EUR 3 mn). The interest expenses on pension provisions were netted against interest income on pension plan assets amounting to EUR 7 mn (2016: EUR 11 mn).

The position also contained the interest component on the provision for decommissioning and restoration obligations in an amount of EUR 73 mn (2016: EUR 78 mn). For OMV Petrom SA the unwinding expenses for decommissioning provision are included net of the unwinding income for related State receivables. For further details see Note 18.

In 2017, interest on borrowings amounting to EUR 26 mn (2016: EUR 40 mn) was capitalized, using an average interest rate of 2.6% (2016: 2.6%) applied to the carrying value of qualifying assets and was mainly related to oil and gas development assets in Norway. The decrease compared to last year was mainly related to the divestment of OMV (U.K.) Limited.

**Other financial income and expense**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Net foreign exchange gain/ (loss) | (26) | 3 |
| Financing charges for factoring and securitization | (27) | (26) |
| Other | (8) | (22) |
| **Other financial income and expense** | **(60)** | **(44)** |

The position **Other** was mainly related to bank charges amounting to EUR 12 mn (2016: EUR 11 mn), partly offset by proceeds from liquidation of NABUCCO Gas Pipeline International GmbH which amounted to EUR 4 mn (2016: EUR nil). In 2016 the position Other was also impacted by impairments of financial assets with EUR 5 mn.

## 11 Taxes on income

In 2017, total tax expenses recognized in the income statement amounted to EUR 634 mn (2016: income of EUR 47 mn), thereof EUR 492 mn current tax expenses (2016: EUR 130 mn) and EUR 142 mn deferred tax expenses (2016: income of EUR 178 mn). Current tax expenses included tax income related to previous years of EUR 26 mn (2016: expenses of EUR 4 mn).

The reconciliation of deferred taxes was as follows:

### Changes in deferred taxes

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Deferred taxes January 1 | 837 | 622 |
| Deferred taxes December 31 [1] | 338 | 837 |
| **Changes in deferred taxes** | **(499)** | **215** |
| Deferred taxes accounted for in other comprehensive income | (2) | (19) |
| Changes in consolidated Group, exchange differences [2] | 359 | (18) |
| **Deferred taxes per income statement** | **(142)** | **178** |
| The deferred taxes per income statement comprise the following elements: | | |
| Change in tax rate | 13 | 4 |
| Release of and allocation to valuation allowance for deferred taxes | 122 | (17) |
| Adjustments within loss carryforwards (not recognized in prior years, expired loss carryforwards and other adjustments) | 5 | (33) |
| Reversal of temporary differences, including additions to and use of loss carryforwards | (282) | 224 |

[1] Including deferred taxes reclassified to assets or liabilities associated with assets held for sale of EUR 31 mn (2016: EUR 120 mn)

[2] Changes in consolidation group 2017 mainly contain the acquisition of JSC Gazprom YRGM Development (EUR 221 mn), the divestments of OMV (U.K.) Limited (EUR 177 mn) and OMV Petrol Ofisi disposal group (EUR (74) mn)

Taxes on income accounted for in other comprehensive income totaled EUR (7) mn (2016: EUR (17) mn), thereof EUR (2) mn deferred taxes (2016: EUR (19) mn) and EUR (6) mn current taxes (2016: EUR 2 mn).

In 2017, tax loss carryforwards of EUR 131 mn (2016: EUR 179 mn) were used. The corresponding deferred tax impact amounted to EUR 28 mn (2016: EUR 22 mn).

OMV Aktiengesellschaft forms a **tax group** in accordance with section 9 of the Austrian Corporate Income Tax Act 1988 (KStG), which aggregates the taxable profits and losses of all the Group's main subsidiaries in Austria and possibly arising losses of one foreign subsidiary (OMV AUSTRALIA PTY LTD).

Investment income from domestic subsidiaries is in general exempt from taxation in Austria. Dividends from EU- and EEA-participations as well as from subsidiaries whose residence state has a comprehensive administrative assistance agreement with Austria are exempt from taxation in Austria if certain conditions are fulfilled. Dividends from other foreign investments that are comparable to Austrian corporations, for which the Group holds a 10% investment share or more for a minimum period of one year, are also excluded from taxation at the level of the Austrian parent company.

In 2017 as well as in the previous year, a **valuation allowance for deferred tax assets for the Austrian tax group** is recognized. Hence deferred tax assets of the Austrian tax group were only recognized to the extent that it is probable that taxable profit will be available in the foreseeable future against which the deductible temporary differences can be utilized. The valuation allowance was reported in the income statement, except to the extent that the deferred tax assets arose from transactions or events which were recognized outside profit or loss, i.e. in other comprehensive income or directly in equity.

The **effective tax rate** is the ratio of income tax to profit before tax. The table hereafter reconciles the effective tax rate and the standard Austrian corporate income tax rate of 25% showing the major influencing factors.

**Tax rates**

%

| | **2017** | 2016 |
|---|---|---|
| **Austrian corporate income tax rate** | **25.0** | **25.0** |
| **Tax effect of:** | | |
| Differing foreign tax rates | 15.1 | 107.0 |
| Non-deductible expenses | 30.7 | (269.0) |
| Non-taxable income | (19.9) | 160.6 |
| Change in tax rate | (0.9) | 1.7 |
| Permanent effects within tax loss carryforwards | 0.0 | (1.0) |
| Tax write-downs and write-ups on investments at parent company level | 2.5 | 110.6 |
| Change in valuation allowance for deferred taxes | (8.2) | (7.4) |
| Taxes related to previous years | (1.7) | (71.5) |
| Other | (0.1) | (35.4) |
| **Effective Group income tax rate** | **42.6** | **20.6** |

The Group's effective tax rate in 2017 was significantly impacted by the divestment of OMV Petrol Ofisi. In 2016, the effective tax rate was affected by impairments.

**Non-deductible expenses** in 2017 mainly contained FX losses reclassified from other comprehensive income to the income statement resulting from the divestment of OMV Petrol Ofisi disposal group as well as permanent effects in depreciation, depletion and amortization from acquisitions. Non-deductible expenses in 2016 mainly comprised permanent effects related to impairments of assets in the United Kingdom and permanent effects in depreciation, depletion and amortization from acquisitions.

**Non-taxable income** in 2017 and 2016 was predominantly attributable to the result contribution from equity-accounted investments as well as to tax incentives in Norway. 2016 included in addition tax incentives in the United Kingdom.

In 2017, the position **tax write-downs and write-ups on investments at parent company level** were impacted by taxable write-ups of participations mainly in Downstream companies. In 2016, the position was predominantly impacted by tax deductible impairments of participations in Downstream companies. According to Austrian Corporate Tax Law the tax relief of such impairments may only be claimed in installments over seven years.

**Other** in 2016 mainly included tax effects related to the sale of a 49% minority stake in GAS CONNECT AUSTRIA GmbH. According to IFRS, this transaction was recognized in equity in the consolidated financial statements.

## 12 Earnings Per Share

### Earnings Per Share (EPS)

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Earnings attributable to stockholders of the parent in EUR mn | Weighted average number of shares outstanding | EPS EUR | Earnings attributable to stockholders of the parent in EUR mn | Weighted average number of shares outstanding | EPS EUR |
| Basic | 435 | 326,486,772 | 1.33 | (403) | 326,424,527 | (1.24) |
| Diluted | 435 | 327,272,727 | 1.33 | (403) | 327,066,226 | (1.23) |

The calculation of diluted Earnings Per Share takes into account the weighted average number of ordinary shares in issue following the conversion of all potentially diluting ordinary shares. This includes 930,424 (2016: 641,699) contingently issuable bonus shares related to the Long Term Incentive Plans and the OMV Share Part of the Annual Bonus.

# Notes to the Statement of Financial Position

## 13 Intangible assets

**Intangible assets**

EUR mn

| | Concessions, software, licenses, rights | Oil and gas assets with unproved reserves | Goodwill | Total |
|---|---|---|---|---|
| | | **2017** | | |
| **Costs of acquisition and production** | | | | |
| **January 1, 2017** | **859** | **1,707** | **492** | **3,059** |
| Exchange differences | (24) | (89) | (56) | **(168)** |
| Changes in consolidated Group | 1,106 | — | — | **1,106** |
| Additions | 9 | 162 | — | **171** |
| Internally generated additions | 1 | 1 | — | **2** |
| Transfers | 20 | (198) | — | **(178)** |
| Assets held for sale | (3) | (111) | (20) | **(134)** |
| Disposals | (36) | (50) | — | **(86)** |
| **December 31, 2017** | **1,932** | **1,423** | **416** | **3,771** |
| **Development of amortization** | | | | |
| **January 1, 2017** | **733** | **612** | **—** | **1,346** |
| Exchange differences | (19) | (42) | — | **(62)** |
| Amortization | 31 | — | — | **31** |
| Impairments | 0 | 119 | — | **119** |
| Transfers | 13 | (133) | — | **(121)** |
| Assets held for sale | (3) | (111) | — | **(114)** |
| Disposals | (36) | (40) | — | **(76)** |
| Write-ups | 0 | (1) | — | **(1)** |
| **December 31, 2017** | **719** | **404** | **—** | **1,123** |
| Carrying amount January 1, 2017 | 126 | 1,095 | 492 | **1,713** |
| **Carrying amount December 31, 2017** | **1,213** | **1,019** | **416** | **2,648** |
| | | 2016 | | |
| **Costs of acquisition and production** | | | | |
| **January 1, 2016** | **1,846** | **2,832** | **1,012** | **5,690** |
| Exchange differences | (60) | 18 | (59) | **(100)** |
| Changes in consolidated Group | 16 | — | 20 | **36** |
| Additions | 97 | 153 | — | **250** |
| Internally generated additions | — | 2 | — | **2** |
| Transfers | (1) | 215 | — | **214** |
| Assets held for sale | (1,019) | (1,315) | (474) | **(2,807)** |
| Disposals | (20) | (198) | (7) | **(225)** |
| **December 31, 2016** | **859** | **1,707** | **492** | **3,059** |
| **Development of amortization** | | | | |
| **January 1, 2016** | **1,110** | **962** | **343** | **2,415** |
| Exchange differences | (28) | 12 | (52) | **(68)** |
| Amortization | 157 | — | — | **157** |
| Impairments | 4 | 322 | — | **326** |
| Transfers | (1) | (2) | — | **(3)** |
| Assets held for sale | (493) | (488) | (291) | **(1,272)** |
| Disposals | (15) | (193) | — | **(208)** |
| **December 31, 2016** | **733** | **612** | **—** | **1,346** |
| Carrying amount January 1, 2016 | 736 | 1,870 | 669 | **3,275** |
| **Carrying amount December 31, 2016** | **126** | **1,095** | **492** | **1,713** |

As at the statement of financial position date, there were contractual obligations for the acquisition of intangible assets amounting to EUR 303 mn (2016: EUR 661 mn). The decrease is mainly related to the disposal of OMV Petrol Ofisi and OMV (U.K.) Limited.

There was a EUR 1,106 mn addition to intangible assets from a marketing contract for the natural gas from the Yuzhno Russkoye gas field, which is accounted for in the acquired distribution company JSC Gazprom YRGM Development. For further details see Note 3.

Intangible assets with a total carrying amount of EUR 20 mn (2016: EUR 1,535 mn) were transferred to assets held for sale and were related to Pakistan disposal group. For details please see Note 20.

### Exploration for and evaluation of oil and natural gas resources

The following financial information represents the amounts included within the Group totals relating to exploration for and evaluation of oil and natural gas resources. All such activities are recorded within the Upstream segment.

**Exploration for and evaluation of mineral resources**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Impairment losses (exploration & appraisal) [1] | 135 | 658 |
| Other exploration costs | 86 | 132 |
| **Exploration expenses** | **221** | **790** |
| Total assets – exploration and appraisal expenditure incl. acquisition of unproved reserves | 1,019 | 1,095 |
| Net cash used in operating activities | 99 | 129 |
| Net cash used in investing activities | 118 | 145 |

[1] 2016 exploration write-off was mainly related to OMV (U.K.) Limited, which was reclassified to "held for sale" in 2016 and sold in 2017

Goodwill arising from business combinations has been allocated to the following CGUs and groups of CGUs, for impairment testing:

**Goodwill allocation**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Middle East and Africa | 311 | 377 |
| **Goodwill allocated to Upstream** | **311** | **377** |
| Downstream Gas Austria | 38 | 38 |
| Refining West | 40 | 51 |
| Retail Slovakia | 7 | 7 |
| Refining Austria | 20 | 20 |
| **Goodwill allocated to Downstream** | **105** | **115** |
| **Total** | **416** | **492** |

In 2017, EUR 20 mn goodwill of Middle East and Africa region was allocated to Pakistan disposal group using the relative value approach and was consequently reclassified to "held for sale" as of December 31, 2017.

The remainder of the decrease in the Middle East and Africa goodwill is related to exchange differences.

Goodwill impairment tests based on a value in use calculation have been performed that showed a headroom for all goodwill. For the impairment test of the Middle East and Africa goodwill an after-tax discount rate of 8.72% (2016: 9.43%) was used. An increase of 1% point in the discount rate would not lead to an impairment.

## 14 Property, plant and equipment

**Property, plant and equipment**

EUR mn

| | Land, land rights and buildings, including buildings on third-party property | Oil and gas assets | Plant and machinery | Other fixtures, fittings and equipment | Assets under con-struction | **Total** |
|---|---|---|---|---|---|---|
| **Costs of acquisition and construction** | | | | | | |
| **January 1, 2017** | **2,717** | **21,480** | **8,578** | **1,871** | **339** | **34,987** |
| Exchange differences | (15) | (1,372) | (124) | (12) | (13) | **(1,536)** |
| Additions | 55 | 1,071 | 214 | 50 | 199 | **1,589** |
| Transfers | 22 | 186 | 138 | (28) | (135) | **182** |
| Assets held for sale | 0 | (482) | (1) | (5) | (3) | **(491)** |
| Disposals | (19) | (281) | (71) | (41) | (2) | **(414)** |
| **December 31, 2017** | **2,760** | **20,603** | **8,734** | **1,836** | **385** | **34,317** |
| **Development of depreciation** | | | | | | |
| **January 1, 2017** | **1,499** | **12,144** | **5,322** | **1,380** | **29** | **20,374** |
| Exchange differences | (4) | (879) | (76) | (8) | (1) | **(968)** |
| Depreciation | 85 | 1,205 | 355 | 85 | — | **1,730** |
| Impairments | 1 | 83 | 12 | 1 | 3 | **100** |
| Transfers | 0 | 149 | 17 | (41) | 0 | **125** |
| Assets held for sale | 0 | (408) | (1) | (3) | — | **(413)** |
| Disposals | (14) | (116) | (68) | (38) | (2) | **(238)** |
| Write-ups | (10) | (33) | (2) | (1) | — | **(46)** |
| **December 31, 2017** | **1,556** | **12,144** | **5,559** | **1,375** | **30** | **20,663** |
| Carrying amount January 1, 2017 | 1,219 | 9,336 | 3,257 | 491 | 310 | **14,613** |
| **Carrying amount December 31, 2017** | **1,203** | **8,459** | **3,175** | **461** | **355** | **13,654** |

**Property, plant and equipment**

EUR mn

| | Land, land rights and buildings, including buildings on third-party property | Oil and gas assets | Plant and machinery | Other fixtures, fittings and equipment | Assets under construction | **Total** |
|---|---|---|---|---|---|---|
| **Costs of acquisition and construction** | | | | | | |
| **January 1, 2016** | **2,892** | **21,507** | **8,607** | **2,198** | **376** | **35,580** |
| Exchange differences | (20) | 406 | (63) | (17) | (2) | **303** |
| Changes in consolidated Group | 14 | 302 | 4 | 1 | 1 | **322** |
| Additions | 40 | 1,417 | 122 | 64 | 151 | **1,795** |
| Transfers | 15 | (221) | 123 | 34 | (165) | **(214)** |
| Assets held for sale | (196) | (1,686) | (42) | (360) | (1) | **(2,283)** |
| Disposals | (29) | (246) | (172) | (48) | (21) | **(516)** |
| **December 31, 2016** | **2,717** | **21,480** | **8,578** | **1,871** | **339** | **34,987** |
| **Development of depreciation** | | | | | | |
| **January 1, 2016** | **1,420** | **11,193** | **5,014** | **1,468** | **46** | **19,140** |
| Exchange differences | (4) | 233 | (35) | (7) | 0 | **187** |
| Depreciation | 88 | 1,328 | 362 | 122 | — | **1,901** |
| Impairments | 14 | 179 | 157 | 3 | 3 | **355** |
| Transfers | 0 | 3 | (1) | 0 | 1 | **3** |
| Assets held for sale | (2) | (543) | (11) | (162) | — | **(718)** |
| Disposals | (17) | (135) | (163) | (44) | (21) | **(380)** |
| Write-ups | 0 | (113) | (1) | 0 | 0 | **(114)** |
| **December 31, 2016** | **1,499** | **12,144** | **5,322** | **1,380** | **29** | **20,374** |
| Carrying amount January 1, 2016 | 1,473 | 10,314 | 3,593 | 730 | 330 | **16,440** |
| **Carrying amount December 31, 2016** | **1,219** | **9,336** | **3,257** | **491** | **310** | **14,613** |

Property, plant and equipment with a total carrying amount of EUR 78 mn (2016: EUR 1,567 mn) were transferred to **assets held for sale,** mainly related to Pakistan disposal group. For more details please see Note 20.

For details on impairments see Note 8.

At December 31, 2017, there were contractual obligations for the acquisition of property, plant and equipment amounting to EUR 672 mn (2016: EUR 880 mn).

## Finance leases

Finance lease assets were mainly related to gas storage caverns in Germany, land and filling stations in Austria, Germany, Slovakia and the Czech Republic, gas equipment at filling stations, a hydrogen plant at Petrobrazi refinery in Romania, power generators in Upstream Romania as well as an office building in Austria. OMV has an option to prolong the finance lease contract for the gas storage caverns in Germany for additional 10 years.

### Lease and rental agreements

EUR mn

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Accumulated depreciation | Carrying amount | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land, land rights and buildings, including buildings on third-party property | 66 | 21 | 45 | 41 | 23 | 18 |
| Oil and gas assets | 16 | 6 | 10 | 14 | 5 | 9 |
| Plant and machinery | 267 | 230 | 37 | 270 | 227 | 42 |
| Other fixtures, fittings and equipment | 3 | 1 | 2 | 1 | 0 | 1 |
| **Total** | **351** | **257** | **94** | **326** | **256** | **70** |

In 2017, contingent lease payments under finance lease agreements amounted to EUR 9 mn (2016: EUR 7 mn).

### Commitments under existing finance leases as of December 31

EUR mn

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | ≤1 year | 1 – 5 years | >5 years | ≤1 year | 1 – 5 years | >5 years |
| Total future minimum lease commitments | 31 | 100 | 431 | 33 | 98 | 428 |
| [thereof interest component] | [17] | [62] | [191] | [17] | [63] | [201] |
| **Present value of minimum lease payments** | **14** | **38** | **240** | **15** | **36** | **227** |

## Operating leases

OMV also makes use of operating leases, mainly for filling station sites, office buildings and vehicle fleets. In 2017, these expenses amounted to EUR 151 mn (2016: EUR 149 mn). There are options to renew the leases, among others for some of the leased filling station sites.

### Future minimum lease payments under non-cancellable operating leases

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Payable within 1 year | 127 | 95 |
| Payable between 1 and 5 years | 251 | 212 |
| Payable after more than 5 years | 165 | 178 |
| **Total future minimum lease commitments** | **544** | **485** |

## 15 Equity-accounted investments

As per IAS 28, an associate is an entity over which an investor has a significant influence. This is normally presumed to exist when the investor has 20% or more of the voting power of the entity.

According to the contractual agreement between OMV and Pearl Petroleum Company Limited (Pearl), OMV has significant influence within the meaning of IAS 28, as unanimous consent is required for some strategic decisions; therefore Pearl is accounted for using the equity method although OMV's share is just 10%.

OMV holds 55.6% (2016: 55.6%) of Erdöl-Lagergesellschaft m.b.H (ELG), which is holding the major part of the emergency stock of crude and petroleum products in Austria. In spite of holding the majority of voting rights in the general assembly, OMV does not have control over ELG. The significant decisions on the financial and operating policies are delegated to the standing shareholder's committee in which a quorum of two thirds of the share capital is required for decisions.

OMV holds 15.53% (2016:15.53%) in Trans Austria Gasleitung GmbH. As unanimous consent of the parties is required for decisions about relevant activities and OMV has rights to the net assets of Trans Austria Gasleitung GmbH based on the legal structure, OMV classified it as a joint venture according to IFRS 11.

### Material associates

OMV has a 36% (2016: 36%) interest in Borealis AG, a provider of innovative solutions in the fields of polyolefins, base chemicals and fertilizers. The company is incorporated in Vienna, Austria and operates on a global level.

Furthermore, OMV has 10% (2016: 10%) of Pearl Petroleum Company Limited, registered in Road Town, British Virgin Islands, which is involved in exploration and production of hydrocarbons in the Kurdistan Region of Iraq.

Both companies are not listed on public exchanges thus quoted market prices do not exist.

The tables below contain summarized financial information for the material associates:

**Statement of comprehensive income**

EUR mn

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Borealis | Pearl | Borealis | Pearl |
| Sales revenue | 7,564 | 247 | 7,218 | 201 |
| Net income for the year | 1,095 | 1,075 | 1,109 | 135 |
| Other comprehensive income | (475) | — | 115 | — |
| Total comprehensive income | 619 | 1,075 | 1,224 | 135 |
| Group's share | 223 | 108 | 441 | 14 |
| Dividends received | 270 | 67 | 153 | — |

**Statement of financial position**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Borealis | Pearl | Borealis | Pearl |
| Current assets | 2,554 | 422 | 2,828 | 2,225 |
| Non-current assets | 6,840 | 1,600 | 7,103 | 624 |
| Current liabilities | 1,431 | 86 | 1,669 | 115 |
| Non-current liabilities | 1,599 | 1 | 1,767 | 1 |
| Equity | 6,365 | 1,935 | 6,496 | 2,732 |
| Group's share | 2,291 | 194 | 2,338 | 273 |
| Goodwill | 30 | — | 30 | — |
| OMV Group adjustments | (15) | 135 | (8) | 61 |
| Group's carrying amount of investment | 2,307 | 329 | 2,360 | 334 |

**Carrying amount reconciliation**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Borealis | Pearl | Borealis | Pearl |
| **January 1** | **2,360** | **334** | **2,076** | **310** |
| Exchange differences | — | (46) | — | 11 |
| Net income | 394 | 108 | 399 | 14 |
| Other comprehensive income | (171) | — | 41 | — |
| Dividends and elimination of intercompany profits | (276) | (67) | (156) | — |
| **December 31** | **2,307** | **329** | **2,360** | **334** |

## Contingent liabilities

On January 5, 2017, Borealis received two decisions of the Finnish Board of Adjustment with regard to Borealis Technology Oy. The Board of Adjustment has confirmed the Finnish tax authority's view that the license arrangements, entered into between Borealis Technology Oy and Borealis AG in 2008 and 2010, should be re-characterized into transfers of businesses. Based on this the Board of Adjustment requests Borealis to pay EUR 297 mn, comprising of taxes, late payment interest and penalties.

Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Therefore, Borealis has appealed this decision to the Helsinki Administrative Court on March 6, 2017, and has obtained a suspension of payment.

On October 11, 2017, Borealis received a decision of the Board of Adjustment with regard to Borealis Polymers Oy. Unlike the Finnish tax authority, the Board of Adjustment has recognized the license agreement which Borealis Polymers Oy and Borealis AG had concluded in the course of the introduction of the toll manufacturing set up in 2009. The Board of Adjustment has however decided that the license percentage should be increased from 1% to 2.6% and that in the course of the introduction of the toll manufacturing set up "something else of value" amounting to EUR 142 mn has been transferred. The resulting payment request for the year 2009 amounts to EUR 62 mn comprising taxes, late payment interest and penalties. The decision of the Board of Adjustment did not comprise other years than 2009 and no reassessment claims for other years have been received yet.

Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Therefore, Borealis has appealed this decision to the Helsinki Administrative Court on December 15, 2017, and has requested a suspension of payment.

### Individually immaterial associates and joint ventures

Financial information for the individually immaterial associates and joint ventures is presented in the tables below:

**Statement of comprehensive income for individually immaterial associates and joint ventures – Group's share**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Associates | Joint ventures | Associates | Joint ventures |
| Sales revenue | 396 | 34 | 361 | 33 |
| Net income for the year | 3 | 5 | 7 | 6 |
| Total comprehensive income | 3 | 5 | 10 | 6 |

**Carrying amount reconciliation for individually immaterial associates and joint ventures**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Associates | Joint ventures | Associates | Joint ventures |
| **January 1** | **116** | **49** | **123** | **53** |
| Exchange differences | (4) | — | (4) | — |
| Changes in consolidated Group | 117 | 19 | 4 | 0 |
| Net income | 3 | 5 | 6 | 5 |
| Other comprehensive income | 0 | 0 | 3 | 0 |
| Disposals and other changes | 3 | — | (1) | — |
| Dividends and elimination of intercompany profits | (21) | (11) | (15) | (9) |
| **December 31** | **214** | **63** | **116** | **49** |

The addition to the consolidated Group is related to the acquisition of 24.99% stake in OJSC Severneftegazprom, which holds the production license to the Yuzhno Russkoye field and also to the acquisition of a 40% stake in SMATRICS GmbH & Co. KG and in E-Mobility Provider Austria GmbH (see Note 3 for further details).

## 16 Inventories

Inventories at December 31 were as follows:

**Inventories**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Crude oil | 440 | 648 |
| Natural gas | 169 | 149 |
| Other raw materials | 199 | 203 |
| Work in progress: Petroleum products | 101 | 86 |
| Other work in progress | 2 | 2 |
| Finished petroleum products | 553 | 536 |
| Other finished products | 40 | 39 |
| **Total** | **1,503** | **1,663** |

The write-down of inventories recognized as an expense during the period amounted to EUR 19 mn (2016: EUR 35 mn) and was mainly related to inventory losses. Cost of materials and goods purchased for processing and resale recognized as an expense during 2017 amounted to EUR 12,359 mn (2016: EUR 10,742 mn).

## 17 Trade receivables

**Trade receivables (carrying amounts)**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Receivables from equity-accounted companies | 123 | 39 |
| Receivables from other companies | 2,380 | 2,420 |
| **Total** | **2,503** | **2,459** |

The carrying amounts of trade receivables approximate their fair values.

### Valuation allowances for trade receivables [1]

EUR mn

| | 2017 | 2016 |
|---|---|---|
| **January 1** | **98** | **114** |
| Additions/(releases) | (4) | (4) |
| Disposals | (2) | (8) |
| Foreign exchange rate differences and changes in consolidated Group [2] | (17) | (3) |
| **December 31** | **76** | **98** |

[1] 2017 and 2016 include amounts related to OMV Petrol Ofisi disposal group which was reclassified to "held for sale" in 2016 and sold in 2017
[2] Changes in consolidated group in 2017 include OMV Petrol Ofisi disposal group

### Carrying amount of impaired trade receivables [1]

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Before impairments | 78 | 117 |
| Net of impairments | 2 | 18 |

[1] 2016 includes amounts related to OMV Petrol Ofisi disposal group which was reclassified to "held for sale"

The aging of past due but not impaired trade receivables was as follows:

### Carrying amounts of trade receivables past due but not impaired [1]

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Up to 60 days overdue | 127 | 72 |
| 61 to 120 days overdue | 7 | 3 |
| More than 120 days overdue | 17 | 4 |
| **Total** | **150** | **79** |

[1] 2016 includes amounts related to OMV Petrol Ofisi disposal group which was reclassified to "held for sale". 2017 includes amounts related to Pakistan disposal group reclassified to "held for sale"

No negative information has been received regarding the credit quality of financial assets that are not impaired and not past due.

## 18 Other financial assets

The carrying amount of **other financial assets** was as follows:

**Other financial assets**

EUR mn

| | Valued at fair value through profit or loss | Valued at fair value through other comprehensive income | Valued at amortized cost | **Total carrying amount** | [thereof short-term] | [thereof long-term] |
|---|---|---|---|---|---|---|
| | | | **2017** | | | |
| Investments in other companies | — | — | 39 | **39** | [—] | [39] |
| Investment funds [1] | — | 6 | — | **6** | [—] | [6] |
| Bonds | — | 78 | — | **78** | [17] | [61] |
| Derivatives designated and effective as hedging instruments | — | 97 | — | **97** | [97] | [—] |
| Other derivatives | 732 | — | — | **732** | [668] | [64] |
| Loans | — | — | 348 | **348** | [2] | [346] |
| Other receivables from equity-accounted investments | — | — | 6 | **6** | [6] | [—] |
| Other sundry receivables and assets | 641 | 139 | 1,013 | **1,793** | [349] | [1,444] |
| **Total** | **1,373** | **320** | **1,406** | **3,099** | **[1,140]** | **[1,959]** |
| | | | 2016 | | | |
| Investments in other companies | — | — | 39 | **39** | [—] | [39] |
| Investment funds [1] | — | 7 | — | **7** | [—] | [7] |
| Bonds | — | 96 | — | **96** | [36] | [60] |
| Derivatives designated and effective as hedging instruments | — | 39 | — | **39** | [39] | [—] |
| Other derivatives | 777 | — | — | **777** | [739] | [38] |
| Loans | — | — | 5 | **5** | [2] | [3] |
| Other receivables from equity-accounted investments | — | — | 5 | **5** | [5] | [—] |
| Other sundry receivables and assets | — | 101 | 1,123 | **1,224** | [425] | [800] |
| **Total** | **777** | **243** | **1,173** | **2,193** | **[1,245]** | **[947]** |

[1] Credit lines for "Abwasserverband Schwechat" are secured by pledged financial instruments (A&P investment fund) amounting to EUR 0.6 mn (2016: EUR 2 mn)

The carrying amount of other financial assets at fair value through profit or loss as at December 31, 2017, was EUR 1,373 mn (2016: EUR 777 mn). These consist of financial assets held for trading as well as an acquired contractual position towards Gazprom with regard to the reserves redetermination in amount of EUR 641 mn (2016: EUR nil) in connection with the acquisition of interests in the Yuzhno Russkoye field. For further details see Note 3.

In 2017, the position Loans included drawdowns and the related accrued interests under the financing agreements for the Nord Stream 2 pipeline project in amount of EUR 344 mn (2016: EUR nil). For further details see Notes 10 and 26.

OMV recognized receivables related to the contingent considerations from the divestment of the 30% stake in Rosebank and from the divestment of OMV (U.K.) Limited, which are dependent on the date when the Rosebank project coventurers will approve the final investment decision. The receivables are included within other sundry receivables and assets valued at fair value through other comprehensive income and amount to EUR 139 mn. 2016 only contained the contingent consideration related to the divestment of the 30% stake in Rosebank, amounting to EUR 101 mn.

Other sundry receivables and assets include expenditure recoverable from Romanian State amounting to EUR 434 mn (2016: EUR 542 mn) related to obligations for decommissioning, restoration and environmental costs in OMV Petrom SA. The receivables consist of EUR 390 mn (2016: EUR 469 mn) for costs relating to decommissioning and EUR 44 mn (2016: EUR 72 mn) for costs relating to environmental cleanup.

In April 2016, OMV submitted to the Romanian State a notice of dispute regarding certain notices of claims unpaid by the Romanian State in relation to well decommissioning and environmental restoration obligations amounting to EUR 34 mn. On March 7, 2017 OMV, as party in the privatization agreement, initiated arbitration proceedings against the Romanian State, in accordance with the International Chamber of Commerce Rules, in Paris, France. In September 2017, OMV submitted to the Romanian State an additional notice of dispute regarding certain notices of claims unpaid by the Romanian State in relation to well decommissioning and environmental restoration obligations amounting to EUR 30 mn. On October 6, 2017 an additional request to supplement the current arbitration with these notices of claims was submitted to International Chamber of Commerce, in Paris, France.

Additionally, other sundry receivables and assets contain receivables towards partners in the Upstream business as well as seller participation notes in Carnuntum DAC.

### Amortized costs of securities

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Investments in other companies | 39 | 39 |
| Investment funds | 5 | 6 |
| Bonds | 78 | 96 |

### Valuation allowances for other financial receivables [1]

EUR mn

| | **2017** | 2016 |
|---|---|---|
| January 1 | 298 | 240 |
| Additions/(releases) | 10 | 57 |
| Foreign exchange rate differences and changes in consolidated Group [2] | (15) | 0 |
| **December 31** | **292** | **298** |

[1] Related to other sundry receivables included in item other financial assets
[2] 2017 includes amounts related to OMV Petrol Ofisi disposal group which was reclassified to "held for sale" in 2016 and sold 2017

### Carrying amount of impaired other financial receivables [1]

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Before impairments | 323 | 338 |
| Net of impairments | 31 | 40 |

[1] 2016 includes amounts related to OMV Petrol Ofisi disposal group which was reclassified to "held for sale"

The aging of other past due but not impaired financial receivables was as follows:

**Carrying amount of other financial receivables past due but not impaired [1]**

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Up to 60 days overdue | 3 | 13 |
| 61 to 120 days overdue | 24 | 11 |
| More than 120 days overdue | 3 | 0 |
| **Total** | **31** | **24** |

[1] Includes amounts related to Pakistan disposal group, which was reclassified to “held for sale” in 2017

## 19 Other assets

**Other assets**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Short-term | Long-term | Short-term | Long-term |
| Prepaid expenses | 38 | 8 | 47 | 9 |
| Advanced payments on fixed assets | 31 | — | 27 | 0 |
| Other payments on account | 69 | — | 52 | 0 |
| Receivables from other taxes and social security | 55 | 40 | 45 | 57 |
| Other non-financial assets | 72 | 6 | 27 | 3 |
| **Other assets** | **265** | **55** | **198** | **70** |

## 20 Assets and liabilities held for sale

As of December 31, 2017, assets held for sale and liabilities associated with assets held for sale consisted mainly of Pakistan disposal group, filling stations in Czech Republic and other non-core assets within Downstream Oil.

The sales agreement for the divestment of Pakistan disposal group was signed on February 28, 2018 (see Note 38).

In 2017, OMV equity of the parent included EUR 42 mn related to Pakistan disposal group which was recognized in other comprehensive income and accumulated in equity.

As of December 31, 2017, the Management expects that these transactions will be closed within the following twelve months.

In 2016, the main parts of assets held for sale and liabilities associated with assets held for sale consisted of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups, as well as Ashtart field in Tunisia, marginal fields in Romania and a wind park in Downstream Gas, all of which were sold during 2017. The position also included other non-core assets within Downstream Oil and filling stations in Czech Republic, most of which have been sold during 2017.

The 30% stake in the exploration and appraisal asset Rosebank (United Kingdom) was reclassified to “held for sale” as of June 30, 2016, which led to a pre-tax impairment of EUR 326 mn recognized in exploration expenses.

Ashtart field in Tunisia was reclassified to “held for sale” as of September 30, 2016, triggering a pre-tax write-up of the asset in the amount of EUR 113 mn, impacting other operating income.

The net assets of OMV (U.K.) Limited were reclassified to "held for sale" as of September 30, 2016, followed by a pre-tax impairment of the disposal group amounting to EUR 493 mn recognized in "Depreciation, amortization and impairment charges".

The divestment process of OMV Petrol Ofisi Group led to the reclassification to "held for sale" of the net assets as of December 31, 2016, triggering a pre-tax impairment of the disposal group amounting to EUR 334 mn that has been recognized in "Depreciation, amortization and impairment charges".

In 2016 OMV equity of the parent included EUR 148 mn recognized in other comprehensive income and accumulated in equity related to OMV (U.K.) Limited disposal group and EUR (1,127) mn related to OMV Petrol Ofisi disposal group.

**Assets and liabilities held for sale**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Non-current assets | 121 | 1,785 |
| Deferred taxes | 31 | 193 |
| Other current assets | 45 | 1,181 |
| Cash and cash equivalents | 9 | 245 |
| **Assets held for sale** | **206** | **3,405** |
| Provisions | 29 | 331 |
| Deferred taxes | — | 73 |
| Liabilities | 34 | 703 |
| **Liabilities associated with assets held for sale** | **63** | **1,107** |

Assets held for sale amounted to EUR 181 mn (2016: EUR 1,301 mn) in the Upstream Business Segment and to EUR 24 mn (2016: EUR 2,104 mn) in the Downstream Business Segment.

Liabilities associated with assets held for sale in the Upstream Business Segment amounted to EUR 62 mn (2016: EUR 325 mn) and in the Downstream Business Segment to EUR 2 mn (2016: EUR 782 mn).

## 21 OMV equity of the parent

The **capital stock** of OMV Aktiengesellschaft consists of 327,272,727 (2016: 327,272,727) fully paid no par value shares with a total nominal value of EUR 327,272,727 (2016: EUR 327,272,727). There are no different classes of shares and no shares with special rights of control. All shares are entitled to dividends for the financial year 2017, with the exception of treasury shares held by OMV Aktiengesellschaft.

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 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.

A hybrid bond issue at a nominal amount of EUR 750 mn was completed 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, but excluding, April 26, 2018, which is the first call date, 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 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 call 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 bond.

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) were fully treated as equity. Tranche 1 bears a fixed interest coupon of 5.25% until but excluding December 9, 2021, which is the first call date of tranche 1, and tranche 2 bears a fixed interest coupon of 6.25% 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 call 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.

On May 18, 2016, the Annual General Meeting authorized the Executive Board for a period of five years from the adoption of the resolution, therefore, until (including) May 17, 2021, upon approval of the Supervisory Board, to dispose of or utilize stock repurchased or already held by the Company to grant treasury shares to employees, senior employees and/or members of the Executive Board/management boards of the Company or one of its affiliates including for purposes of share transfer programs, in particular long term incentive plans including matching share plans or other stock ownership plans, under exclusion of the general purchasing possibility of shareholders (exclusion of subscription rights). The authorization can be exercised as a whole or in parts or even in several tranches by the Company, by a subsidiary (section 189a number 7 Austrian Commercial Code) or by third parties for the account of the Company.

**Capital reserves** have been formed by the contribution of funds into OMV Aktiengesellschaft by its shareholders over and above the capital stock, on the basis of their ownership relationship.

The Group’s **revenue reserves** included the net income and losses of consolidated subsidiaries and investments included at equity, as adjusted for the purposes of consolidation.

The **gains and losses recognized directly in other comprehensive income and their related tax effects** were as follows:

**Tax effects relating to each component of other comprehensive income**

EUR mn

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Before-tax (expense) income | Tax (expense) benefit [1] | Net-of-tax (expense) income | Before-tax (expense) income | Tax (expense) benefit [1] | Net-of-tax (expense) income |
| Exchange differences from translation of foreign operations | 340 | 6 | 346 | (113) | (2) | (115) |
| Gains/(losses) on available-for-sale financial assets | 0 | 0 | 0 | 1 | 0 | 1 |
| Gains/(losses) on hedges | 32 | 0 | 32 | (102) | 17 | (85) |
| Remeasurement gains/(losses) on defined benefit plans | 7 | 2 | 10 | (67) | 2 | (65) |
| Share of other comprehensive income of equity-accounted investments | (171)[2] | n.a. | (171) | 45[2] | n.a. | 45 |
| **Other comprehensive income for the year** | **209** | **7** | **216** | **(237)** | **17** | **(220)** |

[1] Includes valuation allowances for deferred tax assets for the Austrian tax group. For further details please refer to Note 11
[2] Represent net-of-tax amounts

For 2017, the Executive Board of OMV Aktiengesellschaft proposed a dividend of EUR 1.50 per eligible share, which is subject to confirmation by the Annual General Meeting in 2018. The dividend for 2016 was paid in June 2017 and amounted to EUR 392 mn (EUR 1.20 per share). In 2016, the payment amounted to EUR 326 mn (EUR 1.00 per share).

The Annual General Meetings for the years 2000 to 2011 (with the exception of 2010) approved the repurchase of treasury shares. The costs of repurchased shares have been reflected as a reduction in equity. Gains or losses on the re-issue of treasury shares (issue proceeds less acquisition cost) resulted in an increase or a reduction in capital reserves.

Changes in **treasury shares** were as follows:

**Treasury shares**

| | Number of shares | Cost EUR mn |
|---|---|---|
| **January 1, 2016** | **912,824** | **10.0** |
| Disposals | (88,455) | (1.0) |
| **December 31, 2016** | **824,369** | **9.1** |
| Disposals | (52,139) | (0.6) |
| **December 31, 2017** | **772,230** | **8.5** |

The **number of shares in issue** was as follows:

**Number of shares in issue**

| | Number of shares | Treasury shares | Shares in issue |
|---|---|---|---|
| **January 1, 2016** | **327,272,727** | **912,824** | **326,359,903** |
| Used for share-based compensations | — | (88,455) | 88,455 |
| **December 31, 2016** | **327,272,727** | **824,369** | **326,448,358** |
| Used for share-based compensations | — | (52,139) | 52,139 |
| **December 31, 2017** | **327,272,727** | **772,230** | **326,500,497** |

## 22 Non-controlling interests

OMV has the following subgroups of subsidiaries whose non-controlling interests (NCI) are material:

**Subsidiaries with material NCI**

EUR mn

| | | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| Subsidiary | Place of business | % NCI | Profit / loss allocated to NCI | Accumulated NCI | % NCI | Profit / loss allocated to NCI | Accumulated NCI |
| **OMV Petrom group** | **n.a.** | **49%** | **276** | **2,961** | **49%** | **114** | **2,843** |
| OMV PETROM SA | Romania | 49% | 225 | 2,813 | 49% | 64 | 2,786 |
| OMV PETROM MARKETING SRL | Romania | 49% | 36 | 198 | 49% | 44 | 205 |
| TASBULAT OIL CORPORATION LLP | Kazakhstan | 49% | 2 | (13) | 49% | (1) | (87) |
| KOM MUNAI LLP | Kazakhstan | 52% | (5) | (132) | 52% | (13) | (145) |
| Others | n.a. | — | 18 | 95 | — | 20 | 85 |
| **Gas Connect group**[1] | **n.a.** | **49%** | **36** | **130** | **49%** | **3** | **139** |
| GAS CONNECT AUSTRIA GmbH | Austria | 49% | 35 | 129 | 49% | 2 | 138 |
| AGGM Austrian Gas Grid Management AG | Austria | 74% | 1 | 1 | 74% | 0 | 0 |
| **Subsidiaries with individually immaterial non-controlling interests** | **n.a.** | **—** | **4** | **27** | **—** | **6** | **27** |
| **OMV GROUP** | **n.a.** | **n.a** | **315** | **3,118** | **—** | **118** | **3,010** |

[1] Includes the result of the equity accounted investment Trans Austria Gasleitung GmbH

The proportion of ownership corresponds to the proportion of voting rights of the non-controlling interests in all cases.

The main activities of the **OMV Petrom group** are exploration and production of hydrocarbons (in Romania and Kazakhstan), refining of crudes (in Romania), marketing of petroleum products (in Romania, Bulgaria, Serbia and Moldova) and of natural gas as well as production and the sales of electricity (in Romania). OMV Petrom SA owns 95% of KOM MUNAI LLP and thus the related NCI is 52%.

GAS CONNECT AUSTRIA GmbH operates an approximately 900 km long natural gas high-pressure pipeline grid in Austria and markets transportation capacity to meet domestic natural gas demand and support export to Europe.

The following tables summarize the financial information relating to the subsidiaries with material non-controlling interests, before intra-group eliminations:

### Statement of comprehensive income

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | OMV Petrom SA | GAS CONNECT AUSTRIA GmbH | OMV Petrom SA | GAS CONNECT AUSTRIA GmbH |
| Sales revenue | 3,167 | 213 | 2,698 | 236 |
| Net income for the year | 460 | 78 | 219 | 100 |
| Total comprehensive income | 269 | 80 | 209 | 95 |
| Attributable to NCI | 132 | 39 | 103 | 2 |
| Dividends paid to NCI | 89 | 45 | 0 | — |

### Statement of financial position

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | OMV Petrom SA | GAS CONNECT AUSTRIA GmbH | OMV Petrom SA | GAS CONNECT AUSTRIA GmbH |
| Current assets | 1,649 | 41 | 1,210 | 55 |
| Non-current assets | 7,492 | 672 | 7,997 | 676 |
| Assets held for sale | — | — | 35 | — |
| Current liabilities | 991 | 71 | 845 | 75 |
| Non-current liabilities | 1,790 | 366 | 2,090 | 367 |
| Liabilities associated with assets held for sale | — | — | 28 | — |

### Statement of cash flows

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | OMV Petrom SA | GAS CONNECT AUSTRIA GmbH | OMV Petrom SA | GAS CONNECT AUSTRIA GmbH |
| Operating cash flow | 1,231 | 127 | 872 | 143 |
| Investing cash flow | (579) | (40) | (558) | (36) |
| Financing cash flow | (230) | (86) | (50) | (107) |
| Net increase /(decrease) in cash and cash equivalents | 403 | 0 | 261 | 0 |

## 23 Provisions

Changes in **provisions** during the year were as follows:

**Provisions**

EUR mn

| | Pensions and similar obligations | Decom-missioning and restoration | Other provisions | Total |
|---|---|---|---|---|
| **January 1, 2017** | **1,057** | **3,412** | **988** | **5,457** |
| Exchange differences | (1) | (160) | (19) | **(180)** |
| Usage and disposals | (60) | (248) | (246) | **(554)** |
| Payments to funds | (10) | — | — | **(10)** |
| Allocations | 33 | 194 | 141 | **368** |
| Transfers | (16) | — | (10) | **(26)** |
| Liabilities associated with assets held for sale | 0 | (18) | (8) | **(26)** |
| **December 31, 2017** | **1,003** | **3,180** | **846** | **5,029** |
| [thereof short-term as of December 31, 2017] | [—] | [110] | [349] | **[459]** |
| [thereof short-term as of January 1, 2017] | [—] | [92] | [435] | **[527]** |

### Provisions for pensions and similar obligations

OMV has made pension commitments to employees in Austria and Germany in the form of **defined benefit plans and defined contribution plans.** The defined benefit plans are generally based on years of service and the employee's average compensation over the last five calendar years of employment. These pension plans do not require contributions of the employees. These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, inflation risk (as a result of indexation of pension) and market risk. For the defined contribution plans, the reported expense corresponds to the contributions payable for the period.

The majority of **pension commitments** of several Austrian OMV companies were transferred to an external pension fund managed by APK-Pensionskasse AG in earlier years.

Employees of Austrian Group companies whose service began before December 31, 2002 are entitled to receive **severance payments** upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Entitlements to severance payments for employees whose service began after December 31, 2002 are covered by defined contribution plans. Similar obligations as entitlement to severance payments also exist in other countries, where the Group provides employment.

Employees in Austria and Germany are entitled to **jubilee payments** after completion of a given number of years of service. These plans are non-contributory and unfunded.

Provisions for **personnel reduction schemes** are recognized for irrevocable commitments for separations under restructuring programs within the OMV Group.

**Defined benefit pension obligations and obligations for severance payments** were as follows:

**Defined benefit pension plans and obligations for severance payments**

EUR mn

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Present value of funded obligations | 729 | 764 | 728 | 745 | 668 |
| Market value of plan assets | (436) | (453) | (460) | (471) | (461) |
| **Provision for funded obligations** | **293** | **311** | **268** | **274** | **207** |
| Present value of unfunded obligations | 463 | 479 | 497 | 530 | 508 |
| **Provision for unfunded obligations** | **463** | **479** | **497** | **530** | **508** |
| **Present value of obligations of severance payments** | **135** | **144** | **150** | **163** | **146** |
| **Total** | **891** | **935** | **915** | **967** | **861** |

Changes in the provisions for **jubilee payments, personnel reduction schemes and other employee benefits** were as follows:

**Jubilee payments, personnel reduction schemes and other employee benefits**

EUR mn

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Provision for jubilee payments** | **32** | **33** | **31** | **32** | **30** |
| **Provision for personnel reduction schemes** | **90** | **119** | **127** | **138** | **134** |
| [thereof short-term personnel reduction schemes] | [33] | [52] | [51] | [49] | [39] |
| **Provision for other employee benefits** | **23** | **22** | **23** | **28** | **36** |
| **Total** | **146** | **174** | **182** | **198** | **200** |

### Present value of obligations

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Pensions and severance | Jubilee entitlements, personnel reduction schemes and other employee benefits | Pensions and severance | Jubilee entitlements, personnel reduction schemes and other employee benefits |
| **Present value of obligation as of January 1** | **1,388** | **174** | **1,375** | **182** |
| Exchange difference | (1) | (1) | 0 | 0 |
| Liabilities associated with assets held for sale | 0 | 0 | (5) | 0 |
| Current service cost | 9 | 3 | 9 | 3 |
| Interest cost | 22 | 3 | 31 | 3 |
| Benefits paid | (88) | (45) | (92) | (54) |
| **Expected defined benefit obligations as per December 31** | **1,330** | **133** | **1,319** | **134** |
| **Actual defined benefit obligations as per December 31** | **1,327** | **146** | **1,388** | **174** |
| **Remeasurements of the period (OCI)** | **(3)** | — | **69** | — |
| thereof changes in demographic assumptions | 0 | — | 1 | — |
| thereof changes in financial assumptions | (8) | — | 93 | — |
| thereof experience adjustments | 5 | — | (25) | — |
| **Remeasurements recognized in profit & loss** | — | **12** | — | **40** |

The **market value of plan assets** for defined benefit pension obligations financed through funds was as follows:

### Market value of plan assets

EUR mn

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | VRG IV | VRG VI | Total | VRG IV | VRG VI | Total |
| **Market value of plan assets as of January 1** | **298** | **155** | **453** | **301** | **159** | **460** |
| Interest income | 5 | 2 | **7** | 7 | 4 | **11** |
| Allocation to funds | 0 | 9 | **9** | 4 | 11 | **15** |
| Benefits paid | (21) | (17) | **(38)** | (19) | (16) | **(35)** |
| Remeasurements of the period (OCI) | 3 | 1 | **4** | 5 | (3) | **2** |
| **Market value of plan assets as of December 31** | **285** | **151** | **436** | **298** | **155** | **453** |

Changes in the **provisions** as well as related **expenses** of the period were as follows:

### Provisions and expenses

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Pensions and severance | Jubilee entitlements, personnel reduction schemes and other employee benefits | Pensions and severance | Jubilee entitlements, personnel reduction schemes and other employee benefits |
| **Provision as of January 1** | **935** | **174** | **915** | **182** |
| Expense for the year | 23 | 6 | 30 | 6 |
| Payments to funds | (9) | — | (15) | — |
| Benefits paid | (50) | (45) | (57) | (54) |
| Exchange difference | (1) | (1) | 0 | 0 |
| Liabilities associated with assets held for sale | 0 | 0 | (5) | 0 |
| Remeasurements for the year | (7) | — | 67 | — |
| thereof changes in demographic assumptions | 0 | — | 1 | — |
| thereof changes in financial assumptions | (12) | — | 91 | — |
| thereof experience adjustments | 5 | — | (25) | — |
| Remeasurements recognized in profit & loss | — | 12 | — | 40 |
| **Provision as of December 31** | **891** | **146** | **935** | **174** |
| Current service cost | 9 | 3 | 9 | 3 |
| Net interest cost | 15 | 3 | 20 | 3 |
| **Expenses of defined benefit plans for the year** | **23** | **6** | **30** | **6** |

In 2017, the total pension fund contributions for the Executive Board and former members of the Executive Board amounted to EUR 1 mn (2016: EUR 1 mn).

Expenses for interest accrued on personnel reduction schemes of EUR 1 mn (2016: EUR 1 mn) have been included under interest expense.

### Underlying assumptions for calculating pension expenses and expected defined benefit entitlements as of December 31

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Pensions | Severance | Jubilees | Pensions | Severance | Jubilees |
| Capital market interest rate | 1.70% | 1.30% | 1.60% | 1.61% | 1.13% | 1.36% |
| Future increases in salaries | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Future increase in pensions | 1.8% | — | — | 1.6–1.8% | — | — |

The biometrical basis for the calculation of provisions for pensions, severance and jubilee entitlements of Austrian Group companies is provided by AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung (Biometric Tables for Pension Insurance) – Pagler & Pagler, using the variant for salaried employees. In other countries, similar actuarial parameters are used. Employee turnover was computed based on age or years of service respectively. The expected retirement age used for calculations is based on the relevant country's legislation.

The following actuarial assumptions for calculating pension expenses and expected defined benefit entitlements are considered as material and are stress tested within the following ranges. The increase or decrease compared to the values accounted for defined benefit obligations in relative deviation terms are as follows:

**Sensitivities**

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Capital market interest rate | | Future increases in salaries | | Fluctuation | |
| | +0.50% | (0.50)% | +0.25% | (0.25)% | double | half |
| Pensions | (5.63)% | 6.23% | 2.37% | (2.27)% | — | — |
| Severance | (3.90)% | 4.10% | 2.00% | (1.90)% | — | — |
| Jubilees | (4.90)% | 5.40% | 2.60% | (2.50)% | (4.50)% | 2.60% |

**Duration profiles and average durations** were as follows:

**Duration profiles and average duration of defined benefit obligations as of December 31**

EUR mn

| | 2017 | | | |
|---|---|---|---|---|
| | Duration profiles | | | Duration |
| | 1–5 years | 6–10 years | >10 years | in years |
| Pensions | 331 | 266 | 594 | 12 |
| Severance | 43 | 38 | 54 | 9 |
| Jubilees | 12 | 7 | 13 | 11 |

**Cash duration profiles and average duration as of December 31**

EUR mn

| | 2017 | | | |
|---|---|---|---|---|
| | Duration profiles | | | Duration |
| | 1–5 years | 6–10 years | >10 years | in years |
| Pensions | 345 | 303 | 869 | 14 |
| Severance | 49 | 55 | 143 | 12 |
| Jubilees | 13 | 10 | 55 | 17 |

## Allocation of plan assets as of December 31

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | VRG IV | VRG VI | VRG IV | VRG VI |
| **Asset category** | | | | |
| Equity securities | 23.75% | 24.10% | 22.59% | 9.34% |
| Debt securities | 61.03% | 60.42% | 61.86% | 11.87% |
| Cash and money market investments | 7.55% | 7.68% | 12.03% | 78.79% |
| Other | 7.67% | 7.80% | 3.52% | — |
| **Total** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

Investment policies aim to achieve an optimal investment portfolio structure and to ensure that existing entitlements are covered at all times. The investment of plan assets is governed by section 25 Austrian Pension Fund Act and the Investment Fund Act. In addition to these regulations, the investment guidelines of APK-Pensionskasse AG regulate the spread of asset allocation, the use of umbrella funds and the selection of fund managers. New categories of investments or the employment of a wider range of funds require the approval of the APK-Pensionskasse AG management board. Diversification of both equity and debt securities is global; however, the bulk of the debt securities is EUR-denominated or EUR-hedged.

The funds of the asset allocation and risk group VRG IV and VRG VI (asset allocation strategy changed in July 2017) are invested in international equity and bond funds, alternative investment strategies (absolute return strategies, real estate and private equity) as well as money market investments. As part of the risk diversification policy, in selecting the asset managers, their different management styles and investment approaches have been taken into account. The long-term investment objective of the VRG IV and the VRG VI is to outperform their benchmark (20% global equity, 65% global bonds, 5% cash, 5% alternatives, 5% real estate) and to cover existing and future entitlement payments of the VRGs. The assets of the VRG IV and VRG VI are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole, as defined in the Austrian Pension Fund Act section 25. The asset allocation and the regional allocation of the VRG IV and VRG VI can and will deviate from the benchmark allocation if this is in the judgment of APK and warranted by current asset prices and/or future expected returns. To enhance the return potential, active strategies for all asset classes will be used when justified by market characteristics and/or cost/benefit considerations. The majority of the assets of the VRG IV and VRG VI are invested in liquid active markets for which quoted prices are available. A smaller allocation to assets for which only observable but not quoted prices are available (e.g. real estate and certain absolute return strategies) is allowed when the risk return profile of such assets is believed to be favorable. Risk is managed actively and it is generally expected that the volatility and especially the drawdown risk of the VRG IV and VRG VI will be lower than that of their benchmark.

Until July 2017, the investment management policy for the funds of VRG VI was a value-at-risk approach. The process involved investing in global equity markets, European bond instruments and low-risk money market funds with a defined worst-case loss limit, whereby the tactical allocation of funds was very flexible and model-driven. At the same time, the opportunity of benefiting from positive stock market performance was partly maintained. The long-term investment objective of the VRG VI was until July 2017 to provide stable, predictable returns which to the greatest possible extent covered the existing and future entitlement payments of the VRG VI. To increase the efficiency of the portfolio management and for cost considerations the portfolio was set up as a base portfolio consisting of short maturity government bonds and a futures overlay strategy. Active quoted prices were available for all assets of the VRG VI until July 2017.

The actual returns of the individual VRGs can deviate from the target returns on the plan assets, due to differences in the allocation, the developments of the capital markets and costs. The performance of the VRG IV was in 2017 6.1%. Due to the implemented changes in the asset allocation of the VRG VI, which were effective only as of July 2017, the performance of the VRG VI was only 3.1%.

In 2018, defined benefit related contributions for 2017 to APK-Pensionskasse AG of EUR 6 mn are planned.

### Provisions for decommissioning and restoration obligations

Changes in provisions for decommissioning and restoration obligations are shown in the table below. In the event of changes in estimated parameters, the effect is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from the capitalized asset value.

**Provisions for decommissioning and restoration obligations**

EUR mn

| | Carrying amount |
|---|---|
| **January 1, 2017** | **3,412** |
| Exchange differences | (160) |
| New obligations | 39 |
| Increase arising from revisions in estimates | 69 |
| Reduction arising from revisions in estimates | (194) |
| Unwinding of discounting | 86 |
| Liabilities associated with assets held for sale | (18) |
| Usage and disposals | (55) |
| **December 31, 2017** | **3,180** |
| [thereof short-term as of December 31, 2017] | [110] |
| [thereof short-term as of January 1, 2017] | [92] |

A decrease of 1 percentage point in the real interest rates used to calculate the decommissioning provisions would lead to an additional provision of EUR 242 mn (2016: EUR 250 mn).

OMV expects that the majority of the long-term provision for decommissioning and restoration costs will be utilized until the year 2035.

The provision for decommissioning and restoration costs includes obligations in respect of OMV Petrom SA amounting to EUR 1,622 mn (2016: EUR 1,787 mn). Part of the obligations is to be recovered from the Romanian State in accordance to the privatization agreement. As of December 31, 2017, OMV Petrom SA holds receivables from the Romanian state related to decommissioning and restoration costs amounting to EUR 390 mn (2016: EUR 469 mn).

**Other provisions**

EUR mn

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Short-term | Long-term | Short-term | Long-term |
| Environmental costs | 32 | 39 | 16 | 78 |
| Other personnel provisions | 127 | 21 | 124 | 18 |
| Other | 190 | 437 | 295 | 457 |
| **Other provisions** | **349** | **497** | **435** | **553** |

Other personnel provisions include short-term costs of staff reductions amounting to EUR 33 mn (2016: EUR 52 mn).

The position Other includes provisions for onerous contracts amounting to EUR 457 mn (2016: EUR 467 mn), which are mainly related to the Gate LNG obligation and associated transportation commitments of OMV Gas Marketing & Trading GmbH, to reserved gas pipeline capacities in Norway and to certain retail assets in Austria.

The provision for the Gate LNG obligation was recorded in 2012 for a long-term, non-cancellable contract for regasification capacity and storage that became onerous due to the negative development of market conditions for LNG terminal capacities in Europe. The present value of the provision as at December 31, 2017 was EUR 348 mn (2016: EUR 318 mn). The provision represents the unavoidable costs of meeting the contractual obligations. Thereby, income and costs from future purchase of LNG are taken into account, since the regasification of LNG and subsequent sale of the gas positively contributes to the coverage of the fixed costs. The volume assumptions are based on management's best estimates of available LNG volumes in the future. The prices are based on forward rates, where available. If no forward prices are available, the prices represent management's best estimate of future prices, derived from current market prices or forward rates of the preceding period. The calculation is based on an interest rate of 5.2% (2016: 4.4%). A 50% decrease in either LNG volumes or margin would lead to an additional provision of EUR 147 mn. Furthermore, a 1 percentage point decrease in the discount rate would lead to an additional provision of EUR 26 mn.

As per end of 2017, the provision for the related non-cancellable transportation commitments of OMV Gas Marketing & Trading GmbH amounted to EUR 62 mn (2016: EUR 98 mn). The calculation is based on the difference between the fixed costs for using the capacities and the benefits expected to be generated by using the capacities. The discount rate applied is 5.2% (2016: 4.4%). Besides the discount rates, the key assumptions are the gas prices at the relevant gas hubs which are based on forward rates where available and on management's best estimates for the remaining contract term.

### Emissions certificates

Directive 2003/87/EC of the European Parliament and of the European Council and established a greenhouse gas emissions trading scheme, requiring member states to draw up national plans to allocate emissions certificates. Under this scheme, affected OMV Group companies received a total of 3,328,837 free emissions certificates in 2017 (2016: 3,572,326), thereof 708,919 received by OMV Petrom SA (2016: 957,090).

As of December 31, 2017, the market value of emissions certificates amounted to EUR 74 mn (December 31, 2016: EUR 61 mn).

As of December 31, 2017, the Group held 9,091,596 emissions certificates. In 2018, OMV expects to surrender 6,332,353 emissions certificates for (not yet externally verified) emissions in 2017.

**Emissions certificates**

| | **2017** | 2016 |
|---|---|---|
| **Certificates held as of January 1** | **9,273,402** | **10,535,104** |
| Free allocation for the year | 3,328,837 | 3,572,326 |
| Certificates surrendered according to verified emissions for the prior year | (6,459,422) | (6,456,066) |
| Net purchases and sales during the year [1] | 2,948,779 | 1,622,038 |
| **Certificates held as of December 31** | **9,091,596** | **9,273,402** |

[1] Purchases are valued at their acquisition cost

A shortfall in emissions certificates would be provided for. Neither as of December 31, 2017, nor as of December 31, 2016 the Group was short of certificates.

## 24 Liabilities

**Liabilities**

EUR mn

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Short-term | Long-term | **Total** | Short-term | Long-term | **Total** |
| Bonds | 788 | 3,968 | **4,757** | 38 | 3,725 | **3,763** |
| Other interest-bearing debts | 114 | 823 | **937** | 222 | 1,012 | **1,234** |
| [thereof to banks] | [114] | [676] | **[790]** | [222] | [865] | **[1,087]** |
| Trade payables | 3,262 | — | **3,262** | 3,731 | — | **3,731** |
| [thereof to equity-accounted investments] | [100] | [—] | **[100]** | [36] | [—] | **[36]** |
| Other financial liabilities | 1,288 | 405 | **1,693** | 1,169 | 409 | **1,578** |
| Other liabilities | 775 | 148 | **922** | 828 | 155 | **983** |
| [thereof to equity-accounted investments] | [13] | [140] | **[153]** | [11] | [146] | **[157]** |
| Liabilities associated with assets held for sale | 63 | — | **63** | 1,107 | — | **1,107** |
| **Total** | **6,291** | **5,344** | **11,635** | **7,095** | **5,301** | **12,396** |

### Bonds

**Bonds issued**

| | | | | **2017** | 2016 |
|---|---|---|---|---|---|
| | Nominal | Coupon | Repayment | Carrying amount December 31 EUR mn | Carrying amount December 31 EUR mn |
| International corporate bond | EUR 750,000,000 | 0.60% fixed | 11/19/2018 | 750 | 750 |
| | EUR 500,000,000 | 1.75% fixed | 11/25/2019 | 500 | 499 |
| | EUR 500,000,000 | 4.375% fixed | 02/10/2020 | 518 | 518 |
| | EUR 500,000,000 | 4.25% fixed | 10/12/2021 | 502 | 501 |
| | EUR 750,000,000 | 2.625% fixed | 09/27/2022 | 749 | 748 |
| | EUR 1,000,000,000 | 1.00% fixed | 12/14/2026 | 990 | — |
| | EUR 750,000,000 | 3.50% fixed | 09/27/2027 | 748 | 747 |
| **Total** | | | | **4,757** | **3,763** |

**Bonds and other interest-bearing debts**

As at December 31, 2017, OMV Group was in compliance with all financial covenants stipulated by the loan agreements.

Bonds and other interest-bearing debts have the following maturities:

**Bonds and other interest-bearing debts**

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Short-term loan financing | 20 | 99 |
| Short-term component of long-term financing | 882 | 161 |
| **Total short-term** | **902** | **260** |
| **Maturities of long-term financing** | | |
| 2018/2017 (short-term component of long-term financing) | 882 | 161 |
| 2019/2018 | 734 | 1,157 |
| 2020/2019 | 588 | 754 |
| 2021/2020 | 867 | 578 |
| 2022/2021 | 781 | 565 |
| 2023/2022 and subsequent years | 1,822 | 1,682 |
| **Total for 2018/2017 onwards** | **5,674** | **4,898** |

**Breakdown of bonds and other interest-bearing debts by currency and interest rate**

EUR mn

| | | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | | | Weighted average interest rate | | Weighted average interest rate |
| **Bonds and other long-term interest-bearing debts** [1] | | | | | |
| Fixed rates | EUR | 5,332 | 2.49% | 4,077 | 2.73% |
| | USD | 27 | 2.28% | 38 | 2.28% |
| **Total** | | **5,358** | **2.49%** | **4,114** | **2.73%** |
| Variable rates | EUR | 211 | 1.72% | 531 | 1.06% |
| | USD | 105 | 1.97% | 253 | 2.15% |
| **Total** | | **315** | **1.80%** | **784** | **1.41%** |
| **Other short-term interest-bearing debts** | | | | | |
| HUF | | 19 | 0.39% | — | — |
| EUR | | 1 | 0.50% | 60 | 0.53% |
| USD | | — | — | 39 | 1.48% |
| RON | | — | — | 1 | 0.50% |
| **Total** | | **20** | **0.40%** | **99** | **0.91%** |

[1] Including short-term components of long-term debts

Bonds issued and other interest-bearing debts amounting to EUR 5,694 mn (2016: EUR 4,997 mn) are valued at amortized cost.

The fair value of the issued bonds was EUR 5,169 mn (2016: EUR 4,228 mn), which has been categorized as Level 1 measurement based on price quotations at the reporting date.

The fair value of other interest-bearing debts (Level 2 valuation – observable inputs) was determined by discounting future cash flows using interest rates prevailing at statement of financial position date for similar liabilities with similar maturities, which amounted to EUR 981 mn (2016: EUR 1,288 mn).

The estimated fair value of bonds and other-interest bearing debts was in total EUR 6,150 mn (2016: EUR 5,515 mn), of which EUR 5,815 mn (2016: EUR 4,616 mn) was at fixed rates and EUR 335 mn (2016: EUR 899 mn) was at floating rates.

## Other financial liabilities

### Other financial liabilities

EUR mn

| | Short-term | Long-term | Total |
|---|---|---|---|
| | | **2017** | |
| Liabilities on derivatives designated and effective as hedging instruments | 97 | — | **97** |
| Liabilities on other derivatives | 829 | 51 | **879** |
| Liabilities on finance leases | 15 | 278 | **292** |
| Other sundry financial liabilities | 347 | 77 | **424** |
| **Total** | **1,288** | **405** | **1,693** |
| | | 2016 | |
| Liabilities on derivatives designated and effective as hedging instruments | 70 | — | **70** |
| Liabilities on other derivatives | 793 | 48 | **840** |
| Liabilities on finance leases | 16 | 263 | **278** |
| Other sundry financial liabilities | 291 | 99 | **390** |
| **Total** | **1,169** | **409** | **1,578** |

Fair value adjustments on liabilities related to derivatives designated and effective as hedging instruments have been recognized in other comprehensive income. The liabilities on other derivatives are financial liabilities at fair value through profit or loss. All other items are liabilities to be classified as measured at amortized cost.

The estimated fair value of the finance leases liabilities was EUR 399 mn (2016: EUR 403 mn); this was established by discounting future lease payments using interest rates prevailing at statement of financial position date for similar liabilities with similar maturities (Level 2 valuation – observable inputs).

The table hereafter summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

**Financial liabilities**

EUR mn

| | ≤1 year | 1 – 5 years | >5 years | Total |
|---|---|---|---|---|
| | | **2017** | | |
| Bonds | 862 | 2,590 | 1,921 | **5,374** |
| Other interest bearing debts | 118 | 743 | 91 | **953** |
| Trade payables | 3,262 | — | — | **3,262** |
| Derivative financial liabilities | 926 | 51 | — | **977** |
| Other financial liabilities | 369 | 165 | 418 | **952** |
| **Total** | **5,538** | **3,549** | **2,431** | **11,518** |
| | | 2016 | | |
| Bonds | 102 | 2,606 | 1,677 | **4,386** |
| Other interest bearing debts | 228 | 955 | 70 | **1,254** |
| Trade payables | 3,731 | — | — | **3,731** |
| Derivative financial liabilities | 863 | 48 | — | **911** |
| Other financial liabilities | 352 | 175 | 429 | **956** |
| **Total** | **5,277** | **3,785** | **2,176** | **11,238** |

## Other liabilities

**Other liabilities**

EUR mn

| | Short-term | Long-term | Total |
|---|---|---|---|
| | | **2017** | |
| Other taxes and social security liabilities | 628 | — | **628** |
| Payments received in advance | 40 | 144 | **184** |
| Other sundry liabilities | 107 | 3 | **110** |
| **Total** | **775** | **148** | **922** |
| | | 2016 | |
| Other taxes and social security liabilities | 656 | — | **656** |
| Payments received in advance | 78 | 153 | **231** |
| Other sundry liabilities | 93 | 2 | **95** |
| **Total** | **828** | **155** | **983** |

The long-term payments received in advance consist mainly of a non-refundable prepayment of storage fee received from Erdöl-Lagergesellschaftm.b.H., Lannach on the basis of a long-term service contract.

For details on liabilities associated with assets held for sale we make reference to Note 20.

## 25 Deferred tax

### Deferred taxes

EUR mn

| | Deferred tax assets (incl. deferred tax assets not recognized) | Deferred tax assets not recognized | Deferred tax assets recognized | Deferred tax liabilities |
|---|---|---|---|---|
| | | 2017 | | |
| Intangible assets | 88 | 21 | 68 | 332 |
| Property, plant and equipment | 171 | 125 | 46 | 1,015 |
| Other financial assets | 5 | 5 | 0 | 7 |
| Inventories | 17 | 4 | 13 | 28 |
| Derivatives | 145 | 121 | 25 | 111 |
| Receivables and other assets | 43 | 10 | 32 | 50 |
| Deferred taxes reclassified to assets and liabilities associated with assets held for sale | 58 | 25 | 33 | 2 |
| Provisions for pensions and similar obligations | 176 | 130 | 46 | 10 |
| Provisions for decommissioning, restoration obligations and environmental costs | 956 | 47 | 909 | 0 |
| Other provisions | 138 | 80 | 59 | 61 |
| Liabilities | 44 | 13 | 31 | 27 |
| Tax impairments according section 12 (3)/2 of the Austrian Corporate Income Tax Act (KStG) | 632 | 95 | 536 | — |
| Tax loss carryforwards | 1,037 | 847 | 191 | — |
| Outside basis differences | — | — | — | 6 |
| **Total** | **3,511** | **1,524** | **1,987** | **1,649** |
| Netting (same tax jurisdictions) | | | (1,212) | (1,212) |
| Deferred taxes reclassified to assets and liabilities associated with assets held for sale | | | (31) | 0 |
| **Deferred taxes as per statement of financial position** | | | **744** | **437** |

## Deferred taxes

EUR mn

| | Deferred tax assets (incl. deferred tax assets not recognized) | Deferred tax assets not recognized | Deferred tax assets recognized | Deferred tax liabilities |
|---|---|---|---|---|
| | | 2016 | | |
| Intangible assets | 104 | 30 | 74 | 101 |
| Property, plant and equipment | 204 | 152 | 52 | 1,027 |
| Other financial assets | 9 | 5 | 4 | 24 |
| Inventories | 19 | 3 | 16 | 13 |
| Derivatives | 160 | 21 | 139 | 151 |
| Receivables and other assets | 47 | 15 | 32 | 45 |
| Deferred taxes reclassified to assets and liabilities associated with assets held for sale | 681 | — | 681 | 560 |
| Provisions for pensions and similar obligations | 176 | 132 | 44 | 8 |
| Provisions for decommissioning, restoration obligations and environmental costs | 1,006 | 52 | 953 | 0 |
| Other provisions | 152 | 76 | 76 | 34 |
| Liabilities | 71 | 38 | 33 | 33 |
| Tax impairments according section 12 (3)/2 of the Austrian Corporate Income Tax Act (KStG) | 821 | 450 | 372 | — |
| Tax loss carryforwards | 1,045 | 688 | 357 | — |
| Outside basis differences | 1 | 1 | — | — |
| **Total** | **4,496** | **1,663** | **2,834** | **1,997** |
| Netting (same tax jurisdictions) | | | (1,801) | (1,801) |
| Deferred taxes reclassified to assets and liabilities associated with assets held for sale | | | (193) | (73) |
| **Deferred taxes as per statement of financial position** | | | **839** | **122** |

Deferred taxes were mainly related to different valuation methods, differences in impairments, write-offs, depreciation and amortization as well as different definition of costs.

In the line intangible assets, deferred tax liabilities increased mainly due to the acquisition of JSC Gazprom YRGM Development (please refer to Note 3 for further details).

In 2017, deferred taxes reclassified to assets and liabilities associated with assets held for sale are related to Pakistan disposal group and mainly contain deferred taxes related to unused tax loss carryforwards.

In 2016, deferred taxes reclassified to assets and liabilities associated with assets held for sale are primarily attributable to OMV (U.K.) Limited and OMV Petrol Ofisi disposal groups and mainly contain deferred taxes related to intangible assets, property, plant and equipment and unused tax loss carryforwards.

Deferred taxes on the retained earnings of Group companies are generally only recognized where there is no possibility of tax-free transfers to the parent company.

The overall net deferred tax asset position of tax jurisdictions which suffered a tax loss either in current or preceding year amounted to EUR 368 mn, thereof EUR 274 mn is attributable to the Austrian tax group (2016: EUR 540 mn, thereof Austrian tax group EUR 221 mn). The recoverability of the recognized deferred tax assets was assessed based on detailed tax plannings.

As of December 31, 2017, OMV recognized **tax loss carryforwards** of EUR 3,470 mn before allowances (2016: EUR 4,566 mn), thereof EUR 243 mn (2016: EUR 1,971 mn) are considered recoverable for calculation of deferred taxes. Eligibility of losses for carryforward expires as follows:

**Losses for carryforward**

EUR mn

| | Base amount (before allowances) | | thereof not recognized | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| 2017 | | 5 | | 3 |
| 2018 | 27 | 35 | 22 | 27 |
| 2019 | 85 | 115 | 50 | 89 |
| 2020 | 28 | 36 | 28 | 34 |
| 2021 | 109 | 103 | 29 | 90 |
| 2022 | 14 | | 94 | |
| After 2022/2021 | 141 | 152 | 54 | 108 |
| Unlimited | 3,065 | 4,121 | 2,950 | 2,244 |
| **Total** | **3,470** | **4,566** | **3,227** | **2,595** |

As of December 31, 2017, the aggregate amount of temporary differences associated with fully consolidated and equity-accounted investments for which deferred tax liabilities have not been recognized amounted to EUR 3,728 mn (2016: EUR 3,866 mn). Capital gains on disposals of investments may be realized on various levels of the Group depending on the structuring of potential divestments. Due to the complexity of the group and the associated tax implications simplifying assumptions for the calculation have been made that aim to diminish cascade effects.

# Supplementary Information on the Financial Position

## 26 Statement of cash flows

In 2017, cash and cash equivalents consisted of cash at banks and on hand (EUR 1,300 mn) and short-term deposits (EUR 2,681 mn). In 2016, cash and cash equivalents only contained cash at banks and on hand.

In 2016, the cash balance was not entirely available for use within OMV Supply & Trading Limited, EUR 53 mn being blocked as collateral for a documentary letter of credit.

Net income of the year includes a loss of EUR 1,209 mn shown in other operating expenses related to the divestment of OMV Petrol Ofisi disposal group, which is mainly related to the reclassification ("recycling") of FX losses from other comprehensive income to the income statement. This effect has been neutralized in the cash flow statement in the line "other changes".

The first drawdowns under the financing agreements for the Nord Stream 2 pipeline project took place in 2017 and resulted in a cash outflow of EUR 324 mn, reflected in the line "Investments, loans and other financial assets" in the **cash flow from investing activities.** The line also included a cash outflow of EUR 19 mn related to the acquisition of a 40% stake in Smatrics (see Note 3 for further details).

The cash flow from investing activities further contained EUR 1,644 mn net cash outflow related to the acquisition of a 24.99% interest in the Yuzhno Russkoye natural gas field (see Note 3 for further details), reflected in the line "Acquisition of subsidiaries and businesses net of cash acquired" as shown in the table below:

### Net cash outflows related to the acquisition of subsidiaries and businesses

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Consideration paid | 1,719 | 26 |
| Redemption of financial liabilities | — | 31 |
| Less cash acquired | (75) | (3) |
| **Net cash outflows from subsidiaries and businesses acquired** | **1,644** | **54** |

The proceeds from the sale of subsidiaries and businesses (net of cash disposed) were mainly attributable to the sale of OMV (U.K.) Limited and OMV Petrol Ofisi disposal groups as summarized in the following table:

### Net cash inflows from disposal of subsidiaries and businesses in 2017

EUR mn

| | OMV (U.K.) Limited | OMV Petrol Ofisi | Other | Total |
|---|---|---|---|---|
| Consideration received | 819 | 1,320 | 69 | **2,208** |
| Less cash disposed of | (9) | (441) | 0 | **(450)** |
| **Net cash inflows from disposal of subsidiaries and businesses** | **810** | **879** | **69** | **1,758** |

The net assets of disposed subsidiaries and businesses at the date of disposal were as follows:

**Net assets of disposed subsidiaries and businesses**

EUR mn

| | 2017 |
|---|---|
| Non-current assets | 1,923 |
| Current assets | 1,599 |
| Non-current liabilities | 366 |
| Current liabilities | 763 |
| **Net assets of disposed subsidiaries and businesses** | **2,394** |

In 2017 as well as in 2016, non-cash additions to fixed assets included mainly effects related to the reassessment of decommissioning and restoration obligations.

The following table shows a reconciliation of the changes in **liabilities arising from financing activities**:

**Changes in liabilities arising from financing activities**

EUR mn

| | 2017 | | | |
|---|---|---|---|---|
| | Bonds | Other interest-bearing debts | Finance lease liabilities | Total |
| **January 1, 2017** | **3,763** | **1,234** | **278** | **5,275** |
| | | | | |
| Increase in long-term borrowings | 989 | 12 | — | **1,001** |
| Repayments of long-term borrowings | — | (202) | (15) | **(217)** |
| Increase/(decrease) in short-term borrowings | — | (89) | — | **(89)** |
| **Total cash flows related to financing activities** | **989** | **(279)** | **(15)** | **695** |
| | | | | |
| Exchange difference | — | (50) | (1) | **(51)** |
| Difference interest expenses and interest paid | 5 | (1) | — | **4** |
| Other changes | — | 34 | 30 [1] | **64** |
| **Total non-cash changes** | **5** | **(17)** | **29** | **16** |
| | | | | |
| **December 31, 2017** | **4,757** | **937** | **292** | **5,986** |

[1] Mainly related to new lease agreements

As of December 31, 2017, the Group had available EUR 3,538 mn of undrawn committed borrowing facilities that are available for future activities without any restrictions.

As of December 31, 2017, there were EUR 626 mn financing commitments provided to Nord Stream 2 AG for the planned additional funding of Nord Stream 2 project. For further details please refer to Note 18.

## 27 Contingent liabilities

OMV recognizes provisions for litigations if these are more likely than not to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect the Group's financial position.

The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate. The estimated cost of known environmental obligations has been provided in accordance with the Group's accounting policies. Provisions for decommissioning and restoration are recognized if an obligation exists at the statement of financial position date.

Management believes that compliance with current laws and regulations and future more stringent laws and regulations will not have a material negative impact on the Group's results, financial position or cash flows in the near future.

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

## 28 Risk management

### Capital risk

OMV's financial steering framework is built upon the principles of operational efficiency, capital efficiency, financing efficiency and sustainable portfolio management. With the focus on strengthening OMV's balance sheet, delivering a positive free cash flow and growing its profitability, the financial steering framework represents sustainable, risk-monitored and future-oriented value creation for OMV and its stakeholders.

OMV manages its capital structure to safeguard its capital base in order to preserve investor, creditor and market confidence as well as to provide a sustainable financial foundation for the future operational development of the Group. OMV's financing strategy focuses on cash flow and financial stability. Principal targets are a positive free cash flow after dividends and a strong investment grade credit rating on the basis of a healthy balance sheet and a long-term gearing ratio below 30%.

The gearing ratio is defined as net debt divided by equity and was at 14% as of December 31, 2017 (2016: 21%).

**Capital Management - key performance measures**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Bonds | 4,757 | 3,763 |
| Other interest-bearing debts | 937 | 1,234 |
| Liabilities on finance leases | 292 | 278 |
| Debt associated with assets held for sale | — | 8 |
| **Debt** | **5,986** | **5,283** |
| | | |
| Cash and cash equivalents [1] | 3,981 | 2,314 |
| **Net debt** | **2,005** | **2,969** |
| **Equity** | **14,334** | **13,925** |
| **Gearing ratio** | **14%** | **21%** |

[1] Including cash reclassified to "held for sale"

### Liquidity risk

For the purpose of assessing liquidity risk, yearly budgeted operating and financial cash flows of the Group are monitored and analyzed on a monthly basis. Thus, every month the Group generates a forecasted net change in liquidity which is then compared to the total month end balances of money market deposits and loans as well as maturities of the current portfolio and the available liquidity reserves of the same month. This analysis provides the basis for financing decisions and capital commitments.

To ensure that OMV Group remains solvent at all times and retains the necessary financial flexibility, liquidity reserves in the form of committed credit lines and short term uncommitted money market lines are maintained. As of December 31, 2017, the average weighted maturity of the Group's debt portfolio has been 4.8 years (as of December 31, 2016: 4.6 years).

OMV Group's operational liquidity management is done centrally via a cash pooling system, which enables optimum use of existing cash and liquidity reserves to the benefit of every individual member of cash pooling system and therefore the Group as a whole.

Details of OMV Group's financial liabilities are shown in Note 24.

### Political Risk

OMV operates and has financial investments in countries that are subject to political uncertainties – in particular, Libya, Kazakhstan, Yemen, Pakistan, Russia, Tunisia and Turkey. Possible political changes may lead to disruptions and limitations in production as well as an increased tax burden, restrictions on foreign ownership or even nationalization of property. However, OMV has extensive experience in the political environment in Central, Eastern and Southeastern Europe, and political developments in all markets where OMV operates are kept under constant observation. Country-specific risks are assessed before entering new countries. OMV evaluates the risk of potential US or EU sanctions and their impact on planned or existing operations with the aim to stay in full compliance with all applicable sanctions.

### Market risk

Derivative and non-derivative instruments are used to manage market price risks resulting from changes in commodity prices, foreign exchange rates and interest rates, which could have a negative effect on assets, liabilities or expected future cash flows.

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The initial recognition of derivatives takes place as soon as the contracts become contractually binding i.e. when the rights and obligations arise. They are derecognized when the contractual rights and obligations lapse or are transferred.

### Commodity price risk - Upstream

In order to protect the Group's result and cash flow from the potential negative impact of falling oil and gas prices as well as to ensure sufficient liquidity headroom in order to enable the envisaged growth strategy, OMV uses financial derivatives to secure favorable oil and gas prices from time to time. When doing so, OMV enters into derivative positions selling forward parts of its future production, thereby locking in future oil and gas prices and reducing exposure to market prices in the periods for which the hedges are concluded. OMV Group adopts a flexible approach to monetize hedges prior to their maturity with the aim to generate a positive contribution to the results.

In 2017, a range of financial swaps for both oil and gas volumes were entered into, resulting in a total Operating result impact of EUR (72) mn (oil: EUR (128) mn, gas: EUR 56 mn). For these derivative instruments no hedge accounting was applied, therefore the result was accounted in the income statement.

In 2016, the financial swaps that were concluded for both oil and gas volumes resulted in a total Operating result impact of EUR (18) mn (oil: EUR 18 mn, gas: EUR (36) mn). For these derivative instruments no hedge accounting was applied, therefore the result was accounted in the income statement. Furthermore, from the hedging strategy introduced in 2015, a EUR 12 mn valuation gain on the January – June 2016 hedging instruments was recycled to profit and loss from other comprehensive income in 2016. Therefore, the total Operating result impact amounted to EUR (6) mn (oil: EUR 30 mn, gas: EUR (36) mn).

**Commodity price risk – Downstream**

Commodity price risk management in Downstream refers to analysis, assessment, reporting and hedging of market price risk exposure arising from non-trading and trading activities, covering refining (refinery margin, petrochemical margin, inventories up to a defined threshold) as well as oil & gas marketing activities (marketing margin, inventories up to a defined threshold) and producing power (spark spreads) in addition to proprietary trading positions.

Limited proprietary trading activities are performed for the purpose of creating market access within the oil, power and gas markets. In Downstream Gas, OTC swaps, options, futures and forwards are used to hedge purchase and sales price risks. The aim is to hedge the price risk on inventory fluctuations and the differences in terms and conditions of purchases and sales.

In Downstream Oil, derivative instruments are used for both hedging selected product sales and reducing exposure to price risks on inventory fluctuations. Crude oil and product swaps are used to hedge the refining margin (crack spread), which is the difference between crude oil prices and bulk product prices.

Furthermore, exchange-traded oil futures as well as OTC contracts (contracts for difference and swaps) are used to hedge short-term purchase and sales market price risks.

Swaps do not involve an investment at the time the contracts are concluded; settlement normally takes place at the end of the quarter or month. The premiums on options are payable when the contract is concluded; where options are exercised, payment of the difference between strike price and average market price for the period takes place at contract expiration.

The tables hereafter show the fair values of derivative financial instruments together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of the transactions outstanding at the year-end and are not indicative of either the market risk or the credit risk.

Open commodity contracts as of December 31 were as follows:

**Nominal and fair value of open contracts**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Nominal | Fair value | Nominal | Fair value |
| **Upstream** | | | | |
| Commodity Oil swaps | 859 | (128) | 325 | (4) |
| Commodity Gas swaps | 961 | 15 | 615 | (39) |
| **Downstream** | | | | |
| **Downstream Oil** | | | | |
| Commodity futures | 7,860 | 0 | 4,124 | (16) |
| Commodity swaps | 7,006 | (3) | 4,344 | (17) |
| **Downstream Gas** | | | | |
| Commodity options | 1 | 0 | — | — |
| Commodity swaps | 162 | 0 | 15 | 6 |
| Commodity futures | 77 | 0 | 51 | 0 |
| Commodity forwards | 8,136 | (26) | 6,756 | (25) |

The fair values at statement of financial position date were as follows:

**Fair values**

EUR mn

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Nominal | Fair value assets | Fair value liabilities | Nominal | Fair value assets | Fair value liabilities |
| **Cash flow hedges** | | | | | | |
| Downstream Oil swaps | 1,417 | 97 | (97) | 1,228 | 38 | (70) |
| **Derivatives held for trading** | | | | | | |
| Upstream Oil swaps | 859 | — | (128) | 325 | 1 | (5) |
| Upstream Gas swaps | 961 | 41 | (27) | 615 | 8 | (47) |
| Downstream Oil futures | 7,860 | 358 | (358) | 4,124 | 189 | (205) |
| Downstream Oil swaps | 5,589 | 38 | (41) | 3,116 | 67 | (51) |
| Downstream Gas options | 1 | 0 | 0 | — | — | — |
| Downstream Gas swaps | 162 | 5 | (5) | 15 | 6 | 0 |
| Downstream Gas futures | 77 | 2 | (2) | 51 | 3 | (3) |
| Downstream Gas forwards | 8,136 | 287 | (314) | 6,756 | 501 | (526) |

## Cashflow hedging for commodities

### Cash flow hedging for commodities

EUR mn

| | Period of expected cash flows for cash flow hedges | Adjustments from cash flow hedges in other comprehensive income | [thereof: Transfer from other comprehensive income disclosed in income statement] |
|---|---|---|---|
| | | **2017** | |
| **Downstream Oil price risk hedge** | | | |
| Swaps fix to floating – Brent | until Q4/18 | 99 | [(5)] |
| Swaps fix to floating – products | until Q4/18 | (66) | [23] |
| | | 2016 | |
| **Upstream price risk hedge** | | | |
| Brent options | until Q2/16 | (12) | [(12)] |
| **Downstream Oil price risk hedge** | | | |
| Swaps fix to floating – Brent | until Q2/17 | 66 | [61] |
| Swaps fix to floating – products | until Q4/17 | (157) | [(108)] |

In the Downstream Oil 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.

The risk management objective is to harmonize the pricing of product sales and purchases in order to remain within an approved range of priced stocks at all times, by the means of undertaking stock hedges so as to mitigate the price exposure. The range is a defined maximum deviation from the target stock level, as defined in an Annual Plan for hedging activities.

In refinery margin hedges crude oil and products are hedged separately aiming to protect future margins. Crude is hedged by buying on a fixed and selling on a floating rate basis and products are hedged by selling on a fixed and buying on a floating rate basis. Stock hedges are used to mitigate price exposure whenever actual stock levels deviate from the target levels. In order to compensate for the price exposure, any stock deviations are hedged by appropriate derivatives reflecting the period from the date of the divergence until the date of reaching the target levels.

These hedging activities refer to the hedging of future cash flows and are accounted for as a cash flow hedge, with the effective part of the change in value of the derivative being accounted for in other comprehensive income. When the hedged item (underlying transaction) affects profit and loss, the amounts previously accounted for in other comprehensive income are recycled to profit and loss. The ineffective part of the cash flow hedges, amounting to a EUR (-2) mn (2016: gain of EUR 3 mn) was recognized in profit and loss.

### Sensitivity analysis

For open hedging contracts of the kinds discussed above, sensitivity analysis is performed to determine the effect of market price fluctuations (+/–10%) on market value. The sensitivity of OMV Group's overall earnings differs from the sensitivity shown below, since the contracts concluded are used to hedge operational exposures.

The effect of market price fluctuations on earnings or equity depends on the type of derivative used and on whether hedge accounting is applied. Market price sensitivity for derivatives to which cash flow hedge accounting is applied is shown in the sensitivity table for equity. Sensitivity to market price fluctuations for all other open derivatives is shown in the sensitivity table for earnings.

As of balance sheet date, the market value sensitivities of open derivatives are as follows:

**Sensitivity analysis for open derivatives affecting profit before tax**

EUR mn

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Market price +10% | Market price (10)% | Market price +10% | Market price (10)% |
| **Upstream** | | | | |
| Commodity Oil swaps | (99) | 99 | (33) | 33 |
| Commodity Gas swaps | (34) | 34 | (55) | 55 |
| **Downstream** | | | | |
| **Downstream Oil** | | | | |
| Commodity futures | 6 | (6) | (16) | 16 |
| Commodity swaps | 9 | (9) | 9 | (9) |
| **Downstream Gas** | | | | |
| Commodity swaps | (5) | 5 | 2 | (2) |
| Commodity forwards | (34) | 34 | (24) | 24 |

**Sensitivity analysis for open derivatives affecting equity**

EUR mn

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Market price +10% | Market price (10)% | Market price +10% | Market price (10)% |
| **Operational risk management** | | | | |
| **Downstream Oil** | | | | |
| Commodity swaps | (7) | 7 | (27) | 27 |

## Foreign exchange risk management

OMV operates in many countries and currencies, therefore industry-specific activities and the corresponding foreign exchange rate risks need to be analyzed precisely. The USD represents OMV's biggest risk exposure, in the form of movement of the USD against the EUR and also against other main OMV currencies (RON, NOK, TRY and RUB). Movements of these currencies against the EUR are also important sources of risk. Other currencies have only a limited impact on cash flow and Operating result.

The transaction risk on foreign currency cash flows is monitored on an ongoing basis. The Group's net position is reviewed at least on a semiannual basis and the sensitivity is calculated. This analysis provides the basis for management of transaction risks on currencies. Since OMV produces commodities that are mainly traded in USD, OMV Group has an economic USD long position.

As of December 31, the value of transactions used to hedge foreign currency receivables and liabilities and of transactions used to manage liquidity was as follows:

**Currency derivatives**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Nominal | Fair value | Nominal | Fair value |
| Currency forwards | 334 | (4) | 296 | (2) |
| Currency swaps | 168 | 1 | 100 | 1 |

Forwards and swaps shown above are used exclusively to hedge foreign exchange rate risks on outstanding receivables and payables. The market value of these instruments will move in the opposite direction to the value of the underlying receivable or liability if the relevant foreign exchange rate changes.

For these financial instruments, sensitivity analysis is performed for changes in foreign exchange rates.

The sensitivity of the principal currency exposures is as follows: As of December 31, 2017, the main exposures were to the EUR-RON and EUR-NOK as well as the EUR-TRY and EUR-USD exchange rates. On Group level, the EUR-RON sensitivity not only includes the RON net exposure versus the EUR but also the net RON exposure versus the USD, since the USD-RON exposure can be split into a EUR-RON and EUR-USD exposure. The same is true for the EUR-TRY and EUR-NOK exposure.

**Sensitivity analysis for financial instruments affecting profit before tax [1]**

EUR mn

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | 10% appreciation of the EUR | 10% depreciation of the EUR | 10% appreciation of the EUR | 10% depreciation of the EUR |
| EUR-RON | 15 | (15) | 14 | (14) |
| EUR-TRY | (18) | 18 | (5) | 5 |
| EUR-USD | (43) | 43 | 2 | (2) |
| EUR-NOK | 12 | (12) | 14 | (14) |

[1] Refers only to financial instruments and is not the same as the Group's overall foreign exchange rate sensitivity in terms of operating result

## Translation risk

Translation risk is also monitored on an ongoing basis at Group level, and the risk position is evaluated. Translation risk arises on the consolidation of subsidiaries with functional currencies different from EUR. The largest exposures result from changes in RON, USD, RUB, NOK and TRY denominated assets against the EUR.

## Interest rate management

To facilitate management of interest rate risk, OMV's liabilities are analyzed in terms of fixed and floating rate borrowings, currencies and maturities. Appropriate ratios for the various categories are established, and where necessary, derivative instruments are used to hedge fluctuations outside predetermined ranges.

Interest rate swaps can be used to convert fixed rate debt into floating rate debt, and vice versa. As of December 31, 2017, OMV did not have any open position, since no interest rate swaps were entered during the year 2017 (2016: no open position).

## Interest sensitivities

OMV Group holds financial assets whose market value would be affected by changes in interest rates. The effect of an interest rate increase of 0.5 percentage points on the main financial assets as of December 31, 2017, would have been a EUR 35 mn reduction in the market value of these financial assets (2016: EUR 25 mn). A 0.5 percentage points fall in the interest rate as of December 31, 2017 would have led to an increase in market value of EUR 37 mn (2016: EUR 27 mn).

OMV regularly analyzes the impact of interest rate changes on interest income and expense from floating rate deposits and borrowings. Currently the effects of changes in interest rate are not considered to be a material risk.

On the Group's floating rate net debt as of December 31, 2017, the respective net interest result would rise or fall by EUR 18 mn (December 31, 2016: EUR 7 mn) if interest rates rose or fell by 0.5 percentage points.

**Credit risk management**
The main counterparty credit risks are assessed and monitored at Group level and Segment level using predetermined criteria and limits for all counterparties, banks and security providers. On the basis of a risk assessment counterparties, banks and security providers are assigned to a credit limit, an internal risk class and a specific limit validity. The risk assessments are reviewed at least annually or on an ad-hoc basis. The credit risk processes are governed by guidelines at OMV Group level stipulating the group-wide minimum requirements. The main counterparties with contracts involving derivative financial instruments have investment grade credit ratings.

Credit risk is the risk that OMV Group's counterparties will not meet their obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk arising from credit exposures with customer accounts receivables (see Note 17) from its operating activities as well as from its financial activities such financial investments, including deposits with banks and financial institutions (see Note 26), foreign exchange transactions and other financial instruments (see Note 18).

## 29 Fair value hierarchy

The following overview presents the measurement of financial instruments (assets and liabilities) recognized at fair value. In accordance with IFRS 13, the individual levels are defined as follows:

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

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). In order to determine the fair value for financial instruments within Level 2, usually forward prices on crude oil, natural gas, interest rates and foreign exchange rates are used as inputs to the valuation model. In addition counterparty credit risk as well as volatility indicators are taken into account.

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

The measurements of commodity futures contracts are Level 1 measurements as defined under IFRS 13. Commodity forward contracts as well as commodity swaps and commodity options fall under Level 2 measurements.

Investment funds and debt instruments are valued at fair value, which is determined on the basis of quoted prices and observable inputs. These are Level 1 and Level 2 measurement as defined under IFRS 13.

Net amount of assets and liabilities associated with assets held for sale include disposable groups measured at fair value. The basis of the valuation was fair values less cost of disposal derived from either an agreed sales price (Level 2) or expected sales prices (Level 3).

With the exception of investments in other companies valued at cost, the carrying amounts of financial assets are the fair values.

The fair value of investments in other companies cannot be estimated reliably due to the fact that the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot reasonably be assessed.

**Fair value hierarchy 2017**

EUR mn

| | 2017 | | | |
|---|---|---|---|---|
| Financial assets | Level 1 | Level 2 | Level 3 | Total |
| Investment funds | 6 | — | — | **6** |
| Bonds | 5 | 73 | — | **78** |
| Derivatives designated and effective as hedging instruments | — | 97 | — | **97** |
| Other derivatives | 360 | 372 | — | **732** |
| Net amount of assets and liabilities associated with assets held for sale | — | — | 2 | **2** |
| Other financial assets at fair value [1] | — | — | 780 | **780** |
| **Total** | **371** | **542** | **782** | **1,695** |

[1] Includes an asset from reserves redetermination rights related to the acquisition of interests in the field Yuzhno Russkoye and contingent considerations from the divestments of the 30% stake in the field Rosebank and of OMV (U.K.) Limited. Please see Note 18 for further details

**Fair value hierarchy 2017**

EUR mn

| | 2017 | | | |
|---|---|---|---|---|
| Financial liabilities | Level 1 | Level 2 | Level 3 | Total |
| Liabilities on derivatives designated and effective as hedging instruments | — | 97 | — | **97** |
| Liabilities on other derivatives | 360 | 519 | — | **879** |
| **Total** | **360** | **616** | **—** | **977** |

**Fair value hierarchy 2016**

EUR mn

| | 2016 | | | |
|---|---|---|---|---|
| Financial assets | Level 1 | Level 2 | Level 3 | Total |
| Investment funds | 7 | — | — | **7** |
| Bonds | 20 | 76 | — | **96** |
| Derivatives designated and effective as hedging instruments | — | 39 | — | **39** |
| Other derivatives | 192 | 585 | — | **777** |
| Net amount of assets and liabilities associated with assets held for sale | — | 1,316 | 968 | **2,285** |
| Other financial assets at fair value [1] | — | — | 101 | **101** |
| **Total** | **219** | **2,016** | **1,069** | **3,305** |

[1] Includes a contingent consideration resulting from the divestment of a 30% stake in the field Rosebank. Please see note 18 for further details

**Fair value hierarchy 2016**

EUR mn

| | 2016 | | | |
|---|---|---|---|---|
| Financial liabilities | Level 1 | Level 2 | Level 3 | **Total** |
| Liabilities on derivatives designated and effective as hedging instruments | — | 70 | — | **70** |
| Liabilities on other derivatives | 208 | 632 | — | **840** |
| **Total** | **208** | **703** | **—** | **911** |

## 30 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset only when the Group has a current and legally enforceable right to set-off the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

OMV enters in the normal course of business into various master netting arrangements in the form of International Swaps and Derivatives Association (ISDA) agreements or European Federation of Energy Traders (EFET) agreements or other similar arrangements that do not meet the criteria of offsetting in the statement of the financial position in accordance with IAS 32.

The tables hereafter show the carrying amounts of recognized financial assets and financial liabilities that are subject to various netting arrangements. The net column would be on the Group's statement of financial position, if all set-off rights were exercised.

**Offsetting of financial assets 2017**

EUR mn

| | | **2017** | | | | |
|---|---|---|---|---|---|---|
| | Note | Financial instruments (gross) | Amounts set off in the statement of financial position | Financial instruments in the statement of financial position (net) | Liabilities with right of set-off (not offset) | **Net** |
| Derivative financial instruments | 18 | 829 | — | 829 | (748) | **82** |
| Trade receivables | 17 | 2,503 | — | 2,503 | (892) | **1,611** |
| Other sundry receivables | 18 | 1,795 | (2) | 1,793 | (31) | **1,762** |
| **Total** | | **5,127** | **(2)** | **5,126** | **(1,671)** | **3,455** |

**Offsetting of financial liabilities 2017**

EUR mn

| | | 2017 | | | | |
|---|---|---|---|---|---|---|
| | Note | Financial instruments (gross) | Amounts set off in the statement of financial position | Financial instruments in the statement of financial position (net) | Assets with right of set-off (not offset) | **Net** |
| Derivative financial instruments | 24 | 977 | — | 977 | (777) | **200** |
| Trade payables | 24 | 3,262 | — | 3,262 | (892) | **2,371** |
| Other sundry financial liabilities | 24 | 426 | (2) | 424 | (2) | **422** |
| **Total** | | **4,665** | **(2)** | **4,663** | **(1,671)** | **2,992** |

**Offsetting of financial assets 2016**

EUR mn

| | | 2016 | | | | |
|---|---|---|---|---|---|---|
| | Note | Financial instruments (gross) | Amounts set off in the statement of financial position | Financial instruments in the statement of financial position (net) | Liabilities with right of set-off (not offset) | **Net** |
| Derivative financial instruments | 18 | 815 | — | 815 | (704) | **112** |
| Trade receivables | 17 | 2,459 | — | 2,459 | (975) | **1,484** |
| Other sundry receivables | 18 | 1,224 | — | 1,224 | (46) | **1,178** |
| **Total** | | **4,499** | **—** | **4,499** | **(1,725)** | **2,774** |

**Offsetting of financial liabilities 2016**

EUR mn

| | | 2016 | | | | |
|---|---|---|---|---|---|---|
| | Note | Financial instruments (gross) | Amounts set off in the statement of financial position | Financial instruments in the statement of financial position (net) | Assets with right of set-off (not offset) | **Net** |
| Derivative financial instruments | 24 | 911 | — | 911 | (749) | **162** |
| Trade payables | 24 | 3,731 | — | 3,731 | (975) | **2,756** |
| Other sundry financial liabilities | 24 | 390 | — | 390 | (1) | **389** |
| **Total** | | **5,031** | **—** | **5,031** | **(1,725)** | **3,306** |

## 31 Result on financial instruments

**Result on financial instruments**

EUR mn

| | Amount | Fair value through profit or loss | Available-for-sale financial instruments | Loans and receivables | Liabilities measured at amortized cost |
|---|---|---|---|---|---|
| | | | **2017** | | |
| Dividend income | **15** | — | 15 | — | — |
| Interest income | **64** | — | 0 | 60 | — |
| Interest expense | **(265)** | — | — | — | (124) |
| **Other financial income and expenses** | **(60)** | **—** | **3** | **(27)** | **—** |
| Results from the disposal of other investments | **4** | — | 4 | — | — |
| Impairments of financial instruments | **(1)** | — | (1) | — | — |
| Expenses on the sales of trade receivables | **(27)** | — | — | (27) | — |
| Foreign exchange result | **(26)** | | | | |
| Other (mainly banking fees) | **(11)** | | | | |
| **Financial result** | **(246)** | **—** | **19** | **34** | **(124)** |

**Result on financial instruments**

EUR mn

| | Amount | Fair value through profit or loss | Available-for-sale financial instruments | Loans and receivables | Liabilities measured at amortized cost |
|---|---|---|---|---|---|
| | | | 2016 | | |
| Dividends | **41** | — | 41 | — | — |
| Interest income | **66** | — | 0 | 37 | — |
| Interest expense | **(261)** | 0 | — | — | (119) |
| **Other financial income and expenses** | **(44)** | **3** | **(5)** | **(26)** | **—** |
| Impairments of financial instruments | **(5)** | — | (5) | — | — |
| Expenses on the sales of trade receivables | **(26)** | — | — | (26) | — |
| Foreign exchange result | **3** | | | | |
| Other (mainly banking fees) | **(17)** | | | | |
| **Financial result** | **(198)** | **3** | **36** | **11** | **(119)** |

Income or expense on derivative instruments used to hedge operational risks and offset by corresponding expenses or income in purchases or sales revenues are not included in the result on financial instruments.

The **interest expense** not allocated to the IAS 39 categories mainly refers to the unwinding of provisions in amount of EUR 133 mn (2016: EUR 134 mn).

In 2016, in addition to the result on available-for-sale financial instruments shown in the table above a gain of EUR 1 mn was recognized directly in other comprehensive income.

## 32 Share based payments

### Long Term Incentive (LTI) plans

Since 2009 LTI plans have been granted to the Executive Board and selected senior executives in the Group. From 2010 to 2017, yearly LTI plans were granted, with similar conditions. At vesting date, bonus shares will be granted to the participants. The number of bonus shares is determined depending on the achievement of defined performance targets. Disbursement is made in cash or in shares. The participants can choose between cash payment or shares if they have already fulfilled the minimum shareholding requirements for the LTI Plans. From 2011 till 2015, participation to the plan also was granted to selected employees with outstanding development potential (potentials). Executive Board members and senior executives as participants of the 2012 to 2017 plans are required to build up an appropriate volume of shares and to hold those shares until retirement or departure from the Company.

Provision is made for the expected future costs of the LTI plans at statement of financial position date based on fair values. Fair values are determined using a model considering the expected target achievement and the expected share price. Expected dividends were incorporated into the measurement according to the Company's mid-term planning. The expense is spread over the three-year vesting period. As of December 31, 2017, the provision amounted to EUR 57 mn (2016: EUR 19 mn), and the net increase was EUR 38 mn (2016: EUR 4 mn).

**Main conditions**

| | **2017 plan** | 2016 plan | 2015 plan | 2014 plan |
|---|---|---|---|---|
| Start of plan | 1/1/2017 | 1/1/2016 | 1/1/2015 | 1/1/2014 |
| End of performance period | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 |
| Vesting date | 3/31/2020 | 3/31/2019 | 3/31/2018 | 3/31/2017 |
| **Share holding requirement** | | | | |
| Executive Board Chairman | 200% of gross base salary | 200% of gross base salary | 200% of gross base salary | 200% of gross base salary |
| Executive Board Deputy Chairman | 175% of gross base salary | 175% of gross base salary | 175% of gross base salary | 175% of gross base salary |
| Executive Board members | 150% of gross base salary | 150% of gross base salary | 150% of gross base salary | 150% of gross base salary |
| Senior executives | max. 75% of gross base salary | 75% of gross base salary | 75% of gross base salary | 75% of gross base salary |
| **Expected bonus shares as of December 31, 2017** | **395,559 shares** | **798,408 shares** | **1,081,703 shares** | **—** |
| **Maximum bonus shares as of December 31, 2017** | **439,562 shares** | **892,428 shares** | **1,085,769 shares** | **—** |
| **Fair value of plan (EUR mn) as of December 31, 2017** | **20** | **41** | **56** | **—** |

### Personal investment held in shares

| | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 |
|---|---|---|---|---|
| **Active executive Board members** | | | | |
| Seele | 48,435 shares | 38,038 shares | 32,200 shares | — |
| Florey | 8,335 shares | — | — | — |
| Pleininger [1] | 19,333 shares | 12,979 shares | 8,462 shares | — |
| Leitner | 59,335 shares | 51,249 shares | 37,163 shares | 28,207 shares |
| **Former executive Board members [2]** | | | | |
| Davies | — | — | 54,626 shares | 46,070 shares |
| Floren | — | — | 31,929 shares | 22,725 shares |
| Huijskes | — | — | 38,419 shares | 28,095 shares |
| Roiss | — | 81,831 shares | 80,600 shares | 60,173 shares |
| **Total — Executive Board** | **135,438 shares** | **184,097 shares** | **283,399 shares** | **185,270 shares** |
| Other senior executives [2] | 256,202 shares | 317,840 shares | 287,397 shares | 263,809 shares |
| **Total personal investment** | **391,640 shares** | **501,937 shares** | **570,796 shares** | **449,079 shares** |

[1] Johann Pleininger also takes part in the 2015 plan in his position as senior executive
[2] Personal investment of former executive Board members and other senior executives are only included if shares are held in the OMV trustee deposit

### OMV Share Part of the Annual Bonus

The OMV Share Part of the Annual Bonus (previously Matching Share Plan) serves as a long-term compensation vehicle for the members of the Executive Board that promotes retention and shareholder alignment in OMV, combining the interests of management and shareholders via a long-term investment in restricted shares. The plan also seeks to prevent inadequate risk-taking. For Executive Board members, an award of shares will be made to match 100% of their realized gross annual cash bonus. The performance measures defined for the annual bonus may not be amended during the term of the OMV Share Part of the Annual Bonus. On determination of the annual cash bonus by the Remuneration Committee of the Supervisory Board, the share grant will be made net (after deduction of taxes) in Company shares which shall be transferred to a trustee deposit, managed by the Company, to be held for three years.

As of December 31, 2017, an amount of EUR 3 mn was recorded in equity (2016: provision of EUR 2 mn).

### Total expense

In 2017, total expense of EUR 56 mn (2016: EUR 16 mn) has been recognized arising from share-based payment transactions, thereof EUR 12 mn (2016: EUR 10 mn) from transactions accounted for as equity-settled share-based payment transactions.

# Segment Reporting

## 33 Business operations and key markets

For business management purposes, OMV is divided into two operating Business Segments: Upstream and Downstream, as well as the segment Corporate and Other (Co&O). Each segment represents a strategic unit with different products and markets. Each Business Segment is managed independently. Strategic business decisions are made by the Executive Board of OMV. With the exception of Co&O, the reportable segments of OMV are the same as the operating segments.

**Upstream** (U/S) engages in the business of oil and gas exploration, development and production and focuses on the regions CEE (Romania, Austria and Kazakhstan), North Sea, Middle East and Africa as well as Russia and selected development areas. The produced oil and gas is primarily sold within the OMV Group.

The Downstream Oil (D/S Oil) part of the **Downstream** (D/S) Business Segment operates the refineries Schwechat (Austria), Burghausen (Germany) and Petrobrazi (Romania). In these refineries, crude oil is processed into petroleum products, which are sold to commercial and private customers. Distribution is partially effected via an own operated filling station network in Central and Southeastern Europe. Downstream Gas (D/S Gas) engages in gas transit through and transport within Austria, as well as in gas storage, marketing and trading. OMV is an operator of long-distance gas transmission pipelines in Austria. The power business extends the gas value chain into gas-fired power plants.

Group management, financing and insurance activities and certain service functions are concentrated in the **Co&O** segment.

The key measure of operating performance for the Group is Operating Result according to IFRS. Total assets include intangible assets as well as property, plant and equipment. Sales to external customers are split up by geographical areas on the basis of where the delivery of goods or services is effective. Accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Intra-group sales and cost allocations by the parent company are determined in accordance with internal OMV policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices. Business transactions not attributable to operating segments are included in the results of the Co&O segment.

## 34 Segment reporting

**Segment reporting**

EUR mn

| | U/S | D/S | thereof D/S Oil | thereof D/S Gas | thereof intrasegmental elim. D/S | Co&O | Total | Consolidation | Consolidated total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **2017** | | | | |
| Sales [1] | 4,168 | 18,967 | 14,099 | 4,983 | (116) | 355 | **23,490** | (3,267) | **20,222** |
| Intra-group sales | (2,839) | (79) | (34) | (161) | 116 | (349) | **(3,267)** | 3,267 | **—** |
| External sales | 1,329 | 18,887 | 14,065 | 4,822 | — | 6 | **20,222** | — | **20,222** |
| Net income from equity-accounted investments | 107 | 403 | 395 | 8 | — | — | **510** | — | **510** |
| Segment assets [2] | 11,322 | 4,839 | 3,704 | 1,135 | — | 140 | **16,301** | — | **16,301** |
| Additions in PPE/IA[3] | 1,274 | 474 | 409 | 64 | — | 15 | **1,762** | — | **1,762** |
| Depreciation and amortization | 1,264 | 471 | 396 | 75 | — | 26 | **1,761** | — | **1,761** |
| Impairment losses | 209 | 17 | 2 | 14 | — | 0 | **226** | — | **226** |
| | | | | | 2016 | | | | |
| Sales [1] | 3,285 | 18,316 | 14,630 | 3,779 | (93) | 370 | **21,971** | (2,711) | **19,260** |
| Intra-group sales | (2,272) | (73) | (28) | (139) | 93 | (366) | **(2,711)** | 2,711 | **—** |
| External sales | 1,013 | 18,243 | 14,603 | 3,640 | — | 4 | **19,260** | — | **19,260** |
| Net income from equity-accounted investments | 14 | 411 | 400 | 11 | — | — | **425** | — | **425** |
| Segment assets [2] | 11,250 | 4,915 | 3,710 | 1,205 | — | 161 | **16,326** | — | **16,326** |
| Additions in PPE/IA[3] | 1,602 | 435 | 434 | 1 | — | 10 | **2,047** | — | **2,047** |
| Depreciation and amortization | 1,382 | 641 | 552 | 89 | — | 34 | **2,057** | — | **2,057** |
| Impairment losses | 1,323 | 512 | 336 | 176 | — | 1 | **1,836** | — | **1,836** |

[1] Including intra-group sales
[2] Property, plant and equipment (PPE), intangible assets (IA), not including assets reclassified to held for sales
[3] Excluding additions in assets reclassified to held for sale

### Segment and Group profit

EUR mn

| | 2017 | 2016 |
|---|---|---|
| Operating Result Upstream | 1,218 | (1,046) |
| Operating Result Downstream | 584 | 1,106 |
| thereof Operating Result Downstream Oil | 412 | 1,145 |
| thereof Operating Result Downstream Gas | 171 | (38) |
| Operating Result Corporate and Other | (48) | (56) |
| **Operating Result segment total** | **1,753** | **4** |
| Consolidation: Elimination of intersegmental profits | (21) | (36) |
| **OMV Group Operating Result** | **1,732** | **(32)** |
| Net financial result | (246) | (198) |
| **OMV Group profit before tax** | **1,486** | **(230)** |

### Information on geographical areas

EUR mn

| | Austria | Germany | Romania | Russia | Turkey | Rest of CEE | Rest of Europe | Rest of world [2] | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **2017** | | | | |
| External sales | 6,416 | 3,065 | 3,449 | 137 | 2,595 | 2,765 | 963 | 831 | **20,222** |
| Allocated assets [1] | 3,002 | 985 | 6,159 | 1,093 | 154 | 465 | 2,395 | 2,008 | **16,261** |
| Not allocated assets | | | | | | | | | **40** |
| Segment assets | | | | | | | | | **16,301** |
| | | | | | 2016 | | | | |
| External sales | 4,884 | 2,777 | 3,006 | 79 | 4,817 | 2,398 | 931 | 369 | **19,260** |
| Allocated assets [1] | 2,962 | 1,027 | 6,542 | – | 175 | 433 | 2,818 | 2,319 | **16,275** |
| Not allocated assets | | | | | | | | | **51** |
| Segment assets | | | | | | | | | **16,326** |

[1] Property, plant and equipment (PPE), intangible assets (IA), not including assets reclassified to held for sales
[2] Rest of world: principally Kazakhstan, Libya, Madagascar, New Zealand, Pakistan, Tunisia, Yemen and United Arab Emirates

Not allocated assets contained goodwill in amount of EUR 40 mn (2016: EUR 51 mn) related to the cash-generating unit 'Refining West' as this CGU is operating in more than one geographical area.

# Other Information

## 35 Average number of employees

**Average number of employees [1]**

| | **2017** | 2016 |
|---|---|---|
| OMV Group excluding Petrom group [2] | 7,206 | 7,883 |
| OMV Petrom group | 14,210 | 15,288 |
| **Total Group** | **21,416** | **23,171** |

[1] Calculated as the average of the month's end numbers of employees during the year

[2] The decrease in the average number of employees compared to 2016 is mainly related to the divestments of OMV Petrol Ofisi and OMV (U.K.) Limited. The impact of OMV Petrol Ofisi divestment will also be visible when comparing 2018 with 2017, as OMV Petrol Ofisi was deconsolidated in June 2017 and until then contributed to the average number of employees in 2017

## 36 Expenses Group auditor

Expenses for services rendered by the Group auditor (including the international network in terms of section 271b UGB) comprise the following:

**Expenses for services rendered by the Group auditor (including the international network)**

EUR mn

| | **2017** | 2016 |
|---|---|---|
| Audit of Group accounts and year-end audit | 2.48 | 2.64 |
| Other assurance services | 1.07 | 0.99 |
| Tax advisory services | 0.18 | 0.00 |
| Other services | 0.03 | 0.22 |
| **Total** | **3.76** | **3.85** |

In 2017, the following expenses have been incurred for the Group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.: For the year-end audit EUR 0.89 mn (2016: EUR 0.89 mn), for other assurance services EUR 0.95 mn (2016: EUR 0.73 mn), for tax advisory services EUR nil (2016: EUR nil) and for other services EUR 0.03 mn (2016: EUR 0.12 mn).

## 37 Related parties

Under IAS 24, details of relationships with related parties and related enterprises not included in consolidation must be disclosed. Enterprises and individuals are considered to be related if one party is able to control or exercise significant influence over the business of the other. Österreichische Bundes- und Industriebeteiligungen GmbH, Vienna, holds an interest of 31.5% and International Petroleum Investment Company, Abu Dhabi, holds an interest of 24.9% in OMV Aktiengesellschaft; both are related parties under IAS 24.

In 2017, there were arm's-length supplies of goods and services between the Group and equity-accounted companies, except for gas purchases from OJSC Severneftegazprom which are not based on market prices but on cost plus defined margin.

**Transactions with related parties – Sales and Receivables**

EUR mn

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Sales and other income | Trade receivables | Sales and other income | Trade receivables |
| Borealis | 1,126 | 101 | 1,015 | 10 |
| GENOL Gesellschaft m.b.H. & Co KG | 164 | 20 | 137 | 20 |
| Enerco Enerji Sanayi Ve Ticaret A.Ş. | 3 | 1 | 2 | — |
| Erdöl-Lagergesellschaft m.b.H. | 38 | 0 | 46 | 0 |
| PEGAS CEGH Gas Exchange Services GmbH | 1 | 0 | 8 | — |
| Trans Austria Gasleitung GmbH | 29 | 1 | 36 | 8 |
| **Total** | **1,360** | **123** | **1,244** | **39** |

**Transactions with related parties – Purchases and Payables**

EUR mn

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | Purchases and services received | Trade payables | Purchases and services received | Trade payables |
| Borealis | 44 | 5 | 35 | 10 |
| GENOL Gesellschaft m.b.H. & Co KG | 2 | 0 | 2 | 0 |
| Deutsche Transalpine Oelleitung GmbH | 28 | 1 | 26 | 2 |
| Enerco Enerji Sanayi Ve Ticaret A.Ş. | 171 | 16 | 157 | 16 |
| Erdöl-Lagergesellschaft m.b.H. | 77 | 56 | 62 | 34 |
| OJSC Severneftegazprom | 16 | 18 | — | — |
| Trans Austria Gasleitung GmbH | 21 | 2 | 11 | 1 |
| **Total** | **359** | **100** | **294** | **63** |

In 2017, OMV received dividend income of EUR 270 mn (2016: EUR 153 mn) from Borealis AG, EUR 5 mn (2016: EUR 14 mn) from Enerco Enerji Sanayi ve Ticaret A.Ş, EUR 11 mn (2016: EUR 9 mn) from Trans Austria Gasleitung GmbH, EUR 67 mn (2016: EUR nil) from Pearl Petroleum Company Limited, EUR 0 mn (2016: EUR 1 mn) from Freya Bunde-Etzel GmbH & Co. KG and EUR 15 mn (2016: EUR nil) from OJSC Severneftegazprom.

As of balance sheet date, other financial receivables in an amount of EUR 6 mn (2016: EUR 5 mn) were outstanding from Freya Bunde-Etzel GmbH & Co. KG.

As per December 31, 2017 there were other financial liabilities in an amount of EUR 4 mn (2016: EUR 0 mn) from Trans Austria Gasleitung GmbH.

At December 31, 2017 there was no outstanding loan to Pearl Petroleum Company Limited (2016: EUR 2 mn).

The balance of prepayments received from Erdöl-Lagergesellschaft m.b.H. amounted to EUR 153 mn at December 31, 2017 and is related to a long-term contract for the rendering of services (2016: EUR 157 mn).

The **remuneration received** by the Executive Board and former members of the Executive Board was made up as follows:

**Remuneration received by the Executive Board**

EUR mn

| | 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | active members of the Executive Board as of December 31, 2017 | | | | former members of the Executive Board | | | | |
| | Seele | Florey | Pleininger | Leitner | Davies [3,4] | Floren [5] | Huijskes [6] | Roiss [7] | Total |
| **Short term benefits** | **1.65** | **0.90** | **1.04** | **1.29** | **0.82** | — | **0.15** | — | **5.85** |
| Fixed (base salary) | 0.90 | 0.60 | 0.57 | 0.70 | 0.22 | — | — | — | **3.00** |
| Variable (cash bonus) | 0.74 | 0.25 | 0.45 | 0.57 | 0.60 | — | 0.15 | — | **2.76** |
| Benefits in kind | 0.01 | 0.06 [1] | 0.01 | 0.01 | 0.00 | — | — | — | **0.10** |
| **Post employment benefits** | **0.23** | **0.15** | **0.14** | **0.18** | **0.05** | — | — | — | **0.75** |
| Pension fund contributions | 0.23 | 0.15 | 0.14 | 0.18 | 0.05 | — | — | — | **0.75** |
| **Share based payments** | **0.85** | **0.28** | **0.52** | **0.73** | **0.81** | **0.08** | **0.27** | **0.18** | **3.73** |
| Variable (Matching Share Plan) | 0.85 | 0.28 | 0.52 | 0.66 | 0.69 | — | 0.17 | — | **3.18** |
| Variable (LTIP) | — | — | — [2] | 0.07 | 0.12 | 0.08 | 0.10 | 0.18 | **0.54** |
| **Total** | **2.73** | **1.34** | **1.70** | **2.19** | **1.68** | **0.08** | **0.42** | **0.18** | **10.32** |

[1] Including schooling costs and related taxes
[2] Johann Pleininger was entitled to EUR 0.04 mn based on the senior manager LTIP 2014 (paid out in cash)
[3] David C. Davies resigned from the Executive Board effectively July 31, 2016
[4] David C. Davies received payments under his employment contract in force until March 31, 2017 as well as bonus and LTIP payments in April 2017
[5] Hans-Peter Floren resigned from the Executive Board effectively December 31, 2014
[6] Jaap Huijskes resigned from the Executive Board effectively August 31, 2015
[7] Gerhard Roiss resigned from the Executive Board effectively June 30, 2015

## Remuneration received by the Executive Board

EUR mn

| | 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | active members of the Executive Board as of December 31, 2016 | | | | | former members of the Executive Board | | | |
| | Seele | Florey | Pleininger | Leitner | Davies [4,5] | Floren [6] | Huijskes [7] | Roiss [8,9] | **Total** |
| **Short term benefits** | **1.24** | **0.64** | **0.69** | **1.22** | **1.50** | — | **0.70** | **1.09** | **7.08** |
| Fixed (base salary) | 0.90 | 0.56 [1] | 0.55 | 0.70 | 0.89 | — | 0.18 | — | **3.78** |
| Variable (cash bonus) | 0.32 | — | 0.13 | 0.50 | 0.60 | — | 0.52 | 1.09 [10] | **3.17** |
| Benefits in kind | 0.01 | 0.08 [2] | 0.01 | 0.01 | 0.01 | — | 0.00 | — | **0.13** |
| **Post employment benefits** | **0.23** | **0.08** | **0.14** | **0.18** | **0.32** | — | **0.04** | — | **0.97** |
| Pension fund contributions | 0.23 | 0.08 | 0.14 | 0.18 | 0.32 | — | 0.04 | — | **0.97** |
| **Share based payments** | **0.33** | — | **0.13** | **0.68** | **0.89** | **0.20** | **0.73** | **1.47** | **4.43** |
| Variable (Matching Share Plan) | 0.33 | — | 0.13 | 0.51 | 0.61 | — | 0.53 | 1.09 [10] | **3.19** |
| Variable (LTIP) | — | — | — [3] | 0.17 | 0.28 | 0.20 | 0.20 | 0.38 | **1.24** |
| **Total** | **1.79** | **0.71** | **0.97** | **2.07** | **2.72** | **0.20** | **1.47** | **2.55** | **12.48** |

1 Including EUR 0.26 mn linked to an obligation to buy OMV shares for the LTIP shareholding requirements
2 Including rent, home flights, relocation costs, schooling costs and related taxes
3 Johann Pleininger was entitled to EUR 0.10 mn based on the senior manager LTIP 2013 (paid out in cash)
4 David C. Davies resigned from the Executive Board effectively July 31, 2016
5 David C. Davies was entitled to bonus payments and payments under the Long Term Incentive Plans until March 31, 2017 which have been agreed as a lump-sum payment
6 Hans-Peter Floren resigned from the Executive Board effectively December 31, 2014
7 Jaap Huijskes resigned from the Executive Board effectively August 31, 2015
8 Gerhard Roiss resigned from the Executive Board effectively June 30, 2015
9 In addition to the remuneration received in 2016, Gerhard Roiss is entitled to bonus payments under the Long Term Incentive Plans based on target achievement
10 Including upfront bonus payments for the period January 2016 to March 2017

The members of the Executive Board and the members of the Supervisory Board are covered by directors and officers liability insurance (D&O) and legal costs insurance. A large number of other OMV employees also benefit from these two forms of insurance, and the insurers levy lump-sum premiums, which are not specifically attributed to the Board members.

In 2017, the total remuneration including share-based compensations of 42 top executives, excluding the Executive Board (2016: 47) amounted to EUR 24.8 mn (2016: EUR 29.9 mn), of which basic remuneration such as salaries and bonuses was EUR 17.9 mn (2016: EUR 21.4 mn) and EUR 1.3 mn (2016: EUR 1.5 mn) was related to pension fund contributions. Severance benefits amounted to EUR 1.8 mn (2016: EUR 4.0 mn), and other long-term benefits to EUR 0.1 mn (2016: EUR 0.1 mn).

See Note 32 for details on Long Term Incentive Plans and OMV Share Part of the Annual Bonus.

In 2017, remuneration expenses for the Supervisory Board amounted to EUR 0.7 mn (2016: EUR 0.5 mn).

## 38 Subsequent events

On February 28, 2018, OMV has agreed to sell its Upstream Business in Pakistan to Dragon Prime Hong Kong Limited, Hong Kong. The agreed sale price is EUR 157 mn, whereas in case of a dividend payment to OMV or capital increase by OMV the purchase price will be adjusted. The transaction is subject to conditions, including the relevant regulatory approvals. Closing is expected by end of 2018.

On March 14, 2018, the Supervisory Board approved that OMV exercises its right to call the EUR 750 mn hybrid bond issued on May 25, 2011.
The redemption will be made at par and OMV will repay the hybrid bond on April 26, 2018, which is the first call date.

## 39 Direct and indirect investments of OMV Aktiengesellschaft

**Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31**

| | Parent company | Type of consoli-dation [1] | Equity interest in % as of December 31, 2017 | Equity interest in % as of December 31, 2016 |
|---|---|---|---|---|
| **Upstream** | | | | |
| ENERGY PRODUCTION ENHANCEMENT SRL, Bucharest | PETROM | NC | 99.99 | 99.99 |
| | ROMAN | | 0.01 | 0.01 |
| JSC GAZPROM YRGM Development, Salekhard [2] | OMVEP | C | 0.00 | |
| KOM MUNAI LLP, Aktau | PETROM | C | 95.00 | 95.00 |
| OJSC SEVERNEFTEGAZPROM, Krasnoselkup | OMVEP | AE | 24.99 | |
| OMV Abu Dhabi E&P GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Abu Dhabi Offshore GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Abu Dhabi Production GmbH, Vienna [3] | OMVEP | NC | 100.00 | |
| OMV (AFRICA) Exploration & Production GmbH in Liqu., Vienna (OAFR) [4] | OWEAFR | C | 100.00 | 100.00 |
| OMV AUSTRALIA PTY LTD, Perth (OAUST) | OMV AG | C | 100.00 | 100.00 |
| OMV Austria Exploration & Production GmbH, Vienna (OEPA) | OMVEP | C | 100.00 | 100.00 |
| OMV Barrow Pty Ltd, Perth | OAUST | NC | 100.00 | 100.00 |
| OMV Beagle Pty Ltd, Perth | OAUST | NC | 100.00 | 100.00 |
| OMV (Berenty) Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Bina Bawi GmbH, Vienna | PETEX | C | 100.00 | 100.00 |
| OMV Block 70 Upstream GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV East Abu Dhabi Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV (EGYPT) Exploration GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| OMV Exploration & Production GmbH, Vienna (OMVEP) | OMV AG | C | 100.00 | 100.00 |
| OMV EXPLORATION & PRODUCTION LIMITED, Douglas | OMVEP | NC | 100.00 | 100.00 |
| OMV (FAROE ISLANDS) Exploration GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| OMV (Gnondo) Exploration GmbH in Liqu., Vienna [4] | OAFR | C | 100.00 | 100.00 |
| OMV (Gnondo) Exploration S.A., Libreville [4] | OWEAFR | C | 100.00 | 100.00 |
| OMV (IRAN) onshore Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Jardan Block 3 Upstream GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV (Mandabe) Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV (Manga) Exploration GmbH in Liqu., Vienna [4] | OAFR | C | 100.00 | 100.00 |
| OMV (Manga) Exploration S.A., Libreville [4] | OWEAFR | C | 100.00 | 100.00 |
| OMV Maurice Energy GmbH, Vienna (MAURI) | OMVEP | C | 100.00 | 100.00 |
| OMV Maurice Energy Limited, Port Louis | MAURI | C | 100.00 | 100.00 |

**Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31**

| | Parent company | Type of consolidation [1] | Equity interest in % as of December 31, 2017 | Equity interest in % as of December 31, 2016 |
|---|---|---|---|---|
| OMV (Mbeli) Exploration GmbH in Liqu., Vienna [4] | OAFR | C | 100.00 | 100.00 |
| OMV (Mbeli) Exploration S.A., Libreville [4] | OWEAFR | C | 100.00 | 100.00 |
| OMV Middle East & Africa GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Myrre Block 86 Upstream GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV (Namibia) Exploration GmbH, Vienna | ONAFRU | C | 100.00 | 100.00 |
| OMV New Zealand Limited, Wellington (NZEA) | OMVEP | C | 100.00 | 100.00 |
| OMV (NORGE) AS, Stavanger | OMVEP | C | 100.00 | 100.00 |
| OMV (Ntsina) Exploration GmbH in Liqu., Vienna [4] | OAFR | C | 100.00 | 100.00 |
| OMV (Ntsina) Exploration S.A., Libreville [4] | OWEAFR | C | 100.00 | 100.00 |
| OMV OF LIBYA LIMITED, Douglas | OMVEP | C | 100.00 | 100.00 |
| OMV Offshore (Namibia) GmbH, Vienna (ONAFRU) | OMVEP | C | 100.00 | 100.00 |
| OMV Offshore Bulgaria GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Offshore Morondava GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Offshore Silistar Bulgaria GmbH in Liqu., Vienna [5] | OMVEP | | | 100.00 |
| OMV Oil and Gas Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Oil Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Oil Production GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Orient Hydrocarbon GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| OMV Orient Upstream GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| OMV Oystercatcher Exploration GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| OMV (PAKISTAN) Exploration Gesellschaft m.b.H., Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV Petroleum Exploration GmbH, Vienna (PETEX) | OMVEP | C | 100.00 | 100.00 |
| OMV Petroleum Pty Ltd, Perth | NZEA | NC | 100.00 | 100.00 |
| OMV Proterra GmbH, Vienna | OEPA | NC | 100.00 | 100.00 |
| OMV Russia Upstream GmbH, Vienna | OMV | C | 100.00 | |
| OMV Tellal Hydrocarbons GmbH in Liqu., Vienna [5] | OMVEP | | | 100.00 |
| OMV (Tunesien) Production GmbH, Vienna (OTNPRO) | OMVEP | C | 100.00 | 100.00 |
| OMV (TUNESIEN) Sidi Mansour GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| OMV Tunisia Upstream GmbH, Vienna | OMVEP | C | 100.00 | |
| OMV (U.K.) Limited, London [6] | OMVEP | | | 100.00 |
| OMV Upstream International GmbH, Vienna (OUPI) | OMVEP | C | 100.00 | 100.00 |
| OMV (West Africa) Exploration & Production GmbH, Vienna (OWEAFR) | OMVEP | C | 100.00 | 100.00 |
| OMV (YEMEN) Al Mabar Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV (Yemen Block S 2) Exploration GmbH, Vienna | OMVEP | C | 100.00 | 100.00 |
| OMV (YEMEN) South Sanau Exploration GmbH, Vienna | OMVEP | NC | 100.00 | 100.00 |
| Pearl Petroleum Company Limited, Road Town | OUPI | AE | 10.00 | 10.00 |
| PEI Venezuela Gesellschaft mit beschränkter Haftung, Burghausen | OMVEP | NC | 100.00 | 100.00 |
| Petroleum Infrastructure Limited, Wellington | NZEA | C | 100.00 | 100.00 |
| PETROM EXPLORATION & PRODUCTION LIMITED, Douglas | PETROM | C | 99.99 | 99.99 |
| Preussag Energie International GmbH, Burghausen | OMVEP | C | 100.00 | 100.00 |
| Société de Recherches et d'Exploitation des Pétroles en Tunisie, Tunis [6] | OTNPRO | | | 50.00 |
| Tasbulat Oil Corporation BVI, Saint Helier [5] | PETROM | | | 100.00 |
| TASBULAT OIL CORPORATION LLP, Aktau | PETROM | C | 100.00 | 100.00 |
| Thyna Petroleum Services S.A., Sfax | OTNPRO | NAE | 50.00 | 50.00 |

**Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31**

| | Parent company | Type of consoli-dation [1] | Equity interest in % as of December 31, 2017 | Equity interest in % as of December 31, 2016 |
|---|---|---|---|---|
| **Downstream Oil** | | | | |
| Abu Dhabi Petroleum Investments LLC, Abu Dhabi | OMVRM | NAE | 25.00 | 25.00 |
| Aircraft Refuelling Company GmbH, Vienna | OMVRM | NAE | 33.33 | 33.33 |
| Autobahn – Betriebe Gesellschaft m.b.H., Vienna | OMVRM | NAE | 47.19 | 47.19 |
| Borealis AG, Vienna | OMVRM | AE | 32.67 | 32.67 |
| | OMV AG | | 3.33 | 3.33 |
| BRAZI OIL & ANGHELESCU PROD COM SRL, Brazi [4] | PETROM | NAE | 37.70 | 37.70 |
| BSP Bratislava-Schwechat Pipeline GmbH, Vienna | OMVRM | NAE | 26.00 | 26.00 |
| BTF Industriepark Schwechat GmbH, Vienna | OMVRM | NAE | 50.00 | 50.00 |
| Deutsche Transalpine Oelleitung GmbH, Munich | OMVD | AE | 25.00 | 25.00 |
| DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft., Budapest | OHUN | NAE | 48.28 | 48.28 |
| E-Mobility Provider Austria GmbH, Vienna | OMVRM | AE2 | 40.00 | |
| EPS Ethylen-Pipeline-Süd GmbH & Co KG, Munich | OMVD | AE | 20.66 | 20.66 |
| Erdöl-Lagergesellschaft m.b.H., Lannach | OMVRM | AE1 | 55.60 | 55.60 |
| Erk Petrol Yatırımları A.Ş., Istanbul (ERK) [6] | POAS | | | 100.00 |
| FE-Trading Deutschland GmbH, Berchtesgaden | FETRAT | C | 100.00 | |
| FE-Trading GmbH, Anif (FETRAT) | OMVRM | C | 100.00 | 100.00 |
| FE-Trading trgovina d.o.o., Ljubljana | FETRAT | C | 100.00 | 100.00 |
| FRANCIZA PETROM 2001 SA, Piteşti [5] | PETROM | | | 40.00 |
| GENOL Gesellschaft m.b.H., Vienna | OMVRM | NAE | 29.00 | 29.00 |
| GENOL Gesellschaft m.b.H. & Co, Vienna | OMVRM | AE | 29.00 | 29.00 |
| Haramidere Depoculuk Anonim Şirketi, Istanbul | OMVRM | C | 51.00 | |
| | GASTR | | 49.00 | |
| KSW Beteiligungsgesellschaft m.b.H., Feldkirch (SWJS) | OMVRM | NC | 100.00 | |
| KSW Elektro- und Industrieanlagenbau Gesellschaft m.b.H., Feldkirch | SWJS | NAE | 25.10 | |
| Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi, Istanbul [6] | POAS | | | 45.00 |
| OMV Adriatic Marketing d.o.o., Zagreb | OMVRM | NC | 100.00 | |
| OMV BULGARIA OOD, Sofia | PETROM | C | 99.90 | 99.90 |
| | OMVRM | | 0.10 | 0.10 |
| OMV Česká republika, s.r.o., Prague | OMVRM | C | 100.00 | 100.00 |
| OMV Deutschland GmbH, Burghausen (OMVD) | OMVRM | C | 90.00 | 90.00 |
| | OMV AG | | 10.00 | 10.00 |
| OMV Hungária Ásványolaj Korlátolt Felelösségü Társaság, Budapest (OHUN) | OMVRM | C | 100.00 | 100.00 |
| OMV – International Services Ges.m.b.H., Vienna | OMVRM | C | 100.00 | 100.00 |
| OMV Petrol Ofisi A.Ş., Istanbul (POAS) [6] | OTHOLD | | | 100.00 |
| OMV PETROM Aviation S.A.,Otopeni [7] | PETROM | C | 99.99 | 99.99 |
| | ROMAN | | 0.01 | 0.01 |
| OMV PETROM MARKETING SRL, Bucharest (ROMAN) | PETROM | C | 100.00 | 100.00 |
| OMV Refining & Marketing GmbH, Vienna (OMVRM) | OMV AG | C | 100.00 | 100.00 |
| OMV Refining & Marketing Middle East & Asia GmbH, Vienna | OMVRM | C | 100.00 | |
| OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o., Koper | OMVRM | C | 92.25 | 92.25 |
| OMV Slovensko s.r.o., Bratislava | OMVRM | C | 99.96 | 99.96 |

**Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31**

| | Parent company | Type of consoli-dation [1] | Equity interest in % as of December 31, 2017 | Equity interest in % as of December 31, 2016 |
|---|---|---|---|---|
| OMV SRBIJA d.o.o., Belgrade | PETROM | C | 99.96 | 99.96 |
| | OMVRM | | 0.04 | 0.04 |
| OMV Supply & Trading AG, Zug (OSUP) | OMVRM | C | 100.00 | 100.00 |
| OMV Supply & Trading Limited, London | OMVRM | C | 100.00 | 100.00 |
| OMV Supply & Trading Singapore PTE LTD., Singapore | OSUP | NC | 100.00 | 100.00 |
| Petrol Ofisi Havacilik Operasyonlari A.Ş., Istanbul [6] | POAS | | | 100.00 |
| PETROM NADLAC SRL, Nadlac [5] | PETROM | | | 98.51 |
| | ROMAN | | | 1.49 |
| Petrom-Moldova S.R.L., Chisinau | PETROM | C | 100.00 | 100.00 |
| Routex B.V., Amsterdam | OMVRM | NAE | 20.00 | 20.00 |
| Salzburg Fuelling GmbH, Salzburg | OMVRM | NAE | 33.33 | 33.33 |
| Società Italiana per l'Oleodotto Transalpino S.p.A., Trieste [3] | OMVRM | AE | 25.00 | 25.00 |
| SMATRICS GmbH & Co KG, Vienna | OMVRM | AE2 | 40.00 | |
| SuperShop Marketing GmbH, Budapest | OHUN | NAE | 50.00 | 50.00 |
| TGN Tankdienst-Gesellschaft Nürnberg GbR, Nuremberg | OMVD | NAE | 33.33 | 33.33 |
| TRANS GAS LPG SERVICES SRL, Bucharest | PETROM | NC | 80.00 | 80.00 |
| Transalpine Ölleitung in Österreich Gesellschaft m.b.H., Matrei in Osttirol | OMVRM | AE | 25.00 | 25.00 |
| **Downstream Gas** | | | | |
| ADRIA LNG d.o.o., Zagreb [5] | OGI | | | 32.47 |
| AGCS Gas Clearing and Settlement AG, Vienna | OGG | NAE | 23.13 | 23.13 |
| AGGM Austrian Gas Grid Management AG, Vienna | OGG | C | 51.00 | 51.00 |
| Central European Gas Hub AG, Vienna (HUB) | OGI | C | 65.00 | 65.00 |
| Enerco Enerji Sanayi Ve Ticaret A.Ş., Istanbul | OGI | AE | 40.00 | 40.00 |
| Freya Bunde-Etzel GmbH & Co. KG, Bonn | OGSG | AE | 39.99 | 39.99 |
| GAS CONNECT AUSTRIA GmbH, Vienna (OGG) | OGI | C | 51.00 | 51.00 |
| NABUCCO Gas Pipeline International GmbH in Liqu., Vienna (NABUC) [5] | OGI | | | 35.86 |
| OMV Enerji Ticaret Anonim Şirketi, Istanbul (GASTR) [7] | OGI | C | 100.00 | 100.00 |
| OMV Gas & Power GmbH, Vienna (OGI) | OMV AG | C | 100.00 | 100.00 |
| OMV Gas Marketing & Trading d.o.o., Zagreb | ECOGAS | C | 100.00 | 100.00 |
| OMV Gas Marketing & Trading Deutschland GmbH, Regensburg | ECOGAS | C | 100.00 | 100.00 |
| OMV Gas Marketing & Trading GmbH, Vienna (ECOGAS) | OGI | C | 100.00 | 100.00 |
| OMV Gas Marketing & Trading Hungária Kft., Budapest | ECOGAS | C | 100.00 | 100.00 |
| OMV Gas Marketing & Trading Italia S.r.l., Milan | ECOGAS | C | 100.00 | 100.00 |
| OMV Gas Marketing Trading & Finance B.V., Amsterdam | OFS | C | 100.00 | 100.00 |
| OMV Gas Storage Germany GmbH, Cologne (OGSG) | OGI | C | 100.00 | 100.00 |
| OMV Gas Storage GmbH, Vienna | OGI | C | 100.00 | 100.00 |
| OMV Gaz Iletim A.S., Istanbul [7] | OGI | C | 100.00 | 100.00 |
| OMV Gaz Ve Enerji Holding Anonim Şirketi, Istanbul [8] | OTHOLD | | | 100.00 |
| OMV Kraftwerk Haiming GmbH, Haiming | OGI | C | 100.00 | 100.00 |
| OMV PETROM GAS SRL, Bucharest | PETROM | C | 99.99 | 99.99 |
| OMV Petrom Wind Power SRL, Bucharest [6] | PETROM | | | 99.99 |
| OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş., Istanbul (BORASC) | OGI | C | 100.00 | 100.00 |
| OMV Switzerland Holding AG, Zug | OGI | C | 100.00 | 100.00 |

**Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31**

| | Parent company | Type of consoli-dation [1] | Equity interest in % as of December 31, 2017 | Equity interest in % as of December 31, 2016 |
|---|---|---|---|---|
| OMV Trading GmbH, Vienna [9] | OGI | | | 100.00 |
| PEGAS CEGH Gas Exchange Services GmbH, Vienna | HUB | AE | 49.00 | 49.00 |
| South Stream Austria GmbH, Vienna | OGI | NAE | 50.00 | 50.00 |
| Trans Austria Gasleitung GmbH, Vienna [10] | OGG | AE2 | 15.53 | 15.53 |
| **Corporate and Other** | | | | |
| Amical Insurance Limited, Douglas (AMIC) [11,12] | OMV AG | NC | 100.00 | 100.00 |
| ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII, Bucharest | PETROM | NAE | 20.00 | 20.00 |
| Diramic Insurance Limited, Gibraltar [7] | OMV AG | C | 100.00 | 100.00 |
| OMV Clearing und Treasury GmbH, Vienna | SNO | C | 100.00 | 100.00 |
| OMV Finance Services GmbH, Vienna (OFS) | SNO | C | 100.00 | 100.00 |
| OMV Finance Services NOK GmbH, Vienna | SNO | C | 100.00 | 100.00 |
| OMV Finance Solutions USD GmbH, Vienna | SNO | C | 100.00 | 100.00 |
| OMV Insurance Broker GmbH, Vienna | OMV AG | NC | 100.00 | 100.00 |
| OMV International Oil & Gas GmbH, Zug | OMV AG | C | 100.00 | 100.00 |
| OMV Petrol Ofisi Holding Anonim Şirketi, Istanbul (OTHOLD) [6] | OMV AG | | | 100.00 |
| OMV Petrom Global Solutions SRL, Bucharest | SNO | C | 75.00 | 75.00 |
| | PETROM | | 25.00 | 25.00 |
| OMV Solutions GmbH, Vienna (SNO) | OMV AG | C | 100.00 | 100.00 |
| PETROMED SOLUTIONS SRL, Bucharest | PETROM | C | 99.99 | 99.99 |
| **Petrom** | | | | |
| OMV PETROM SA, Bucharest (PETROM) [13] | OMV AG | C | 51.01 | 51.01 |

[1] Type of consolidation:
- C Consolidated subsidiary
- AE Associated companies accounted for at-equity
- AE1 Despite majority interest not consolidated due to absence of control
- AE2 Joint venture accounted at-equity
- NC Not-consolidated subsidiary; shell or distribution companies of relative insignificance individually and collectively to the consolidated financial statements
- NAE Other investment recognized at-cost; associated companies of relatively little importance to the assets and earnings of the consolidated financial statements

[2] Economic share 99.99%
[3] Registered name of the company was changed compared to 2016
[4] In liquidation
[5] Company was liquidated /dissolved in 2017
[6] Company was sold in 2017
[7] Parent company was changed compared to 2016
[8] OMV Gaz Ve Enerji Holding Anonim Şirketi was merged with OMV Enerji Ticaret Anonim Şirketi as of September 7, 2017
[9] OMV Trading GmbH was merged with OMV Gas Marketing & Trading GmbH as of June 1, 2017
[10] Economic share 10.78%
[11] Type of consolidation was changed compared to 2016
[12] Amical Insurance Limited was liquidated on February 14, 2018
[13] OMV Petrom SA is assigned to the relevant segments in the segment reporting

All the subsidiaries which are not consolidated either have low business volumes or are distribution companies; the total sales, net income/losses and equity of such companies represent less than 1% of the Group totals.

# Oil and Gas Reserve Estimation and Disclosures (unaudited)

The following tables provide supplementary information in respect of the Group's oil and gas activities. In the absence of detailed disclosure rules in this area under IFRS, the Group has elected to voluntarily disclose the data that would have been required under the ASC 932 as if it was reporting under US GAAP.

To the extent that information refers to financial statements data, the information is based on the primary financial statements (IFRS financial statements).

The regional structure is presented below:

| | |
|---|---|
| Romania and Black Sea | Kazakhstan and Romania |
| Austria Region | Austria and Ukraine (until 2015) |
| North Sea | Norway, Faroe Islands (until 2015) and United Kingdom (until 2017) |
| Australasia | Australia and New Zealand |
| Russia | Russia |
| Middle East and Africa | Bulgaria, Iran (currently under evaluation), Kurdistan Region of Iraq, Libya, Madagascar, Pakistan, Tunisia, United Arab Emirates, Yemen, Algeria (until 2016), Gabon (until 2016) and Namibia (until 2016) |

Two subsidiaries in Pakistan were reported as "held for sale" at the end of 2017. The sale agreement for the divestment of Pakistan disposal group was signed on February 28, 2018.

The subsidiary in the United Kingdom was reported as "held for sale" at the end of 2016. The closing of the sale transaction occurred on January 13, 2017. The disclosures below include the related amounts of OMV (U.K.) Limited and of the Pakistan subsidiaries.

In 2017, OMV acquired a 24.99% interest in Yuzhno Russkoye gas field in Russia. The transaction was closed on November 30, 2017 and comprised the 24.99% interest in OJSC Severneftegazprom (at-equity consolidated) and the 99.99% economic interest in JSC Gazprom YRGM Development (fully consolidated) (see Note 3 for further details).

As OMV holds 51% of OMV Petrom, it is fully consolidated; figures therefore include 100% of OMV Petrom assets and results.

OMV holds a 10% interest in Pearl Petroleum Company Limited which is accounted for as an equity method investment.

The disclosures of equity-accounted investments represent the interest of OMV in the companies.

The subsequent tables may contain rounding differences.

### a) Capitalized costs

Capitalized costs represent the sum of capitalized oil and gas assets, including other intangible assets and property, plant and equipment such as land, plant and machinery, concessions, licenses and rights.

**Capitalized costs - subsidiaries**

EUR mn

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Unproved oil and gas properties | 2,116 | 2,392 | 2,832 |
| Proved oil and gas properties | 22,372 | 23,561 | 22,333 |
| **Total** | **24,489** | **25,952** | **25,164** |
| Accumulated depreciation | (13,487) | (14,266) | (12,572) |
| **Net capitalized costs** | **11,002** | **11,686** | **12,592** |

**Capitalized costs – equity accounted investments**

EUR mn

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Unproved oil and gas properties | 262 | 237 | — |
| Proved oil and gas properties | 157 | 119 | — |
| **Total** | **420** | **356** | — |
| Accumulated depreciation | (22) | (16) | — |
| **Net capitalized costs** | **397** | **340** | — |

## b) Costs incurred

Costs incurred include all costs, capitalized or expensed, during the year in the Group's oil and gas property acquisition, exploration and development activities.

**Costs incurred**

EUR mn

| | Romania and Black Sea | Austria Region | North Sea | Australasia | Russia | Middle East and Africa | Total |
|---|---|---|---|---|---|---|---|
| | | | | **2017** | | | |
| **Subsidiaries** | | | | | | | |
| Acquisition of proved properties | — | — | 2 | — | 521 | — | **523** |
| Acquisition of unproved properties | — | — | — | — | 584 | — | **584** |
| Exploration costs [1] | 53 | 16 | 55 | 14 | — | 92 | **230** |
| Development costs [2] | 511 | 86 | 257 | 25 | — | 119 | **998** |
| **Costs incurred** | **564** | **102** | **314** | **39** | **1,106** | **210** | **2,335** |
| **Equity-accounted investments** | — | — | — | — | **117** | **5** | **122** |
| | | | | 2016 | | | |
| **Subsidiaries** | | | | | | | |
| Acquisition of proved properties | — | — | 1 | — | — | 302 | **304** |
| Acquisition of unproved properties | — | — | 1 | — | — | — | **1** |
| Exploration costs [1] | 77 | 5 | 106 | 18 | — | 103 | **307** |
| Development costs [2] | 422 | 60 | 515 | 43 | — | 188 | **1,228** |
| **Costs incurred** | **498** | **65** | **623** | **61** | — | **593** | **1,840** |
| **Equity-accounted investments** | — | — | — | — | — | — | — |

**Costs incurred**

EUR mn

| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | **Total** |
|---|---|---|---|---|---|---|---|
| | | | | 2015 | | | |
| **Subsidiaries** | | | | | | | |
| Acquisition of proved properties | — | — | — | — | — | — | **—** |
| Acquisition of unproved properties | — | — | 22 | — | — | — | **22** |
| Exploration costs [1] | 331 | 26 | 123 | 6 | — | 120 | **607** |
| Development costs [2] | 599 | 110 | 888 | 94 | — | 202 | **1,894** |
| **Costs incurred** | **931** | **136** | **1,033** | **101** | **—** | **322** | **2,523** |
| **Equity-accounted investments** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

[1] In Norway, exploration represents the costs less a 78% refund of the deductible costs for 2015 and 2016
[2] Not including capitalized interest costs

### c) Results of operations of oil and gas producing activities

The following table represents only those revenues and expenses which occur directly in connection with OMV´s oil and gas producing operations. The results of oil and gas activities should not be equated to Upstream net income since interest costs, general corporate overhead costs and other costs are not allocated. Income taxes are hypothetically calculated, based on the statutory tax rates and the effect of tax credits on investments and loss carryforwards.

**Results of operations of oil and gas producing activities**

EUR mn

| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | Total |
|---|---|---|---|---|---|---|---|
| | | | | **2017** | | | |
| **Subsidiaries** | | | | | | | |
| Sales to unaffiliated parties [1] | 95 | (50) | 810 | 116 | 56 | 301 | **1,329** |
| Intercompany sales and sales to affiliated parties | 1,698 | 382 | 316 | 137 | — | 258 | **2,791** |
| | **1,792** | **333** | **1,126** | **253** | **56** | **559** | **4,118** |
| Production costs | (550) | (89) | (191) | (45) | 0 | (62) | **(937)** |
| Royalties | (203) | (70) | — | (33) | — | (5) | **(311)** |
| Exploration expenses | (69) | (17) | (52) | (14) | — | (69) | **(222)** |
| Depreciation, amortization and impairment losses | (529) | (120) | (485) | (79) | (10) | (107) | **(1,330)** |
| Other costs [2] | (52) | (10) | (39) | (9) | (41) | (26) | **(177)** |
| | **(1,404)** | **(306)** | **(767)** | **(180)** | **(51)** | **(269)** | **(2,978)** |
| **Results before income taxes** | **388** | **27** | **359** | **72** | **5** | **289** | **1,141** |
| Income taxes [3] | (65) | (7) | (276) | (17) | (1) | (273) | **(640)** |
| **Results from oil and gas properties** | **323** | **19** | **83** | **55** | **4** | **16** | **501** |
| **Net income of equity-accounted investments** | — | — | — | — | **(1)** | **108** | **107** |
| | | | | 2016 | | | |
| **Subsidiaries** | | | | | | | |
| Sales to unaffiliated parties [1] | 93 | 13 | 673 | 145 | — | 88 | **1,013** |
| Intercompany sales and sales to affiliated parties | 1,533 | 292 | 204 | 82 | — | 89 | **2,201** |
| Result from asset sales | 2 | (1) | (20) | 15 | — | 1 | **(2)** |
| | **1,628** | **304** | **857** | **243** | — | **179** | **3,211** |
| Production costs | (506) | (85) | (236) | (48) | — | (63) | **(938)** |
| Royalties | (201) | (56) | — | (27) | — | (6) | **(290)** |
| Exploration expenses | (60) | (6) | (660) | (19) | — | (63) | **(808)** |
| Depreciation, amortization and impairment losses | (563) | (132) | (1,095) | (71) | — | (186) | **(2,047)** |
| Other costs [2] | (160) | (13) | (20) | (10) | — | (28) | **(230)** |
| | **(1,490)** | **(293)** | **(2,010)** | **(174)** | — | **(347)** | **(4,314)** |
| **Results before income taxes** | **138** | **11** | **(1,153)** | **69** | — | **(168)** | **(1,103)** |
| Income taxes [3] | (20) | (1) | (5) | (11) | — | (10) | **(47)** |
| **Results from oil and gas properties** | **118** | **10** | **(1,158)** | **58** | — | **(179)** | **(1,150)** |
| **Net income of equity-accounted investments** | — | — | — | — | — | **14** | **14** |

**Results of operations of oil and gas producing activities**

EUR mn

| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | **Total** |
|---|---|---|---|---|---|---|---|
| | | | | 2015 | | | |
| **Subsidiaries** | | | | | | | |
| Sales to unaffiliated parties [1] | 131 | 44 | 508 | 220 | — | 151 | **1,054** |
| Intercompany sales and sales to affiliated parties | 1,866 | 437 | 224 | 142 | — | 120 | **2,789** |
| Result from asset sales | (2) | 0 | 20 | — | — | (2) | **16** |
| | **1,995** | **480** | **752** | **362** | **—** | **269** | **3,858** |
| Production costs | (721) | (107) | (246) | (62) | — | (108) | **(1,243)** |
| Royalties | (237) | (81) | — | (31) | — | (12) | **(361)** |
| Exploration expenses | (146) | (16) | (142) | (38) | — | (365) | **(707)** |
| Depreciation, amortization and impairment losses | (1,259) | (167) | (682) | (403) | — | (1,227) | **(3,738)** |
| Other costs [2] | (25) | (8) | 12 | (22) | — | (10) | **(52)** |
| | **(2,388)** | **(379)** | **(1,058)** | **(555)** | **—** | **(1,722)** | **(6,101)** |
| **Results before income taxes** | **(393)** | **101** | **(306)** | **(193)** | **—** | **(1,452)** | **(2,243)** |
| Income taxes [3] | 49 | (38) | 90 | (35) | — | (6) | **59** |
| **Results from oil and gas properties** | **(345)** | **63** | **(217)** | **(228)** | **—** | **(1,458)** | **(2,184)** |
| **Net income of equity-accounted investments** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

[1] Includes hedging effects; Austria Region includes hedging effects of centrally managed derivatives (2017: EUR (72) mn, 2016: EUR (9) mn, 2015: EUR 53 mn)
[2] Includes inventory changes
[3] Income taxes in North Sea, Australasia and Middle East and Africa include corporation tax and special petroleum tax

## d) Oil and gas reserve quantities

Proved reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Proved developed reserves are those proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods, or in which the costs of the required equipment are relatively minor compared with the cost of a new well and through installed extraction equipment and infrastructure operational at the time of the reserves estimate. It should be reasonably certain that the required future expenditure will be made to safeguard existing equipment within the current budget.

Proved undeveloped reserves are those proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion or substantial new investment is required in order to safeguard or replace ageing facilities.

## Crude oil and NGL

mn bbl

| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | **Total** |
|---|---|---|---|---|---|---|---|
| **Proved developed and undeveloped reserves - Subsidiaries** | | | | | | | |
| **as of January 1, 2015** | **371.7** | **45.4** | **71.4** | **12.5** | **—** | **114.7** | **615.8** |
| Revisions of previous estimates | 19.9 | 3.2 | 22.3 | 1.6 | — | (3.2) | **43.8** |
| Extensions and discoveries | 0.0 | 0.1 | — | — | — | — | **0.1** |
| Production | (30.4) | (5.7) | (11.6) | (4.1) | — | (3.5) | **(55.4)** |
| **as of December 31, 2015** | **361.2** | **43.0** | **82.1** | **10.0** | **—** | **108.0** | **604.3** |
| Revisions of previous estimates | 19.3 | 3.3 | 14.4 | 1.9 | — | (1.6) | **37.3** |
| Purchases | — | — | — | — | — | 35.1 | **35.1** |
| Disposal | — | — | (0.5) | — | — | — | **(0.5)** |
| Extensions and discoveries | 0.2 | — | — | — | — | 0.4 | **0.6** |
| Production | (29.1) | (5.1) | (17.3) | (3.3) | — | (3.0) | **(57.9)** |
| **as of December 31, 2016** | **351.5** | **41.2** | **78.7** | **8.5** | **—** | **138.9** | **618.9** |
| Revisions of previous estimates | 19.5 | 1.4 | 15.1 | (0.6) | — | 2.1 | **37.5** |
| Disposal | (2.3) | — | (27.5) | — | — | (3.5) | **(33.4)** |
| Extensions and discoveries | — | — | — | — | — | 0.4 | **0.4** |
| Production | (27.3) | (4.6) | (18.7) | (2.9) | — | (11.2) | **(64.8)** |
| **as of December 31, 2017** | **341.4** | **38.0** | **47.6** | **5.0** | **—** | **126.7** | **558.6** |
| **Proved developed and undeveloped reserves – Equity-accounted investments** | | | | | | | |
| as of December 31, 2015 | — | — | — | — | — | — | **—** |
| as of December 31, 2016 | — | — | — | — | — | 8.6 | **8.6** |
| as of December 31, 2017 | — | — | — | — | — | 12.2 | **12.2** |
| **Proved developed reserves – Subsidiaries** | | | | | | | |
| as of December 31, 2015 | 330.7 | 40.6 | 40.2 | 10.0 | — | 92.0 | **513.5** |
| as of December 31, 2016 | 322.5 | 39.2 | 43.5 | 8.5 | — | 123.4 | **537.1** |
| as of December 31, 2017 | 309.5 | 36.5 | 38.9 | 5.0 | — | 112.7 | **502.5** |
| **Proved developed reserves – Equity-accounted investments** | | | | | | | |
| as of December 31, 2015 | — | — | — | — | — | — | **—** |
| as of December 31, 2016 | — | — | — | — | — | 8.6 | **8.6** |
| as of December 31, 2017 | — | — | — | — | — | 12.2 | **12.2** |

## Gas

bcf

| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | **Total** |
|---|---|---|---|---|---|---|---|
| **Proved developed and undeveloped reserves - Subsidiaries** | | | | | | | |
| **as of January 1, 2015** | **1,722.0** | **278.9** | **414.7** | **105.8** | **—** | **137.1** | **2,658.5** |
| Revisions of previous estimates | (2.2) | 2.8 | 2.0 | 3.5 | — | 7.8 | **14.0** |
| Extensions and discoveries | 10.9 | 1.0 | — | — | — | — | **12.0** |
| Production | (187.9) | (35.9) | (36.4) | (19.0) | — | (30.3) | **(309.5)** |
| **as of December 31, 2015 [1]** | **1,542.9** | **246.9** | **380.3** | **90.4** | **—** | **114.5** | **2,375.0** |
| Revisions of previous estimates | 18.9 | 13.6 | 33.1 | 2.7 | — | (3.5) | **64.7** |
| Disposals | — | — | (0.6) | — | — | — | **(0.6)** |
| Extensions and discoveries | 1.1 | 1.1 | — | — | — | 7 | **9.1** |
| Production | (187.0) | (31.2) | (52.3) | (20.3) | — | (24.1) | **(314.9)** |
| **as of December 31, 2016 [1]** | **1,375.9** | **230.3** | **360.5** | **72.8** | **—** | **93.9** | **2,133.4** |
| Revisions of previous estimates | 24.1 | 23.0 | 92.8 | 5.5 | — | (1.1) | **144.4** |
| Disposals | (3.0) | — | (16.6) | — | — | (1.7) | **(21.3)** |
| Extensions and discoveries | 0.0 | — | — | — | — | 1.4 | **1.4** |
| Production | (182.9) | (34.2) | (61.6) | (20.0) | — | (18.2) | **(316.9)** |
| **as of December 31, 2017 [1]** | **1,214.1** | **219.1** | **375.0** | **58.4** | **—** | **74.3** | **1,941.0** |
| **Proved developed and undeveloped reserves – Equity-accounted investments** | | | | | | | |
| as of December 31, 2015 | — | — | — | — | — | — | **—** |
| as of December 31, 2016 | — | — | — | — | — | 131.0 | **131.0** |
| as of December 31, 2017 | — | — | — | — | 1,166.3 | 209.0 | **1,375.3** |
| **Proved developed reserves – Subsidiaries** | | | | | | | |
| as of December 31, 2015 | 1,179.3 | 163.9 | 137.0 | 90.4 | — | 62.7 | **1,633.3** |
| as of December 31, 2016 | 1,208.4 | 148.7 | 155.8 | 72.8 | — | 39.6 | **1,625.3** |
| as of December 31, 2017 | 1,071.9 | 141.7 | 159.7 | 58.4 | — | 29.2 | **1,460.9** |
| **Proved developed reserves – Equity-accounted investments** | | | | | | | |
| as of December 31, 2015 | — | — | — | — | — | — | **—** |
| as of December 31, 2016 | — | — | — | — | — | 131.0 | **131.0** |
| as of December 31, 2017 | — | — | — | — | 1,166.3 | 209.0 | **1,375.3** |

[1] 2017: Including approximately 68.4 bcf of cushion gas held in storage reservoirs
2016: Including approximately 72 bcf of cushion gas held in storage reservoirs
2015: Including approximately 72 bcf of cushion gas held in storage reservoirs

**e) Standardized measure of discounted future net cash flows**

The future net cash flow information is based on the assumption that the prevailing economic and operating conditions will persist throughout the time during which proved reserves will be produced. Neither the effects of future pricing changes nor expected changes in technology and operating practices are considered.

Future cash inflows represent the revenues received from production volumes, including cushion gas held in storage reservoirs, assuming that the future production is sold at prices used in estimating year-end quantities of proved reserves (12 months average price). Future production costs include the estimated expenditures for production of the proved reserves plus any production taxes without consideration of future inflation. Future decommissioning costs comprise the net costs associated with decommissioning wells and facilities. Future development costs include the estimated costs of development drilling and installation of production facilities. For all three categories year-end costs without consideration of inflation are assumed. Future income tax payments are calculated on the basis of the income tax rate applicable in each of the countries in which the Group operates. The present cash value results from the discounting of the future net cash flow at a discount rate of 10% per year. The standardized measure does not purport to be an estimate of the fair value of the Group's proven reserves. An estimate of fair value would also take into account, amongst many other factors, the expected recovery of reserves in excess of proved reserves, anticipated changes in future prices and costs as well as a discount factor representative of the risks inherent in the production of oil and gas.

## Standardized measure of discounted future net cash flows

EUR mn

| | Subsidiaries and equity-accounted investments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | **Total** |
| **Subsidiaries** | | | | **2017** | | | |
| Future cash inflows | 18,067 | 2,803 | 4,131 | 551 | 3,080 | 6,390 | **35,021** |
| Future production and decommissioning costs | (9,927) | (1,856) | (1,922) | (489) | (2,176) | (1,346) | **(17,716)** |
| Future development costs | (1,811) | (381) | (273) | (24) | 0 | (418) | **(2,907)** |
| **Future net cash flows, before income taxes** | **6,329** | **566** | **1,936** | **38** | **904** | **4,626** | **14,398** |
| Future income taxes | (447) | (43) | (677) | 11 | (223) | (2,929) | **(4,308)** |
| **Future net cash flows, before discount** | **5,882** | **523** | **1,259** | **48** | **681** | **1,697** | **10,091** |
| 10% annual discount for estimated timing of cash flows | (2,643) | (119) | (192) | 44 | (167) | (714) | **(3,790)** |
| **Standardized measure of discounted future net cash flows** | **3,239** | **404** | **1,067** | **92** | **515** | **983** | **6,300** |
| Equity-accounted investments | — | — | — | — | 82 | 143 | 225 |
| **Subsidiaries** | | | | 2016 | | | |
| Future cash inflows | 15,489 | 2,481 | 4,697 | 597 | — | 5,056 | **28,321** |
| Future production and decommissioning costs | (11,266) | (1,668) | (2,540) | (598) | — | (1,416) | **(17,488)** |
| Future development costs | (2,009) | (336) | (421) | (34) | — | (662) | **(3,462)** |
| **Future net cash flows, before income taxes** | **2,214** | **478** | **1,736** | **(35)** | **—** | **2,978** | **7,370** |
| Future income taxes | (24) | (46) | 226 | 17 | — | (1,694) | **(1,521)** |
| **Future net cash flows, before discount** | **2,189** | **432** | **1,962** | **(18)** | **—** | **1,284** | **5,849** |
| 10% annual discount for estimated timing of cash flows | (869) | (114) | (470) | 54 | — | (579) | **(1,978)** |
| **Standardized measure of discounted future net cash flows** | **1,321** | **318** | **1.491** | **36** | **—** | **705** | **3,872** |
| **Equity-accounted investments** | **—** | **—** | **—** | **—** | **—** | **110** | **110** |

**Standardized measure of discounted future net cash flows**

EUR mn

| | Subsidiaries and equity-accounted investments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Romania and Black Sea | Austria Region | North Sea | Austral-asia | Russia | Middle East and Africa | **Total** |
| **Subsidiaries** | | | | 2015 | | | |
| Future cash inflows | 20,474 | 3,506 | 6,342 | 996 | — | 6,054 | **37,372** |
| Future production and decommissioning costs | (13,639) | (2,265) | (3,062) | (663) | — | (1,166) | **(20,795)** |
| Future development costs | (2,496) | (364) | (642) | (58) | — | (536) | **(4,095)** |
| **Future net cash flows, before income taxes** | **4,340** | **877** | **2,639** | **274** | **—** | **4,352** | **12,482** |
| Future income taxes | (159) | (292) | (133) | (71) | — | (2,758) | **(3,413)** |
| **Future net cash flows, before discount** | **4,181** | **584** | **2,506** | **203** | **—** | **1,594** | **9,069** |
| 10% annual discount for estimated timing of cash flows | (1,922) | (148) | (775) | (10) | — | (668) | **(3,522)** |
| **Standardized measure of discounted future net cash flows** | **2,259** | **436** | **1,731** | **194** | **—** | **926** | **5,546** |
| **Equity-accounted investments** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

## f) Changes in the standardized measure of discounted future net cash flows

**Changes in the standardized measure of discounted future net cash flows**

EUR mn

| **Subsidiaries** | **2017** | 2016 | 2015 |
|---|---|---|---|
| **Beginning of year** | **3,872** | **5,546** | **11,133** |
| Oil and gas sales and transfers produced, net of production costs | (1,365) | (1,842) | (4,193) |
| Net change in prices and production costs | 4,140 | (3,719) | (9,915) |
| Net change due to purchases and sales of minerals in place | 309 | 294 | — |
| Net change due to extensions and discoveries | — | 3 | 9 |
| Development and decommissioning costs incurred during the period | 795 | 999 | 1,224 |
| Changes in estimated future development and decommissioning costs | (536) | (351) | (214) |
| Revisions of previous reserve estimates | 748 | 1,246 | 1,344 |
| Accretion of discount | 324 | 517 | 1,063 |
| Net change in income taxes | (1,780) | 1,279 | 4,622 |
| Other [1] | (207) | (100) | 474 |
| **End of year** | **6,300** | **3,872** | **5,546** |
| **Equity-accounted investments** | **225** | **110** | — |

[1] Contains movements in foreign exchange rates vs. the EUR

Vienna, March 14, 2018

The Executive Board

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