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DIRECTORS' REPORT

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About OMV

OMV's market capitalization increased to EUR 17 bn

OMV produces and markets oil and gas, innovative energy and high-end petrochemical solutions – in a responsible way. OMV has a balanced international Upstream portfolio while its Downstream Oil and Gas business features a European footprint. In 2017, Group sales amounted to more than EUR 20 bn and year-end market capitalization was about EUR 17 bn. The majority of OMV's over 20,000 employees work at its integrated European sites.

In the Upstream Business Segment, OMV focuses on the exploration, development and production of oil and gas in four core regions: (1) Central and Eastern Europe, (2) the North Sea, (3) the Middle East and Africa and (4) Russia. At the end of 2017, OMV Upstream was active in 15 countries across the globe and had proven reserves (1P) of 1.15 bn boe and proven and probable reserves (2P) of 1.94 bn boe. The Reserve Replacement Rate (RRR) was 191% in 2017. Daily production was 348 kboe/d in 2017 (2016: 311 kboe/d), which equals a total production of 127 mn boe. More than 80% of its production in 2017 came from EU/OECD countries. While gas production accounted for 48% of production, oil amounted to 52%.

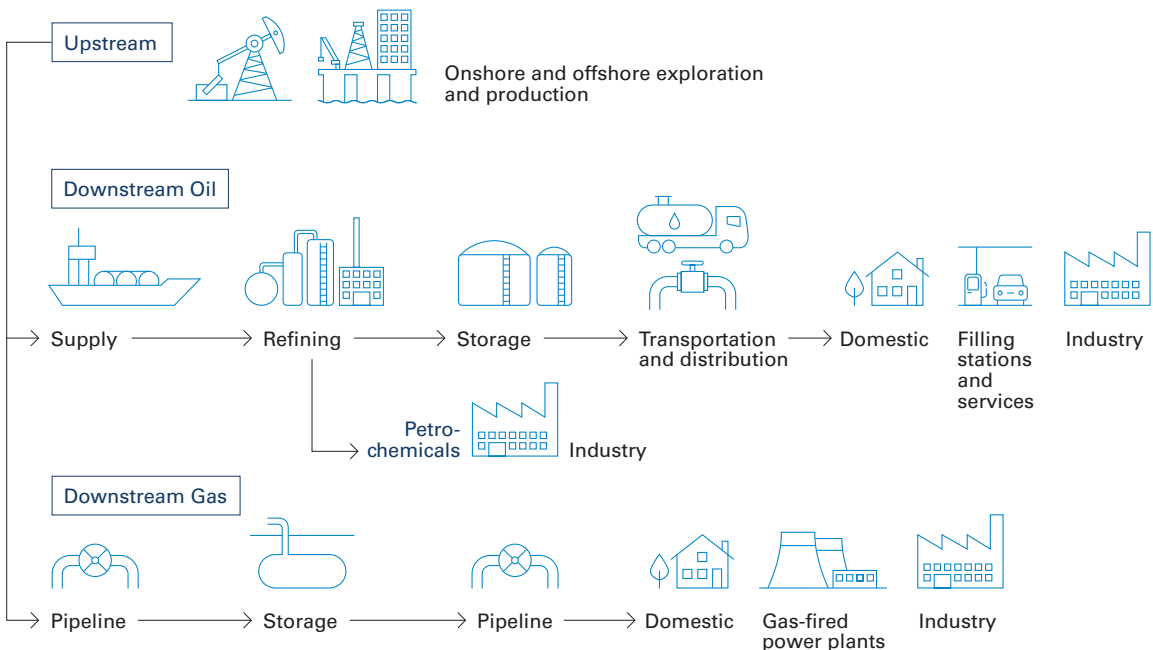
Schwechat (Austria) and Burghausen (southern Germany), both of which feature integrated petrochemical production, and the Petrobrazi refinery (Romania), which mainly processes Romanian crude. OMV has an annual processing capacity of 17.8 mn t. The total refined product sales were 23.82 mn t in 2017 (2016: 30.74 mn t). The retail network consists of 2,039 filling stations in ten countries with a strong multibrand portfolio.

In Downstream Gas, the natural gas sales volume was 113 TWh in 2017 (2016: 109 TWh). OMV operates a gas pipeline network in Austria and gas storage facilities with a capacity of 2.7 bcm (31 TWh). The Central European Gas Hub (CEGH) is a well-established gas-trading platform. The node in Baumgarten (Austria) is Central Europe's largest entry and distribution point for Russian gas. OMV operates two gas-fired power plants: one in Romania and one in Turkey.

OMV Aktiengesellschaft is Austria's largest listed industrial company

The Downstream Business Segment consists of the Downstream Oil and the Downstream Gas businesses. Downstream Oil operates three refineries:

Our value chain



Strategy

OMV has successfully restructured its core business since 2015. Disciplined use of financial resources has significantly improved the profitability of its business. In a volatile market environment, the integrated business model in particular ensured stability. With its Strategy 2025, OMV will expand this proven concept to international markets to continue to grow in value.

Strategic achievements

OMV has successfully implemented its financial and operational goals in line with the strategic priorities it has set itself. The portfolio was optimized through active management, minimizing the effects of the volatility of oil prices and helping to develop a sustainable reserve base. All in all, the competitive position was improved by reducing investments, exploration and appraisal (E&A) expenses and production costs, and by systematically implementing cost reduction programs. The financial strength of the company developed positively in a dynamic market environment. This resulted in a higher positive cash flow after dividends, a lower gearing ratio and increased profitability.

The following strategic successes are particularly noteworthy in the business segments:

Upstream – value over volume growth

- ▶ Improvement of the cost structure compared to 2015: Investment expenses¹, reduction of E&A expenses and production costs by a total of 42%
- ▶ Reduction of production costs from USD 13.2/boe in 2015 to USD 8.8/boe² in 2017
- ▶ Significant increase in value creation: clean Operating Result of EUR 1,225 bn
- ▶ Increase in production to 348 kboe/d in 2017
- ▶ Optimization of the portfolio through divestments (for example, OMV UK) and acquisitions (for example, in Russia)
- ▶ Achievement of a three-year average reserve replacement rate of 116%
- ▶ Expansion and strengthening of strategic partnerships

Downstream Oil – strong cash generation

- ▶ Sale of the Turkish retail business OMV Petrol Ofisi
- ▶ Free cash flow doubled from 2015 to 2017
- ▶ Increase of captive market share in Retail
- ▶ MaxxMotion premium fuel share increased significantly
- ▶ 40% share acquired in full-service provider for e-mobility SMATRICS

Downstream Gas – restructuring and increase in sales

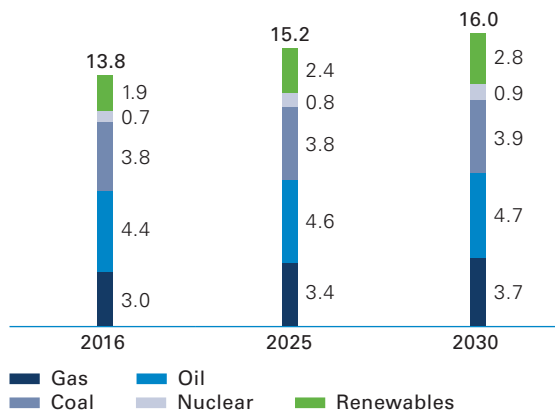
- ▶ Integration of OMV Trading and EconGas to OMV Gas Marketing & Trading GmbH
- ▶ Divestment of 49% share in Gas Connect Austria
- ▶ Sales activities continually expanded
- ▶ Financing partner in Nord Stream 2 pipeline project

Strategic goals successfully implemented

Future market environment

World energy demand by primary energy sources

In bn toe



Source: IEA New Policies Scenario, World Energy Outlook 2017

According to the “New Policies” scenario of the International Energy Agency (IEA), global energy demand will increase from approximately 13,800 mn t in 2016 to more than 16,000 mn t in 2030. Natural gas will be the strongest-growing primary energy source among fossil fuels. A decarbonization policy and stricter emissions standards will lead to a flattening out in the demand for oil products long term.

Natural gas will be the strongest-growing primary energy source

The IEA expects oil to continue to be the dominant fossil energy source far beyond 2030, with the increase in consumption to stem primarily from countries in Asia, the Middle East and Africa. The growth in demand for crude oil is the result of increased demand for products from the petrochemical industry and the transport sector in these emerging markets. While demand for crude oil

¹ Excluding acquisition costs and divestment proceeds

² New definition since 2016 in accordance with the industry standard

Global growth in demand will come from the emerging markets

products is forecast to develop negatively in saturated markets such as North America and North-west Europe, the global growth in demand beyond 2030 will come from the emerging markets in China, India, Africa and the Middle East.

Strategy 2025 expands on the proven concept of integration on an international level

Significant growth in the demand for gas is anticipated especially in Asia (primarily China and India). In Europe, natural gas is catching up to oil according to forecasts: Both energy sources will cover a share of 27% of the primary energy demand by 2030. By 2040, natural gas will have overtaken crude oil in relative and absolute figures despite an overall flattening out in demand growth. Due to increasing global liquefaction capacities (particularly in the USA and Australia), significant additional amounts of LNG will be able to be imported to Europe by 2020, regardless of demand for LNG in Asia. The European supply streams will be influenced significantly by the resulting market behavior of the established suppliers (especially Russia).

The growth in global demand for petrochemical products is tied to the general development of the economy (GDP). More than two-thirds of the increasing demand for hydrocarbons are expected to stem from the emerging Asian markets by 2030, which have the largest share of global population growth and corresponding potential for an increase in the standard of living. In these markets, demand is anticipated to increase disproportionately

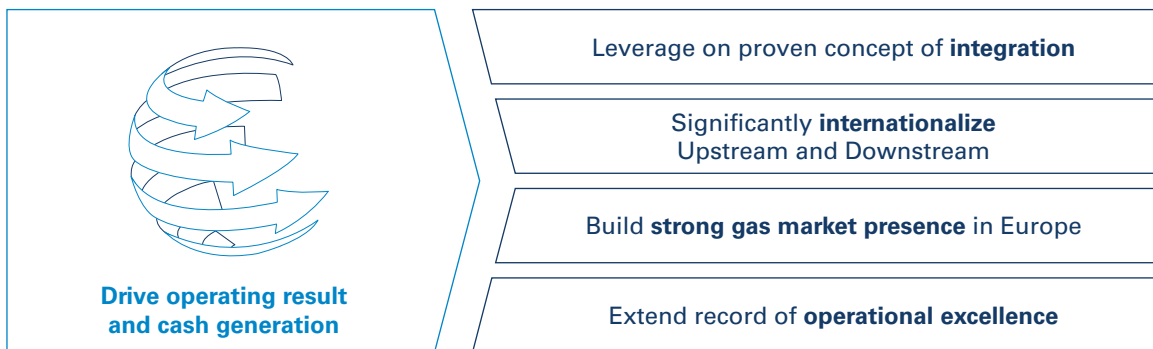
to GDP. The developed markets in Europe, North America and Japan are expected to show stable growth in the demand for petrochemical products in line with GDP. Expansions in petrochemical capacity with ethanol and gas condensate are expected in regions with access to cheap, gas-based feedstocks, such as North America (shale gas), the Middle East (associated gas) and Russia.

Strategic cornerstones

The OMV Strategy 2025 expands on the proven concept of integration on an international level to benefit from growing demand for oil and gas products outside of Europe. Based on a balanced growth strategy in Upstream and Downstream, the size and geographical reach of OMV will be expanded considerably.

The long-term goal of OMV is a significant increase in oil and gas production in Upstream and in processing capacities in Downstream. For Upstream, the focus will be on continuing to improve the costs position and ensure a sustainable reserve replacement. The business development in Downstream will emphasize forward integration into petrochemical products and will increase the production amounts of jet fuel. To achieve this goal, OMV is counting on its proven ability to sustainably build and expand partnerships and cooperations.

OMV – Strategy 2025



Strategy 2025 will transform OMV into an international, diversified and integrated oil and gas company with a focused regional orientation and considerably increased production and processing capacities.

Value growth in Upstream

Value growth will continue to be the guiding principle for selecting growth projects: Low-cost, highly profitable barrels are prioritized over a growth in volume. Based on the current forecast and project pipeline, OMV aims to increase production to roughly 500 kboe/d by 2020 and roughly 600 kboe/d by 2025. Targeted production costs of below USD 8/boe will improve the costs position and therefore value creation. OMV aims to sustainably increase the value of the Upstream portfolio through M&A activities in regions with low development and production costs and through a risk-based approach. Adherence to strict cost management and profitability-oriented capital discipline will remain of the utmost importance.

OMV will continue to focus its portfolio on key regions with a production of more than 50 kboe/d each. Portfolio growth with sustainable reserve replacement is being pursued with the development of projects in selected regions (such as the Middle East and Russia). Australasia is to be developed to the status of a core region by 2025 in order to unlock the growth potential of the rapidly growing Asian market by achieving critical mass. In all, OMV is pursuing a geopolitically and technologically balanced and economically resilient portfolio.

OMV will successively increase the share of natural gas in its portfolio to more than 50% by 2025 to improve the long-term profitability and carbon efficiency of its portfolio. OMV's reserve replacement strategy is focused on the acquisition of reserves and complementary E&A activities that will continually be adapted to the production goal. To ensure a reserve replacement rate of more than 100% (three-year average) in the long term, 1P reserves will be increased to more than 2 bn boe by 2025 along with an average reserve life of eight to ten years. In addition, state-of-the-art technology will be used to increase the total recovery rate through secondary and tertiary reserve replacement methods.

Strategic partnerships will remain an important lever for access to oil and gas fields of significant sizes, with long-term perspectives and value creation. Working together with selected national oil companies ensures access to fields with sustainable production. On a global scale, OMV's cooperations with strong international oil companies support the expansion of technological expertise while also minimizing operational and financial risks.

Optimization of Downstream in Europe

OMV was awarded the distinction of "Downstream Company of the Year" by Petroleum Economist in 2017. To further expand this successful market position in the future, the shares of petrochemical products and jet fuel are being expanded in the portfolio of products for the European market. Strong sales channels, operational excellence and strict cost management at all locations ensure sustainable economic efficiency. A high level of integration between the three refinery locations in Austria, Germany and Romania will continue to contribute to the above-average degree of utilization.

The strategic focus in Retail lies in increasing the sales of fuels from OMV refinery production via the filling stations in the premium and discount segment. The number of stations in Discount Retail will be expanded continually in the coming years, while the focus of the Premium Retail network is on increasing the market share of the premium product MaxxMotion and developing the service and shop offerings.

Production of natural gas is declining at a rapid rate in the European market. Correspondingly, OMV's production capacities and long-term supply contracts with international market partners form the basis for sustainable and reliable supply to customers by OMV. Modern, resilient infrastructure is essential for this. The infrastructure project Nord Stream 2 to expand direct supply capacities for natural gas from Russia is therefore receiving special support. In addition, developing and integrating the offshore project Neptun in the Black Sea into the Romanian supply structure will be pushed forward.

Increase production to roughly 600 kboe/d by 2025

Expand shares of petrochemical products and jet fuel in the portfolio of products

Increase total sales
volume of natural gas

Value creation,
financial stability,
competitiveness
and compliance

In the future, new European markets will be developed and the total sales volume of natural gas will be increased significantly, especially in Northwest Europe. Cooperation with international global market leaders in natural gas production and sales form the solid foundation for economical business development. OMV is well positioned for the growing competition. Its local presence, flexible and multiregional product ranges, efficient processes and excellent portfolio management are visible competitive advantages.

International Downstream growth

In its position as a leader in Europe, the Downstream Business Segment is pursuing the goal of participating in the growth of the international markets for fuels and petrochemical products. Therefore, OMV's production capacities will be expanded significantly and internationally developed. Existing partnerships and alliances form an essential prerequisite for expanding the Company's business model to new regions. OMV's proven skills in implementing and operating major, high-capital projects, its operational excellence and high level of quality management in the Downstream value chain will be put to use to do so.

Financial steering

OMV aims to fulfill the expectations of the financial and capital markets in terms of value creation, financial stability, competitiveness and compliance. Shareholder value management is therefore focused on evaluating the long-term investment projects of the business segments in terms of the economic added value for the Company, the free cash flow contribution and efficient cost control.

OMV's goals for financial management are

- ▶ Long-term preservation of a positive free cash flow after dividends and taking into account a progressive dividend policy to ensure attractive and reliable yields
- ▶ Supporting value creation through a medium- and long-term clean CCS ROACE of at least 12%
- ▶ Growing clean CCS net income attributable to stockholders
- ▶ Ensuring financial stability through a gearing ratio of $\leq 30\%$
- ▶ Long-term preservation of the current strong investment-grade credit rating

Investment and business activities are accompanied and supported by leading risk and compliance management. Competitiveness is ensured through continual process optimization and harmonization along with the corresponding IT infrastructure and the use of digital processes.

Functional strategies

The development of OMV to a more strongly geographically diversified company requires flexible and strong teams to fulfill key functions in a global business environment. Embedding the OMV Foundation Principles of team spirit, accountability, passion, pioneering spirit and performance in all processes forms the basis for this, while sustainably increasing the performance of the organization.

Health, safety, security and environment (HSSE) remains the top priority for our operational business and are an essential part of our sustainability definition: "We create long-term value for our customers and our shareholders by being innovative and an employer of choice. We conduct our business in a

responsible way, respecting the environment and adding value to the societies in which we operate." Key issues for successfully implementing the Group strategy have been identified as HSSE, carbon efficiency, employees, business principles and social responsibility.

Innovation contributes to the optimization of operational business, value creation, evaluating new business opportunities and developing innovative business models. In Upstream, the use of new technologies is a key driver in optimizing production and reserve replacement. Downstream focuses on expanding the petrochemical value chain. To develop innovative energy solutions, OMV is actively researching alternative feedstocks, technologies and fuels.

OMV strategy at a glance



Sustainability

OMV aims to provide affordable energy for the sustainable development of society and the economy while respecting the environment. Sustainable business behavior is crucial for OMV to create and protect value in the long term, to build trusting partnerships and to attract customers as well as the best employees, investors and suppliers.

OMV's approach to sustainability

Sustainability strategy reviewed and integrated in the Group strategy

At OMV, there has been a long tradition of responsible behavior towards employees, the environment and society. In 2017, OMV started the process of reviewing its sustainability strategy with the aim of embedding it into the Group strategy and aligning it with the new OMV purpose, business reason and principles. In several meetings and workshops with the Executive Board and senior management, the updated sustainability definition and focus areas were developed. External stakeholders were consulted in the benchmarking and baseline phase. In addition, the process to define measurable external commitments for each focus area was initiated.

What sustainability means for us

OMV is delivering energy responsibly to improve people's lives. Sustainability for OMV means creating long-term value for our customers and shareholders by being innovative and an employer of choice. We conduct our business in a responsible way, respecting the environment and adding value to the societies in which we operate.

Where we concentrate our efforts

Materiality analysis performed in 2017

In 2017, OMV performed a comprehensive materiality analysis in accordance with the new Global Reporting Initiative Standards and the new Austrian law related to non-financial disclosure. A total of 260 internal and external stakeholders have been engaged in this process to define the most material economic, environmental and social topics for OMV. The results of the process have been evaluated at the business level (Upstream, Downstream Oil and Downstream Gas) and consolidated into a Group materiality matrix.

Following the outcome of the sustainability strategy review process and the materiality analysis, **five focus areas** were defined:

- ▶ **Health, Safety, Security and Environment (HSSE):** Health, safety, security and the protection of the environment are key values at OMV. The integrity of OMV operating facilities, loss prevention and proactive risk management are essential to reaching OMV's HSSE vision of "ZERO harm – NO losses."
 - Further details can be found in the HSSE chapter on page 58.
- ▶ **Carbon Efficiency:** OMV focuses on improving the carbon efficiency of its operations and product portfolio. OMV is fully committed to acting on climate change mitigation and responsible resource management and has consequently set targets to manage and reduce the carbon footprint of its operations and product portfolio.
 - Further details can be found in the HSSE (page 58) and Strategy chapters (page 51).
- ▶ **Innovation:** OMV's innovation mission also focuses on developing solutions that improve the carbon efficiency of our products and services. Investment and partnerships in innovation, research and development are indispensable for long-term value creation.
 - Further details can be found in the Strategy (page 51), Upstream (page 71) and Downstream (page 76) chapters.
- ▶ **Employees:** Building and retaining a talented, diverse and competent team for international and integrated growth is a key enabler of the Group strategy.
 - Further details can be found in the Employees chapter on page 60.

- ▶ **Business Principles and Social Responsibility:** OMV strives to uphold equally high compliance standards at all locations, and the Code of Conduct applies to all employees and suppliers. OMV is a signatory to the United Nations (UN) Global Compact, fully committed to the UN Guiding Principles on Business and Human Rights and aims to contribute to the UN's 2030 Agenda for Sustainable Development.

Business Principles and Social Responsibility Performance

Business ethics and compliance

OMV has a Code of Business Ethics in place that applies to all employees. A dedicated cross-regional compliance organization, consisting of 38 compliance experts, ensures that OMV standards are consistently met across the Group. OMV's Compliance Management System was recertified in 2017 by KPMG under IDW PS 980, which is the benchmark certification standard for DAX and ATX companies. In 2017, 1,269 employees (2016: 2,118) were trained in person to ensure compliance with internal as well as external regulations and laws.

Supplier compliance

OMV has a Code of Conduct in place that ensures suppliers support OMV's principles and mitigates supply chain risks such as forced labor, slavery and human trafficking. All suppliers are obliged to comply with the content of the Code of Conduct. In order to review the level of compliance, in addition to specific audits (e.g. HSSE), in 2017 OMV performed a comprehensive assessment in terms of the environmental, social and governance performance of five important suppliers. All assessed suppliers have met the mandatory requirements, and recommendations for improvements have been communicated.

Human rights

In 2017, OMV updated the Human Rights Policy Statement and launched the Human Rights Management System in order to follow international best practices. A total of 423 employees received training on human rights topics through the e-learning tool and live training sessions (2016: 104). In addition, an internal and external information and awareness campaign on human rights was implemented. In 2017, no incidents of human rights violations (child labor, harm to indigenous people or discrimination) were reported (2016: 0).

Community relations and development

OMV has an active partnership with the communities around its business operations and is committed to add value to these societies. In 2017, the community relations and development process was integrated into the management systems of business projects. The community grievance mechanism is implemented in all OMV-operated assets. In 2017, OMV registered 1,226 grievances (2016: 1,594 grievances) that are handled according to OMV's internal procedures. OMV implemented 205 social initiatives in 17 countries, focusing on the needs of the local communities and on supporting the UN Sustainable Development Goals. In 2017, more than 5,100 members of communities (2016: 3,700) received training for better job opportunities or financial support to start their own business.

205 social initiatives in 17 countries

- 📖 More information about OMV's Environmental, Social and Governance ratings and index inclusions can be found in the chapter OMV on the Capital Markets.
- 📖 Management approaches and performance details for all material topics will be reported in the stand-alone OMV Sustainability Report 2017. This report is also the separate consolidated non-financial report according to Austrian law § 267a UGB.

Health, Safety, Security and Environment

Health, safety, security and protection of the environment are key values at OMV. The integrity of OMV operating facilities, loss prevention, proactive risk management and acting on climate change mitigation are essential to reaching OMV's HSSE vision of "ZERO harm – NO losses."

HSSE Strategy

HSSE Strategy 2020 launched

In order to achieve this vision, during 2017 the OMV Group HSSE Strategy 2020 was established as an integral part of the OMV Sustainability Strategy. The HSSE strategy was launched by the Executive Board in conjunction with a commitment ceremony. It builds on the successes of OMV and addresses areas for enhancement through goals and objectives being set with respect to the following:

- ▶ Health: improve the ability to work through integrated health management
- ▶ Safety: build on sustainable safety for people and plants
- ▶ Security: protect people and assets against emerging malicious intentional threats
- ▶ Environment: minimize environmental footprint throughout the entire life cycle

Health, Safety and Security

Lost-Time Injury Rate improved from 0.40 to 0.34 in 2017

In 2017, the combined Lost-Time Injury Rate (LTIR) for OMV employees and contractors was 0.34 (2016: 0.40), and our combined Total Recordable Injury Rate (TRIR) was 0.79 (2016: 0.70).

In Upstream, our combined efforts kept the LTIR at a low level of 0.28 (2016: 0.33). During 2017, we continued our journey to improving our safety culture and focussed our attention on interactive communication on-site as well as utilizing user-friendly tools to deliver basic safety rules to our employees and supervisors. Assessments of all high-hazard activities were carried out and improvement initiatives were implemented, resulting in fewer incidents with potentially major consequences.

In Downstream, the focus was on leadership engagement and the quality and effectiveness of activities like safety walks, incident investigation and contractor HSSE audits. The LTIR was 0.40 (2016: 0.50). We are deeply saddened to have lost two contract employees during 2017. In September, an employee at an OMV filling station in Hungary died when the driver of a passenger car lost control of a vehicle and crashed into the station. In December, a sudden gas release at the Baumgarten

gas distribution station operated by Gas Connect Austria resulted in an explosion and subsequent fires. One contract employee died as a result of this incident and 21 people were injured. Incident investigation is currently ongoing and recommendations will be implemented to prevent any such recurrence.

OMV Group Safety Performance

In mn hours worked	2017	2016
Company		
Lost-Time Injury Rate	0.24	0.37
Total Recordable Injury Rate	0.73	0.66
Contractors		
Lost-Time Injury Rate	0.39	0.42
Total Recordable Injury Rate	0.82	0.72
Total (Company and contractors)		
Lost-Time Injury Rate	0.34	0.40
Total Recordable Injury Rate	0.79	0.70

Employee well-being and health are the foundation for successful company performance as they are core elements of ensuring the ability to work. In 2017, OMV continued its long tradition of offering health care and health prevention, such as cardiovascular prevention programs, vaccinations and health hours, which go far beyond local legal requirements.

During 2017, there were a number of key safety-related activities:

- ▶ Continuation of the Group-wide rollout of the Safety Culture Program with new safety culture evaluations in different ventures, training workshops with local employees and follow-ups on actions established in 2016
- ▶ Formal issue and rollout of the OMV Group's new Reporting, Investigation and Classification of Incidents Standard, which addresses gaps and deficiencies identified during audits of the incident investigation process performed by external experts in 2016
- ▶ Improving the usability of our central reporting tool where all incidents, findings and defined actions are reported and tracked

In 2017, the nature and frequency of terrorist attacks in Europe and elsewhere continued on the same trajectory as 2016. Mainland Europe, in particular, experienced numerous random, high-impact terrorist attacks utilizing a variety of improvised methods. Considerable effort was placed on ensuring the continued security and safety of employees working and traveling throughout the region by utilizing OMV's dynamic Travel Security platform. This tool proved an invaluable asset, especially in its 24/7 capability to monitor flight bookings, track individual cell phones and deliver instant travel or emergency notifications to travelers via SMS.

Environmental management

Due to the nature of its operations, OMV has an impact on the environment. The Group strives to minimize that impact at all times, particularly in the areas of spills, energy efficiency, Greenhouse Gas (GHG) emissions and water and waste management. OMV aims at optimizing processes to use natural resources as efficiently as possible and to reduce emissions and discharges.

OMV is strongly committed to acting on climate change mitigation and responsible resource management and has accordingly set targets to manage and reduce the carbon footprint of its operations and products. The key target is to reduce OMV's overall carbon intensity by 10% by 2021 compared to 2013. This will be achieved by improving energy efficiency across all operations and implementing projects that reduce direct GHG emissions.

OMV endorsed the World Bank Initiative "Zero routine flaring by 2030." The phasing out of existing routine flaring and venting is an essential contribution to achieve OMV's carbon targets. In 2017, for example, OMV Petrom Upstream continued to reduce its carbon intensity and put several new gas-to-power and combined-heat-and-power/ cogeneration installations into operation that use

previously flared/vented or stranded gas for on-site electricity and thermal energy production.

In 2017, OMV once again achieved an outstanding CDP Climate Change and Water score of A- (Leadership) and has the status of Index/Country Leader in Austria. With its CDP Climate Change score, OMV is one of among 13 companies in the global energy sector that achieved a leadership score and among the top three companies across all sectors in Austria.

In 2017, there was one major hydrocarbon spill (Level 3–Level 5 according to OMV definitions), with 120,000 l of hydrocarbon spilled (2016: two major spills totaling 39,500 l of hydrocarbon spilled). During road maintenance activities carried out by an OMV subcontractor in the Nawara Central Processing facility, Tunisia, a front loader came into contact with the Trapsa Pipeline, leading to an oil spill in the desert. The incident clean-up included the removal and appropriate offsite treatment of the contaminated soil and repair of the pipeline. OMV continued to improve its oil-spill-response preparedness and capabilities. For example, OMV New Zealand purchased additional oil-spill-response equipment to increase the Maari field oil-spill-response capability and undertook an oil-spill-at-sea exercise where the Maari field oil spill contingency plan was tested successfully.

Key environmental actions in 2017:

- ▶ Continued to implement the new Group-wide Environmental Management Standard, introducing the zero routine flaring and venting policy
- ▶ Endorsed the World Bank Initiative "Zero routine flaring by 2030"
- ▶ Developed an Environmental Strategy 2020 focusing on carbon and water management, as well as compliance with ISO 14001/ISO 50001
- ▶ Continued rollout of a Corporate Environmental Risk Assessment tool, which allows optimized data handling, prioritization and action tracking

OMV achieved leadership status for CDP Climate Change and Water

Employees

The year 2017 was one of transformation for OMV. We made significant progress in restructuring our business portfolio and primarily focused on value-added growth further underlined by strict financial discipline. We have anchored Our Principles (the “How”) within the organization. These principles – Team Spirit, Accountability, Passion, Pioneering Spirit and Performance – foster the culture OMV aspires to and supports, thereby pursuing the transformation of OMV in the most sustainable way.

Right priorities for our People Strategy and OMV Human Resources roadmap 2018 already set

Our Principles within the organization

An employee survey of Our Principles in June 2017 showed at a glance – and considering that we are in the middle of the transformation process – an overall positive picture. In all five principles, we achieved an overall positive rating of 70% from our employees with the highest rating of 76% for Accountability. The outcome confirms that we have set the right priorities for our People Strategy to address key topics such as leadership, culture, engagement and development within our organization and underlines that the reduction of complexity and inefficiencies is essential for the future.

Leadership Development as key pillar of our People Strategy

OMV's People Strategy

With Our Purpose “The energy for a better life.” (the “Why”), we strive to contribute to making people's lives better. Powered by our people, we translate energy into quality of life, and this is key to our People Strategy.

We know that it is the experience, skills, attitude and commitment of our people at OMV that shape our strategy. To unlock our organization's full potential, we primarily focus on the main pillars of our People Strategy:

- ▶ **Inspiring leaders:** building diverse and high-performance teams with a strong pipeline for critical positions and a diverse talent base for further development
- ▶ **Performance-focused and principle-led behavior:** embedding our principles in all our people processes and anchoring them in our performance management – a principle-led culture as common ground for our identity
- ▶ **Organizational agility and excellence:** standardized operating models and efficient end-to-end processes as key factors for agility and process excellence
- ▶ **Great place to work:** creating an environment where people can develop professionally and fulfill their personal aspirations in line with our business needs

The OMV Human Resources roadmap for the coming years has been developed to support business growth, increase functional excellence, bring Our Principles to life and ensure that the change in culture supports the company transformation with an even more engaged workforce.

Highlights of 2017

Despite all the changes resulting from the transformation period, significant effort has gone into making Leadership Development a key pillar of our People Strategy.

Leadership Development has been approached from different angles in 2017:

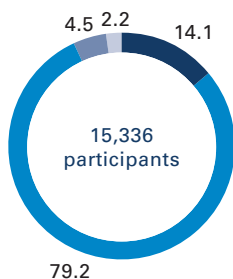
- ▶ Building a shared understanding through leaders based on Our Principles by a newly defined leadership and development framework
- ▶ Our senior leaders participated in 360° feedback to gain insights on how they live Our Principles. This leadership tool has been established to foster a culture of open feedback and learning.
- ▶ Cross-functional leadership sessions for all executives together with their leadership teams (290 leaders from OMV and OMV Petrom participated) to achieve a common and shared understanding of the role of leaders and the application of leadership tools
- ▶ Implementation of the First Time Leaders program and a new online OMV Leaders platform to support all leaders in fulfilling their leadership roles

Continuous time and effort have been invested in **Learning and Development:**

As a base for all our Learning and Development activities, we still focus primarily on our learning-on-the-job approach supported by internal knowledge transfer, coaching and formal training. In 2017, 2,158 employees participated in training in Austria and 15,336 in the Group overall.

Number of training participants 2017^{1,2}

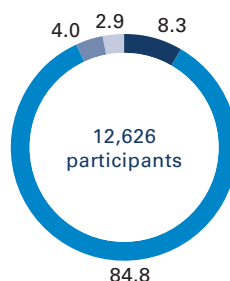
In %



Austria ³	2,158
Romania/rest of Europe	12,149
Middle East/Africa	691
Rest of world	338

Number of training participants 2016^{1,2}

In %



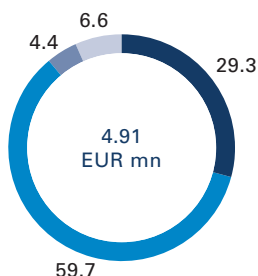
Austria ³	1,054
Romania/rest of Europe	10,706
Middle East/Africa	503
Rest of world	363

In 2017, we redefined our competence model that primarily supports the defined career paths to provide transparency regarding the necessary experiences and skills for relevant functional careers. Programs for early career development and a new collaboration with Gubkin University in Russia have been established.

Our **Human Resources processes** have been simplified and automated further, and with the implementation of a new Group-wide state-of-the-art Performance and Development Management System, we have embedded Our Principles in its goals, evaluation and development.

Money spent on training per region 2017^{1,2}

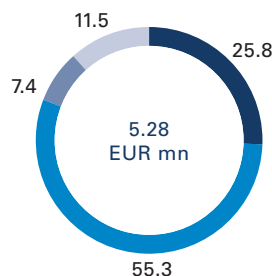
In %



In EUR	
Austria ³	1,439,500
Romania/rest of Europe	2,928,900
Middle East/Africa	213,700
Rest of world	324,800

Money spent on training per region 2016^{1,2}

In %



In EUR	
Austria ³	1,362,700
Romania/rest of Europe	2,916,600
Middle East/Africa	392,600
Rest of world	604,600

¹ Excluding conferences and training for external employees

² The graphs may contain rounding differences

³ Excluding Gas Connect Austria GmbH, FE Trading GmbH

OMV Group diversity
strategy focus
areas: gender and
internationality

Diversity

Diversity is of great importance within OMV. The OMV Group diversity strategy comprises two major focus areas: gender and internationality. Being active in an industry with a strong technical focus, it is particularly challenging for the Company to achieve a satisfactory gender balance in all fields of business activity. OMV is committed to supporting women's advancement to managerial positions. The strategic objective is to achieve the best diversity mix at the senior management level, with a current share of 18%, and to continuously improve within the next years. The proportion of women in the Group as a whole is about 25%. Within OMV's leadership development programs, in 2017 the proportion of women was 22%. In the newly designed First Time Leaders program for new leaders, we reached a remarkable rate of 38% of female participants. Within OMV's Upstream integrated graduate development program for technical skill pools, the proportion of women was 22% in 2017.

So far, various measures to foster diversity at OMV have been initiated and implemented successfully – for example, a Group-wide diversity e-learning program (to improve organizational capabilities and raise awareness). The topic of diversity has been incorporated in all Leadership Development programs and embedded in the OMV People Strategy.

Employee key figures

At the end of 2017, OMV employed 20,721 employees in 26 countries. Compared to 2016, the number of employees in Austria increased by 1.5% and for the Group overall decreased by 8.1%.

Key figures¹

		2017	2016
Employees by region			
Austria		3,482	3,431
Romania/rest of Europe		15,722	17,606
Middle East and Africa		1,093	1,103
Rest of world		424	404
Total number of employees		20,721	22,544
Diversity			
Female	in %	25	25
Male	in %	75	75
Female Senior Vice Presidents	in %	18	23
Number of nationalities²		74	69

¹ As of year-end

² Excluding Gas Connect Austria GmbH, FE Trading GmbH

OMV Group Business Year

In the year 2017, OMV was able to almost double its clean CCS Operating Result due to strong operative performance and an improved market environment. An increase in sales volumes in Upstream and Downstream Gas and the successful continuation of the cost-cutting programs contributed to this remarkable result and a free cash flow after dividends of EUR 1.0 bn.

Business environment

In 2017, the development of global economic growth was significantly more positive than originally expected by research economists. Global trade volume increased – under the influence of higher energy and raw material prices – by 4.7% and, with a positive figure of 3.7%, the growth rate of the **global economy** closed 0.5 percentage points higher than in 2016. The upswing was felt more strongly in industrialized countries than in developing and emerging economies, whose growth edge was halved to 1.4 percentage points. In 2017, GDP growth of 2.5% in the eurozone once again exceeded the 2.3% growth figure of the USA. The monetary policies of the European Central Bank were maintained in 2017, and in contrast to the USA, the prime rate was not raised and remained at 0%.

Economic growth saw acceleration and consolidation in almost all member countries of the EU-28 and reached a figure of 2.5%. With a figure of 4.2%, the expansion of economic activity in Central and Eastern European countries was even stronger.

In **Germany**, the manufacturing industries in particular profited from the economic upswing, which is shown in a significantly stronger 4.3% rise in exports and a 3.8% increase in investment volumes over the previous year. The 2.3% rise in overall economic output was accompanied by falling unemployment figures. In **Austria**, the improved global growth situation and the stimulation of consumer spending in the wake of tax reforms contributed to buoyant economic growth and, with a figure of 3.0%, the doubling of GDP growth compared to 2016. Industrial output increased by 3.7%. Exports and investments both grew by more than 5% and delivered an above-average contribution to economic growth. In **Romania**, tax reductions, increased wages and low inflation had an extremely positive influence on domestic consumer spending. The contribution of this to GDP growth rose to over 6%, while the negative trade balance dampened the growth dynamic. With a GDP increase of 6.7%, the country achieved the second-highest economic growth figure of all EU member states.

Global oil demand rose by 1.7% to a new record of 97.8 mn bbl/d in 2017, with non-OECD countries accounting for about 70% of the increase of 1.6 mn bbl/d. The 0.4 mn bbl/d rise in demand in OECD countries was predominantly attributable to European countries.

Global oil demand
on new record in 2017

Global oil production saw only a moderate rise of 0.4 mn bbl/d to 97.4 mn bbl/d. This was primarily due to the expansion of production in the USA by 0.7 mn bbl/d to 13.2 mn bbl/d – an increase of 5.3%.

Conversely, the OPEC member states cut back their crude oil production by a total of 0.5 mn bbl/d (1.5%) to 32.3 mn bbl/d, which also made it possible to reduce the high stocks built up in previous years by 0.4 mn bbl/d. The decline in production in the OPEC member states Saudi Arabia, Kuwait and Venezuela outweighed increased production in Iran and Libya.

Passed by the OPEC member states in November 2016, the resolution on the reduction of production levels by 1.2 mn bbl/d effective for the first half of 2017 was also supported by other oil-producing countries – for example, Russia and Mexico. The impact of the resolution was a rapid stabilization of the market and the price of Brent crude surged by around 30% to USD 55/bbl up to the beginning of 2017. Following a brief lull in spring that brought a decline to a year's minimum of USD 44.3/bbl, the oil price rose by around 50% to USD 66.5/bbl at the end of the year. The relatively consistent adherence to production restrictions extended until March 2018, and the robust economic and geopolitical situation supported this price increase. In 2017, Brent crude was traded at an average price of USD 54.19/bbl – 24% higher than in the previous year.

The US dollar was weaker against the euro in 2017 and the EUR/USD **exchange rate** rose in the course of the year from 1.05 to 1.20. With an average EUR/USD exchange rate of 1.13 in 2017, it stood 2% higher than the previous year's figure. On the Rotterdam mineral oil products market, the euro prices rose by 17% to 22% for fuels and by more than 40% for heavy fuel oil.

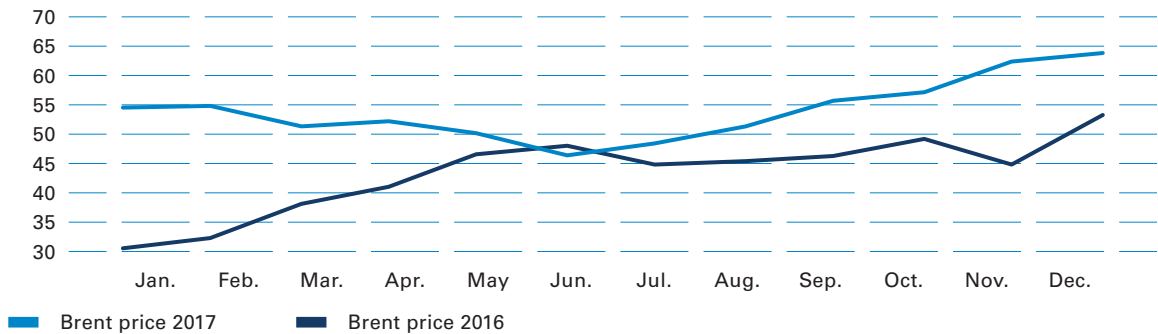
Austrian natural gas market increased by 9%

The **Austrian natural gas market** showed even more positive growth than the previous year. Demand in 2017 increased by 9% to 9 bcm – the equivalent of 100.9 TWh. The gas-fired power plants had to generate 2.4 TWh (around 28%) more electricity, above all due to the tense situation on the power market in the first quarter. Domestic natural gas production was able to be increased by 7% to 13.5 TWh, and net imports contributed 91.9 TWh to cover demand and to fill gas storage facilities. At the end of the year, gas in storage had risen to 59 TWh – 7% more than at the end of 2016.

In 2017, **sales of mineral oil products** in ten Central and Eastern European countries – OMV's relevant market – rose by almost 3% to more than 144 mn t. In **Austria**, the 2% increase in market volume to 11.4 mn t was entirely due to increased demand for diesel fuel. This trend was even more pronounced in **Romania** (+4.5% overall sales with +10% diesel sales). In **Germany**, both overall sales and diesel sales rose by 2.5%. Growth was also registered in the markets for gasoline (+1.5%) and aviation fuel (+4%).

Crude price (Brent) – monthly average

In USD/bbl



Financial review of the year

Strong operational performance: clean CCS Operating Result at EUR 2,958 mn

Consolidated sales increased by 5% compared to 2016, mainly due to higher market prices in Downstream. The **clean CCS Operating Result** rose from EUR 1,535 mn in 2016 to EUR 2,958 mn, which was mainly spurred on by a higher Upstream result due to higher realized oil and gas prices and higher sales volumes in Libya and Norway. With a clean Group tax rate in 2017 of 25% (2016: 7%), clean CCS net income increased to EUR 2,035 mn (2016: EUR 1,230 mn). Clean CCS net income attributable to stockholders amounted to EUR 1,624 mn (2016: EUR 995 mn) and clean CCS Earnings Per Share rose to EUR 4.97 (2016: EUR 3.05).

Net special items of EUR (1,281) mn were recorded in 2017 (2016: EUR (1,574) mn). Downstream net special items amounted to EUR (1,242) mn (2016: EUR (482) mn). In 2016, the Samsun power plant and Etzel gas storage were impaired as well as OMV Petrol Ofisi, following the reclassification to assets held for sale. The net special items in 2017 are mainly related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of foreign exchange losses was recorded in OMV Group's operating result in the amount of EUR (1.2) bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. In Upstream, the net special items decreased to EUR (7) mn in 2017 compared to EUR (1,086) mn in 2016, which were mostly related to impairments of assets in the UK. In Corporate and Other, net special items amounted to EUR (32) mn in 2017 (2016: EUR (7) mn). Positive CCS effects of EUR 55 mn (2016: EUR 6 mn) were recognized in 2017. OMV Group's reported Operating Result rose to EUR 1,732 mn (2016: EUR (32) mn).

The net financial result of EUR (246) mn decreased (2016: EUR (198) mn) mainly due to lower dividend income and higher foreign exchange losses. With a Group tax rate of 43% (2016: 21%), net income amounted to EUR 853 mn (2016: EUR (183) mn).

Net income attributable to stockholders was EUR 435 mn compared to EUR (403) mn in 2016. Earnings Per Share equaled EUR 1.33 compared to EUR (1.24) in 2016.

Key financials

		2017	2016	Δ
Sales ¹	in EUR mn	20,222	19,260	5%
Clean CCS Operating Result²	in EUR mn	2,958	1,535	93%
Clean Operating Result Upstream	in EUR mn	1,225	40	n.m.
Clean CCS Operating Result Downstream	in EUR mn	1,770	1,533	15%
Clean Operating Result Corporate and Other	in EUR mn	(16)	(50)	68%
Consolidation: elimination of inter-segmental profits	in EUR mn	(21)	12	n.m.
Clean Group tax rate		25%	7%	n.m.
Clean CCS net income ²	in EUR mn	2,035	1,230	65%
Clean CCS net income attributable to stockholders^{2,3}	in EUR mn	1,624	995	63%
Clean CCS EPS ²	in EUR	4.97	3.05	63%
Special items	in EUR mn	(1,281)	(1,574)	19%
thereof Upstream	in EUR mn	(7)	(1,086)	99%
thereof Downstream	in EUR mn	(1,242)	(482)	(158)%
thereof Corporate and Other	in EUR mn	(32)	(7)	n.m.
CCS effects: inventory holding gains/(losses)	in EUR mn	55	6	n.m.
Operating Result Group	in EUR mn	1,732	(32)	n.m.
Operating Result Upstream	in EUR mn	1,218	(1,046)	n.m.
Operating Result Downstream	in EUR mn	584	1,106	(47)%
Operating Result Corporate and Other	in EUR mn	(48)	(56)	14%
Consolidation: elimination of inter-segmental profits	in EUR mn	(21)	(36)	42%
Net financial result	in EUR mn	(246)	(198)	(24)%
Group tax rate		43%	21%	107%
Net income	in EUR mn	853	(183)	n.m.
Net income attributable to stockholders	in EUR mn	435	(403)	n.m.
Earnings Per Share (EPS)	in EUR	1.33	(1.24)	n.m.
Cash flow from operating activities	in EUR mn	3,448	2,878	20%
Free cash flow before dividends	in EUR mn	1,681	1,081	56%
Free cash flow after dividends	in EUR mn	1,013	615	65%

Clean CCS
Earnings Per Share
rose to EUR 4.97

¹ Sales excluding petroleum excise tax

² Adjusted for special items; clean CCS figures exclude fuels' inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi

³ After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests

Special items and CCS effect

The disclosure of special items is considered appropriate in order to facilitate analysis of ordinary business performance. To reflect comparable figures, certain items affecting the result are added back or deducted. These items can be divided into four subcategories: personnel restructuring, unscheduled depreciation and write-ups, asset disposals and other.

Furthermore, to enable effective performance management in an environment of volatile prices and comparability with peers, the Current Cost of Supply (CCS) effect is eliminated from the accounting

result. The CCS effect, also called inventory holding gains and losses, is the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method, after adjusting for any changes in valuation allowances. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effects on reported results. This performance measurement enhances the transparency of results and is commonly used in the oil industry. OMV, therefore, publishes this measurement in addition to the Operating Result determined according to IFRS.

Special items and CCS effect

In EUR mn

	2017	2016	Δ
Clean CCS Operating Result¹	2,958	1,535	93%
Special items	(1,281)	(1,574)	19%
thereof personnel restructuring	(31)	(50)	38%
thereof unscheduled depreciation and write-ups	16	(1,621)	n.m.
thereof asset disposal	(31)	80	n.m.
thereof other	(1,235)	18	n.m.
CCS effect	55	6	n.m.
Operating Result	1,732	(32)	n.m.

¹ Adjusted for special items; clean CCS figures exclude fuels' inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi

Notes to the income statement

Compared to 2016, **consolidated sales revenues** increased to EUR 20,222 mn. Sales of the **Upstream** Business Segment increased by 27% to EUR 4,168 mn as a result of an improved market environment and restarting of production in Libya. After the elimination of intra-Group transactions of EUR 2,839 mn, the contribution of Upstream to consolidated sales revenues was EUR 1,329 mn or about 7% of the Group's total sales revenues (2016: EUR 1,013 mn or 5%). Consolidated sales in **Downstream Oil** decreased to EUR 14,065 mn or 70% of total sales (2016: EUR 14,603 mn or 76%), mainly as a result of the divestment of OMV Petrol Ofisi in June 2017. **Downstream Gas** sales increased by 32% to EUR 4,983 mn (2016: EUR 3,779 mn). After the elimination of intra-Group transactions, the contribution to consolidated sales of **Downstream Gas** in 2017 was EUR 4,822 mn or 24% of total sales (2016: EUR 3,640 mn or 19%).

Sales revenues increased by 5%

Sales to external customers are split up by **geographical areas** on the basis of where the delivery of goods or services is effective. Austria retained its position as the Group's most important geographical market with sales of EUR 6,416 mn or 32% of the Group's total (2016: EUR 4,884 mn or 25%). Sales revenues in Germany slightly increased to EUR 3,065 mn, representing a revenue contribution of 15% (2016: EUR 2,777 mn or 14%). In Romania, the sales revenues amounted to EUR 3,449 mn or 17% of total sales revenues (2016: EUR 3,006 mn or 16%). Sales revenues in Turkey decreased significantly to EUR 2,595 mn or 13% of OMV Group's total sales in 2017 (2016: EUR 4,817 mn or 25%) following the divestment of OMV Petrol Ofisi in June 2017. Sales revenues in Russia amounted to EUR 137 mn or 1% of OMV Group's total sales in 2017 (2016: EUR 79 mn or 0%). The increase is mainly attributable to the acquisition of a stake in the natural gas field Yuzhno Russkoye. Sales in the rest of Central and Eastern Europe (CEE) were EUR 2,765 mn or 14% of Group sales revenues (2016: EUR 2,398 mn or 12%). The rest of Europe accounted for EUR 963 mn or 5% (2016: EUR 931 mn or 5%). Sales revenues in the rest of the world

increased to EUR 831 mn following the restart of production in Libya and represent 4% of total sales revenues (2016: EUR 369 mn or 2%).

Other operating income decreased to EUR 488 mn in 2017 (2016: EUR 646 mn), as 2016 was impacted by the write-up related to the reclassification of Asthart field in Tunisia to "held for sale" and by a gain from the divestment of the Aliğa terminal in Turkey. Other operating income in 2017 was impacted by a gain of EUR 137 mn upon 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. **Income from equity-accounted investments** amounted to EUR 510 mn (2016: EUR 425 mn) and mainly reflected the 36% share of the result from the Borealis group amounting to EUR 394 mn (2016: EUR 399 mn). The increase compared to 2016 was predominantly attributable to Pearl following the positive outcome over a dispute concerning certain matters under the Heads of Agreement at the Khor Mor and Chemchemical fields, which led to an income of EUR 90 mn. **Purchases (net of inventory variation)**, which include the cost of goods and materials that are used for conversion into finished or intermediary products as well as goods purchased for reselling, inventory changes and write-offs, totaled EUR (12,331) mn (2016: EUR (12,297) mn). **Selling, distribution and administrative expenses** amounted to EUR (1,636) mn (2016: EUR (1,721) mn). **Explo-**

ration expenses amounting to EUR (221) mn (2016: EUR (790) mn) decreased by 72% mainly due to write-offs in 2016, which were linked to an impairment of the Rosebank asset in the United Kingdom. **Research and development (R&D) expenses**, which are included in Other operating expenses, amounted to EUR (33) mn (2016: EUR (28) mn). **Other operating expenses** of EUR (1,491) mn (2016: EUR (344) mn) were affected by a loss of EUR (1,209) mn linked to the divestment of OMV Petrol Ofisi disposal group, which was mainly related to the reclassification ("recycling") of FX losses from other comprehensive income to the income statement.

The **net financial result** decreased to EUR (246) mn (2016: EUR (198) mn), mainly as a result of lower dividend income and higher FX losses. **Dividend income** amounted to EUR 15 mn (2016: EUR 41 mn). The **net interest result** showed an expense balance of EUR (201) mn (2016: EUR (195) mn).

Taxes on income were EUR (634) mn (2016: EUR 47 mn). Current income tax expenses amounted to EUR (492) mn (2016: EUR (130) mn), and deferred taxes totaled EUR (142) mn (2016: EUR 178 mn). The Group's effective tax rate increased to 43% (2016: 21%), driven by a large profit contribution from the highly taxed countries Norway and Libya. For further details on taxes on income, please refer to Note 11 of the Consolidated Financial Statements.

Summarized income statement

In EUR mn

	2017	2016	Δ
Sales revenues	20,222	19,260	5%
Other operating income	488	646	(25)%
Net income from equity-accounted investments	510	425	20%
Purchases (net of inventory variation)	(12,331)	(12,297)	0%
Production and operating expenses	(1,645)	(1,686)	(2)%
Production and similar taxes	(311)	(290)	7%
Depreciation, amortization and impairment charges	(1,852)	(3,235)	(43)%
Selling, distribution and administrative expenses	(1,636)	(1,721)	(5)%
Exploration expenses	(221)	(790)	(72)%
Other operating expenses	(1,491)	(344)	n.m.
Operating Result	1,732	(32)	n.m.
Net financial result	(246)	(198)	24%
Taxes on income	(634)	47	n.m.
Net income for the year	853	(183)	n.m.
thereof attributable to hybrid capital owners	103	103	0%
thereof attributable to non-controlling interests	315	118	168%
Net income attributable to stockholders of the parent	435	(403)	n.m.

Operating Result rose to EUR 1,732 mn

Cash flow performance

Cash flow from operating activities amounted to EUR 3,448 mn and was significantly higher than in 2016 (EUR 2,878 mn), supported by an improved market environment as well as higher dividends from Borealis and Pearl.

Cash flow from investing activities showed an outflow of EUR (1,766) mn in 2017 compared to EUR (1,797) mn in 2016. In 2017, the divestments of OMV (U.K.) Limited and OMV Petrol Ofisi lead to a net inflow of EUR 1,689 mn, which was offset by the acquisition of an interest in the Yuzhno Russkoye field that lead to a net outflow of EUR (1,644) mn. Furthermore, in 2017 the first drawdowns under the financing agreements for the Nord Stream 2 pipeline project took place and resulted in a cash outflow of EUR (324) mn.

Cash flow from financing activities showed an inflow of EUR 27 mn compared to an outflow of EUR (74) mn in 2016. The year 2017 was impacted by a cash inflow related to the issuance of a EUR 1 bn Eurobond, partly offset by higher dividends paid. In 2016, there was a significant cash inflow resulting from the sale of a 49% minority stake in GAS CONNECT AUSTRIA GmbH in the amount of EUR 454 mn.

Strong free cash flow after dividends of EUR 1,013 mn

Free cash flow after dividends reached a record EUR 1,013 mn (2016: EUR 615 mn).

Capital Expenditure (CAPEX)

CAPEX in 2017 increased to EUR 3,376 mn (2016: EUR 1,878 mn), mainly driven by the acquisition of a 24.99% share in the Yuzhno Russkoye gas field in Russia. **Upstream** capital expenditures amounted to EUR 2,781 mn (2016: EUR 1,356 mn). Apart from the Yuzhno Russkoye acquisition, the Upstream Business Segment invested mainly in field redevelopments, drilling and work-over activities in Romania as well as in field developments in Norway. **Downstream** CAPEX amounted to EUR 580 mn (2016: EUR 513 mn), of which EUR 491 mn were in Downstream Oil (2016: EUR 463 mn) and EUR 90 mn in Downstream Gas (2016: EUR 49 mn). The main investments made were related to a turnaround at the Schwechat refinery as well as other maintenance and compliance activities at the refineries. CAPEX in the **Corporate and Other** segment was EUR 15 mn (2016: EUR 10 mn).

The reconciliation of total capital expenditures to additions according to the statement of non-current assets (intangible and tangible) mainly relates to additions, which by definition are not considered to be capital expenditures, as well as investments in financial assets and changes in the consolidated Group.

Capital expenditure¹

In EUR mn

	2017	2016	Δ
Upstream	2,781	1,356	105%
Downstream	580	513	13%
thereof Downstream Oil	491	463	6%
thereof Downstream Gas	90	49	82%
Corporate and Other	15	10	52%
Total capital expenditure	3,376	1,878	80%
+/- Changes in the consolidated Group and other adjustments ²	(1,595)	173	n.m.
- Investments in financial assets and acquisition of non-controlling interest	(20)	(5)	n.m.
Additions according to statement of non-current assets (intangible and tangible assets)	1,762	2,047	(14)%
+/- Non-cash changes	(176)	(25)	n.m.
Cash outflow due to investments in intangible assets and property, plant and equipment	1,586	2,022	(22)%
+ Cash outflow due to investments, loans and other financial assets	366	66	n.m.
+ Acquisitions of subsidiaries and businesses net of cash acquired	1,644	54	n.m.
Investments as shown in the cash flow statement	3,596	2,141	68%

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

² 2017 included EUR 1.7 bn related to the acquisition of a 24.99% interest in the Yuzhno Russkoye field

The difference between the additions shown in the statement of non-current assets and the investments reported in the cash flow statement partly arise from additions to intangible and tangible assets that did not affect investing cash flows during the period (including accrued liabilities arising from investments, new finance leases, decommissioning and capitalized borrowing costs). In addition, cash outflows due to investments in financial assets as well as the acquisition of subsidiaries and businesses are included in the overall investments shown in the cash flow statement.

Statement of financial position

Total assets decreased by EUR 537 mn to EUR 31,576 mn. The **non-current assets** were impacted by the acquisition of a 24.99% share in the Yuzhno Russkoye gas field in Russia, for which more details are provided in Note 3 of the Consolidated Financial Statements. **Equity-accounted investments** increased by EUR 53 mn and included to a large extent the contribution of Borealis as

well as the proportional results from other equity-accounted investments, currency translation of foreign operations and other changes including dividends received amounting to EUR 369 mn. Drawdowns under the financing agreements for the Nord Stream 2 pipeline project and a contingent consideration receivable related to the divestment of OMV (U.K.) Limited were additional drivers for the increase in **other non-current assets**. **Deferred tax assets** decreased to EUR 744 mn (2016: EUR 839 mn). **Current assets** increased by EUR 1,752 mn and amounted to EUR 9,398 mn as of December 31, 2017. **Assets held for sale** decreased by EUR 3,199 mn mainly due to the divestments of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

Equity (including non-controlling interest) rose by 3% in comparison to 2016 and the equity ratio increased to 45% (2016: 43%). **Pensions and similar obligations** decreased by EUR 54 mn. **Non-current decommissioning and restoration obligations** decreased by EUR 249 mn, mainly due to reassessment effects.

Acquisition of a share in the Yuzhno Russkoye gas field in Russia

Summarized statement of financial position

In EUR mn

	2017	2016
Assets		
Non-current assets	21,972	21,042
Intangible assets and property, plant and equipment	16,301	16,326
Equity-accounted investments	2,913	2,860
Other non-current assets	2,014	1,017
Deferred tax assets	744	839
Current assets	9,398	7,666
Inventories	1,503	1,663
Trade receivables	2,503	2,459
Other current assets	5,392	3,544
Assets held for sale	206	3,405
Equity and liabilities		
Equity	14,334	13,925
Non-current liabilities	10,352	10,354
Pensions and similar obligations	1,003	1,057
Bonds and other interest-bearing debts	4,792	4,737
Decommissioning and restoration obligations	3,070	3,320
Other provisions and liabilities	1,050	1,117
Deferred tax liabilities	437	122
Current liabilities	6,826	6,727
Trade payables	3,262	3,731
Bonds and other interest-bearing debts	902	260
Provisions and other liabilities	2,662	2,736
Liabilities associated with assets held for sale	63	1,107
Total assets/equity and liabilities	31,576	32,112

Current and non-current bonds and other interest-bearing debts increased by EUR 697 mn, primarily related to the issuance of a EUR 1 bn Eurobond in December 2017, partly compensated for by repayments of long-term and short-term debts.

Trade payables decreased by EUR 469 mn, impacted by terminated supplies to the OMV Petrol Ofisi group. **Current and non-current other provisions**

and other liabilities decreased by EUR 142 mn. **Deferred tax liabilities** increased to EUR 437 mn (2016: EUR 122 mn), impacted by the acquisition of a stake in the natural gas field Yuzhno Russkoye. **Liabilities associated with assets held for sale** decreased by EUR 1,043 mn mainly due to the divestments of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

Gearing ratio

Gearing ratio

		2017	2016	Δ
Bonds	in EUR mn	4,757	3,763	26%
Other interest-bearing debts	in EUR mn	937	1,234	(24)%
Liabilities on finance leases	in EUR mn	292	278	5%
Debt associated with assets held for sale	in EUR mn	—	8	n.m.
Debt	in EUR mn	5,986	5,283	13%
Cash and cash equivalents ¹	in EUR mn	3,981	2,314	72%
Net debt	in EUR mn	2,005	2,969	(32)%
Equity	in EUR mn	14,334	13,925	3%
Gearing ratio		14%	21%	n.m.

Gearing ratio significantly improved

¹ Including cash reclassified to "held for sale"

Upstream

In the Upstream Business Segment, OMV took significant actions to reshape its portfolio in line with the focus on low-cost production regions and sustainable reserves replacement in 2017. These included entering Russia with approximately 100 kboe/d added to daily production, the divestment of selected assets and efforts to strengthen partnerships in the Middle East and Africa region. Production cost decreased to USD 8.8/boe, while the reserves replacement rate reached 191% at year-end.

At a glance

		2017	2016	Δ
Clean Operating Result	in EUR mn	1,225	40	n.m.
Special items	in EUR mn	(7)	(1,086)	(99)%
Operating Result	in EUR mn	1,218	(1,046)	n.m.
Capital expenditure	in EUR mn	2,781	1,356	105%
Exploration expenditure	in EUR mn	230	307	(25)%
Exploration expenses ¹	in EUR mn	222	808	(73)%
Production cost ^{2,3,4}	in USD/boe	8.8	10.6	(17)%
Total hydrocarbon production ^{3,4}	in kboe/d	348	311	12%
Total hydrocarbon production ^{3,4}	in mn boe	127.0	113.8	12%
Total hydrocarbon sales volumes ⁴	in mn boe	118.3	108.8	9%
Proved reserves as of December 31	in mn boe	1,146	1,030	11%
Average Brent price	in USD/bbl	54.2	43.7	24%
Average realized crude price	in USD/bbl	49.9	39.8	26%
Average realized gas price	in USD/1,000 cf	5.1	4.5	15%

Notes: The net result from the equity-accounted investment in Pearl is reflected in the Operating Result in all presented periods. Following the closing of the acquisition of a 24.99% interest in the Yuzhno Ruskoye gas field on December 1, 2017, OMV's share of 24.99% in Severneftegazprom ("SNGP" operator of Yuzhno Ruskoye) has been accounted for at equity, and the result of the JSC GAZPROM YRGM Development ("Trader") in which OMV has an economic stake of 99.99% has been fully consolidated.

¹ Exploration expenses include administrative costs in 2016 and exclude them in 2017

² OMV aligned the production cost definition with its industry peers; since Q1/17, administrative expenses and selling and distribution costs are excluded; for comparison only, 2016 figures presented in the table were re-calculated

³ Including the contribution from the equity-accounted investment in Pearl as of Q1/17

⁴ Including OMV's interest in the Yuzhno Ruskoye gas field, starting with December 1, 2017

Financial performance

The clean Operating Result substantially increased from EUR 40 mn in 2016 to EUR 1,225 mn in 2017. OMV benefited from net market effects of EUR 563 mn. Higher realized oil and gas prices were slightly offset by negative FX effects. Higher sales volumes mainly from the production ramp-up in Libya and production increase in Norway contributed EUR 400 mn to the result. In addition, there were positive effects from lower depreciation and production cost. Depreciation decreased by EUR 115 mn mainly as a result of the effect of upward reserves revisions in Q4/16.

Net special items recorded in 2017 amounted to EUR (7) mn (2016: EUR (1,086) mn, mostly related to impairments from the UK divestments). The Operating Result improved substantially to EUR 1,218 mn (2016: EUR (1,046) mn).

At USD 8.8/boe, production cost excluding royalties were down by 17%. This was the result of the higher production coupled with the successful implementation of the cost reduction program.

Total hydrocarbon production rose by 12% to 348 kboe/d, mainly as a result of the higher production from Libya and Norway as well as the production contribution from Russia. OMV Petrom's total daily production went down by 7 kboe/d to

Strong clean
Operating Result at
EUR 1,225 mn

168 kboe/d, mainly due to natural decline and the divestment of marginal fields. In line with higher production, also sales volumes increased by 9% due to liftings from Libya, Russian gas sales and higher liftings from Norway.

In 2017, the average Brent price reached USD 54/bbl, an increase of 24%, predominately due to significant stock draws and a higher geopolitical risk. The Group's average realized crude price rose by 26%.

The average realized gas price in USD/1,000 cf went up by 15%. Realized prices in 2017 were supported by a hedging gain.

Capital expenditures including capitalized E&A in Upstream rose in 2017 to EUR 2,781 mn (2016: EUR 1,356 mn) and considered the acquisition of the 24.99% interest in the Yuzhno Russkoye field in the amount of EUR 1,719 mn. Organic investments were undertaken primarily in Romania and Norway.

Production

Total hydrocarbon production rose by 12% to 348 kboe/d

	2017				2016			
	Oil and NGL	Natural gas ¹		Total	Oil and NGL	Natural gas ¹		Total
	in mn bbl	in bcf	in mn boe	in mn boe	in mn bbl	in bcf	in mn boe	in mn boe
Romania ²	25.0	181.6	33.6	58.6	26.3	185.4	34.3	60.7
Austria	4.6	34.2	5.7	10.3	5.1	31.2	5.2	10.3
Kazakhstan ²	2.3	1.3	0.2	2.6	2.8	1.6	0.3	3.1
United Kingdom	–	–	–	–	0.3	0.9	0.2	0.4
Norway	18.7	61.6	10.3	29.0	17.1	51.4	8.6	25.6
Libya	9.1	–	–	9.1	0.3	–	–	0.3
Tunisia	1.9	2.9	0.5	2.4	2.5	3.4	0.6	3.0
Pakistan	0.2	15.3	2.6	2.7	0.2	20.7	3.5	3.6
Yemen	–	–	–	–	–	–	–	–
Kurdistan Region of Iraq	0.9	11.2	1.9	2.7	–	–	–	–
New Zealand	2.9	20.0	3.3	6.2	3.3	20.3	3.4	6.7
Russia	–	19.8	3.3	3.3	–	–	–	–
Total	65.6	347.9	61.3	127.0	57.9	314.9	55.9	113.8

¹ To convert gas from scf to boe, the following conversion factor was applied in all countries: 1 boe = 6,000 scf; except for Romania, where the following was used: 1 boe = 5,400 scf

² As OMV holds 51% of OMV Petrom, it is fully consolidated and figures include 100% of OMV Petrom's production volumes

Portfolio developments

In 2017, OMV continued to optimize its Upstream portfolio in line with the focus on low-cost production regions and sustainable reserves replacement. These were mainly supported by the acquisition of a share in a producing gas field in Russia and by the divestment of Ashtart field in Tunisia and of marginal fields in Romania. The security situation in Libya improved, which enabled the restart of production.

Russia

Establishment of Russia as a new core region

In 2017, Russia was set up as a new core area for OMV Upstream. On November 30, 2017, OMV completed the acquisition of a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The purchase price

amounted to EUR 1,719 mn and included customary closing adjustments. The transaction was retroactively effective as of January 1, 2017. OMV's share in Yuzhno Russkoye adds approximately 100,000 boe/d to OMV's daily production.

Negotiations with Gazprom regarding an asset swap progressed during the year as anticipated and the closing, including regulatory approval, is expected to proceed as planned in 2018. This agreement comprises a 38.5% stake in OMV (NORGE) AS in exchange for a 24.98% stake in the project for developing blocks 4 and 5 of the Achimov formation in the Urengoy. Further opportunities in Russia with considerable reserves contribution are currently under evaluation in order to generate a substantial long-term profile.

Middle East and Africa

Given the improvement of the political and security situation in Libya, OMV was able to steadily ramp up production in both the Sirte and Sharara oil fields in 2017, with an average total production of around 25 kboe/d for the year.

In 2017, during the course of the review of the Upstream portfolio OMV made the decision to initiate the sale of the Upstream business in Pakistan and the divestment process is ongoing.

OMV closed the sale of its 50% stake in Ashtart, an offshore oil field in the Gulf of Gabes, Tunisia, as well as its 50% stake in the operating company SEREPT to PERENCO, an independent oil and gas company.

Following the first-time recognition of reserves of the 10% at-equity investment in Pearl Petroleum Company Limited¹ (Pearl) at the end of last year, starting with 2017 its contribution is included in OMV's key performance indicators. In August 2017, the Kurdistan Regional Government of Iraq and Pearl reached a full and final settlement of a dispute concerning the Khor Mor and Chemchemal fields under the Heads of Agreement. OMV's Upstream clean Operating Result was positively impacted by about EUR 90 mn. As a result of the settlement, OMV received EUR 50 mn in the form of a dividend from Pearl, while the remainder was put into a dedicated account for future investments in Khor Mor.

OMV continued to strengthen its position in Iran and signed Memorandums of Understanding with Gazprom Neft and Dana Energy, covering potential future cooperation in the country. Negotiations with the National Iranian Oil Company for the appraisal and development of the Band-E-Karkheh field are also underway.

Romania and Kazakhstan

Portfolio optimization is ongoing and on track. Nineteen marginal fields were divested to Mazarine Energy Romania, effective August 1, 2017 and further divestments of marginal fields are under evaluation.

In 2017, drilling activities were ramped up resulting in 14 drilling rigs being active in December among OMV Petrom's operated licenses. A total of 69 new wells and sidetracks were drilled by the end of 2017, a significant increase in line with OMV Petrom's² strategy to support the reserves replacement rate target of 100% by 2021. These activities included, amongst others the initiation of a drilling campaign in the OMV Petrom-operated Istria Block in the shallow waters of the Black Sea. The campaign consists of four wells, of which one is an exploration well to be drilled by mid-2018.

In Kazakhstan, a ten-year extension of the Komso-molkoye, Tukmenoi and Aktas licenses was achieved. Options for a potential regional expansion of OMV Petrom with priority in the Caspian and Western Black Sea region are currently being assessed.

Portfolio restructuring with selected divestments continued

Key projects

Gulfaks (Norway, OMV 19%)

At the Statoil-operated Gulfaks field, with 136 wells available for production, eight new platform wells were drilled and completed in 2017. In addition, the Gulfaks Subsea Compression project was successfully put on stream during the year. The completed Cat J rig arrived in Norway, received Norwegian compliance approval and will head to the fields in 2018. The Cat J rig is specially designed to perform efficient drilling operations on subsea development solutions in addition to conventional surface drilling from fixed platforms.

Gudrun (Norway, OMV 24%)

The Statoil-operated Gudrun field continued with a good level of production from the existing platform wells, mainly as a consequence of delayed field decline and increased in-place volumes. During 2017, the operator also initiated projects to investigate potential new wells in the field as well as a potential change in drainage strategy, which will be further matured in 2018.

Edvard Grieg (Norway, OMV 20%)

The Edvard Grieg offshore oil field operated by Lundin produced significantly above expectations due to de-bottlenecking and high facility uptime. Ten wells were completed in 2017 and the field development plan includes the completion of four more wells in 2018.

¹ Pearl Petroleum Company Limited is a five-company consortium comprised of the two leading independent Middle Eastern oil and gas companies Dana Gas (35%) and Crescent Petroleum (35%), partnered with three major European energy companies – OMV (10%), MOL (10%) and RWE (10%)

² OMV Petrom covers Romania and Kazakhstan

Aasta Hansteen (Norway, OMV 15%) including Polarled

The substructure and the topside of the Aasta Hansteen platform, the Statoil-operated deepwater gas development, were successfully transported from the production yard in South Korea to Norway. Furthermore the testing and the successful mating of the substructure to the topside were also completed in 2017. Start of the production is expected in Q4/2018.

Nawara (Tunisia, OMV 50%)

The OMV-operated onshore Nawara gas condensate field development project is proceeding with the gas treatment plant unit in Gabes and approaching mechanical completion. The pipeline is now completely installed, it has been hydrotested and the completion of the line valve stations is expected in 2018. Work is progressing at the central processing facility, with mechanical work ongoing as most of the skids and equipment are delivered to the site. The project's overall progress, as of the end of 2017, was around 86% completion, behind schedule due to the social and political unrest in South Tunisia throughout the summer months that occurred. Nonetheless, OMV is working on solutions to minimize any further delay. The first gas delivery from the Nawara pipeline is expected in 2019.

Neptun (Romania, OMV 50%)

Neptun Deep represents the deepwater sector of the XIX Neptun block in the Romanian Black Sea, where OMV Petrom is conducting activities through a joint venture with ExxonMobil (operator). Following the first gas discovery made during the 2011–2012 exploration drilling campaign (Domino-1 well), extensive seismic acquisitions and further exploration and appraisal drilling, including well testing, were performed. In 2017, extensive engineering activities took place in preparation for the potential final investment decision that is planned for the second half of 2018.

Neptun project heading towards final investment decision

Other major projects (Romania, OMV 100%)

In 2017, several field development and redevelopment projects such as Independenta Phase 1 and Burcioaia were handed over to operations. Meanwhile, other projects achieved some major milestones, such as commissioning of the produced water treatment plant in Suplac, the first gas delivery to the National Transport System in Madulari and start of project execution in Hurezani, where the aim is to install a low-temperature separation unit and build the related pipelines.

The Offshore rejuvenation program, which started in 2015, consists of 34 projects with the target of upgrading the offshore facilities and pipelines, reducing operational risk and increasing process safety with a total estimated investment expected to exceed EUR 200 mn by 2022.

Exploration and appraisal highlights

In 2017, OMV completed the drilling of 13 exploration and appraisal wells¹ in five different countries, of which five were successful. The drilling of three other wells was ongoing at year-end, with one high-impact well in Norway.

In the Barents Sea, OMV successfully completed the drilling and testing of the 7324/8-3 appraisal well in the Wisting oil field. This was a key well for progressing the Wisting discovery towards development concept selection. A further two exploration and appraisal wells in Norway were finalized in 2017. In the North Sea, well 16/1-27 contributed to the successful appraisal of the Edvard Grieg field thereby optimizing field development.

In the Middle East and Africa region, appraisal drilling in the Shuwaihat field in the United Arab Emirates and OMV-operated exploration drilling in the East Abu Dhabi area were finalized in 2017. The results of the Shuwaihat 6/6A well are still under evaluation. In southern Tunisia, there was a successful test of the oil exploration discovery well Sondes-1.

¹ Of which eight were operated by OMV

Six geophysical surveys in five different countries were acquired in 2017, while two are ongoing at year-end. These activities were carried out in Norway, Tunisia, Pakistan, New Zealand and Australia. The required permitting and planning activities for the acquisition of the 650 km² Schönkirchen 3D seismic survey in Austria were concluded in 2017.

OMV continued to optimize the exploration portfolio throughout 2017 with relinquishments and additions in Norway, Yemen and Pakistan and exploration license prolongation in Romania.

Exploration and appraisal expenditures decreased to EUR 230 mn in 2017 versus EUR 307 mn in 2016, which is in line with the exploration strategy and reflects the current cost focus, as well as the delay of some key projects.

Reserves development

Proved (1P) reserves as of December 31, 2017, increased to 1,146 mn boe (thereof OMV Petrom¹: 566 mn boe). In 2017, the one-year Reserve Replacement Rate (RRR) rose to 191% (2016: 101%). The three-year average RRR grew to 116% in 2017 (2016: 70%). The significant improvement of the RRRs was mainly supported by the acquisition of 24.99% in the Yuzhno Russkoye natural gas field in Russia. Additional reserves were booked because of positive reserves revisions, largely in Norway and Romania, as well as a contract extension in the Kurdistan Region of Iraq following the settlement agreement between the Kurdistan Regional Government of Iraq and Pearl after arbitration proceedings.

Proved and probable oil and gas reserves (2P) amounted to 1,943 mn boe (thereof OMV Petrom¹: 839 mn boe) mainly due to the Yuzhno Russkoye acquisition, which more than compensated for the divestments of OMV (U.K.) Limited, Ashtart in Tunisia and several fields in Romania.

Innovation and new technologies

OMV's Upstream strategy is propelled by state-of-the-art in-house technologies supported by access to well-maintained assets to pilot these technologies and foster rapid full-field implementation worldwide. The current focus on research and development activities continuously enhances recovery rates and the lifetimes of mature fields as well as enables highly efficient oil and gas field exploration even in challenging environments.

OMV applies various enhanced oil recovery methods with a special focus on intelligent water and polymer injection. This enables OMV to increase oil recovery by up to 15% and extend the life of field. In 2017, two horizontal polymer production wells and one polymer injection well were drilled in the 9Torton Horizon reservoir at the Matzen field in Austria. In total, 200,000 boe incremental oil were produced by the end of 2017. As part of the ongoing polymer pilot project, research and development cooperation with Statoil, Total and Gazprom also intensified in 2017. OMV continued to work on the pilot scale testing of innovative technologies in produced water treatment. The handling of back-produced polymers is one of the key aspects that enable cost-efficient intelligent water injection.

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

Reservoir simulation capabilities were improved through a collaboration with Stanford University and OMV is now among the best in its class in reservoir simulation. In addition, a state-of-the-art 3D visualization center was set up at the OMV headquarters in 2017. This supports the better integration of the disciplines working on a reservoir concept.

State-of-the-art in-house technology supports increase of recovery rates

2017 Reserve Replacement Rate rose to 191%

¹ OMV Petrom covers Romania and Kazakhstan

Downstream

OMV was awarded
as Downstream
Company of the Year

OMV's Downstream business consists of Downstream Oil and Downstream Gas. Downstream Oil has three refineries in Central Eastern Europe, two of which have strong petrochemical integration. After the sale of its Turkish subsidiary, OMV Petrol Ofisi, in June 2017, OMV now operates a retail network of approximately 2,000 filling stations in Europe (previously approximately 3,800). Downstream Gas is active along the entire gas value chain. Gas sales volumes amounted to 113 TWh. For 2017, OMV was awarded the title Downstream Company of the Year by the Petroleum Economist.

At a glance

		2017	2016	Δ
Clean CCS Operating Result ¹	in EUR mn	1,770	1,533	15%
thereof Downstream Oil	in EUR mn	1,554	1,341	16%
thereof Downstream Gas	in EUR mn	217	192	13%
Special items	in EUR mn	(1,242)	(482)	(158)%
CCS effects: inventory holding gains/(losses) ¹	in EUR mn	55	55	1%
Operating Result	in EUR mn	584	1,106	(47)%
Capital expenditure	in EUR mn	580	513	13%
Downstream Oil KPIs				
OMV indicator refining margin ²	in USD/bbl	6.05	4.75	27%
Ethylene/propylene net margin ³	in EUR/t	427	375	14%
Utilization rate refineries		90%	89%	1%
Total refined product sales	in mn t	23.82	30.74	(23)%
thereof retail sales volumes	in mn t	8.13	10.40	(22)%
thereof petrochemicals	in mn t	2.15	2.31	(7)%
Downstream Gas KPIs				
Natural gas sales volumes	in TWh	113.40	108.89	4%
Net electrical output	in TWh	7.10	5.18	37%

¹ Current Cost of Supply (CCS): Clean CCS figures exclude special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi

² Actual refining margins realized by OMV may vary from the OMV indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions

³ Calculated based on West European Contract Prices (WECP)

Financial performance

Clean CCS Operating
Result grew
substantially in 2017

The clean CCS Operating Result grew substantially from EUR 1,533 mn to EUR 1,770 mn in 2017, due to improved results in both Downstream Oil and Downstream Gas.

The Downstream Oil clean CCS Operating Result increased in 2017 by EUR 213 mn to EUR 1,554 mn. This was mainly driven by increased refining and petrochemical margins and good performance in the retail business, which more than compensated for the negative impact of the planned turnaround at the Schwechat refinery. The OMV indicator refining margin significantly increased from USD 4.75/bbl

to USD 6.05/bbl. This was largely attributable to stronger middle distillates, naphtha and fuel oil margins. The utilization rate of the refineries came in at 90% in 2017 (2016: 89%). At 23.82 mn t, total refined product sales decreased by 23%, which was attributed to the divestment of OMV Petrol Ofisi in Q2/17. Excluding OMV Petrol Ofisi, total refined product sales marginally declined mainly caused by slightly lower petrochemical sales following the planned turnaround activities at the Schwechat refinery. The clean CCS Operating Result of OMV Petrol Ofisi amounted to EUR 98 mn. The lower depreciation coming from the reclassification of OMV Petrol Ofisi to assets held for sale had a positive impact of EUR 67 mn.

The clean CCS Operating Result of the petrochemicals business improved to EUR 245 mn, despite the planned turnaround activities at the Schwechat refinery (2016: EUR 238 mn). Borealis's contribution to the clean CCS Operating Result was stable at EUR 399 mn.

The Downstream Gas clean CCS Operating Result improved from EUR 192 mn to EUR 217 mn in 2017. This included the reversal of temporary valuation effects from storage and supply hedges in the amount of EUR 29 mn. The performance of Gas Connect Austria decreased from EUR 131 mn in 2016 to EUR 97 mn in 2017 following the change in regulated tariffs. Natural gas sales volumes increased to 113.40 TWh (2016: 108.89 TWh). The power business improved significantly, with net electrical output increasing to 7.10 TWh in 2017 (2016: 5.18 TWh).

The Operating Result of Downstream amounted to EUR 584 mn compared to EUR 1,106 mn in 2016. This result reflects net special items of EUR (1,242) mn, mainly related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of FX losses was recorded in the OMV Group's net income in the amount of EUR 1.2 bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. CCS effects of EUR 55 mn were booked due to increasing crude prices during 2017.

Capital expenditures in Downstream amounted to EUR 580 mn (2016: EUR 513 mn). Investments in Downstream Oil increased to EUR 491 mn (2016: EUR 463 mn), mainly due to activities related to the planned turnaround at the Schwechat refinery. Downstream Gas capital expenditures were EUR 90 mn (2016: EUR 49 mn), reflecting increased regular maintenance activities in the power business.

Downstream Oil

Downstream Oil operates along the entire oil value chain: It processes equity and third-party crude in three competitive inland refineries with an annual capacity of 17.8 mn t in Austria, Germany and Romania. In Austria and Germany, OMV is forward integrated into petrochemicals, with Borealis (36% stake OMV) as a key customer. Total annual petrochemical production, including Romania, amounts to a capacity of 2.5 mn t. Furthermore, OMV markets refined products to commercial customers as well as through its retail network of 2,039 filling stations, with total refined product sales of 23.82 mn t.

Refining including product supply and sales

The impacts of a severe hurricane season in the United States and unplanned outages of major European refineries resulted in higher refinery margins compared to 2016. These high refinery margins combined with strong sales performance resulted in a very good operating result. The result is also based on a high utilization rate of our refineries, which came in at 90% in 2017 (2016: 89%) despite being impacted by turnaround activities at our Schwechat refinery.

High refinery utilization rate at 90%

The regional proximity of the three sites allows OMV to operate them as one integrated refinery system. Intermediate feedstocks are exchanged between the refineries in order to optimize product flows and maximize returns. This system allows to fully capitalize on the flexibilities in shifting output towards high-value products, leveraging economies of scale and strategically aligning investments.

In the petrochemical business, sales volumes were below the level of 2016 mainly due to turnaround activities at the Schwechat refinery. Average petrochemical margins have been higher than the levels achieved in 2016 due to both better ethylene and better propylene margins. The petrochemicals result was also supported by better butadiene margins, being particularly high in the first half of 2017 due

to increased demand in East Asia along with unplanned production outages in Europe. On the crude supply side, a continuous focus on high-value crude oils resulted in higher profitability, which was also supported by regular availability of Libyan crude qualities.

Annual refining capacities

In mn t

Schwechat (Austria)	9.6
Burghausen (Germany)	3.8
Petrobrazi (Romania)	4.5
Total	17.8

Record net profit contribution from Borealis repeated in 2017

Retail

The Retail business continued its strong performance in 2017 and proved to be a stable outlet for refinery products as well as a strong cash generator. Due to the impact of the OMV Petrol Ofisi divestment in Q2/17, total sales volume dropped by 22% to 8.13 mn t (2016: 10.40 mn t). Nevertheless, the average throughput could again be increased by 3% through further efficiency gains and strong performance in all key markets. At the end of the year, the network included 2,039 filling stations (2016: 3,777). OMV continues to focus on its successful multi-brand strategy with a planned expansion into Germany based on a signed agreement with Aldi Süd. The OMV brand is positioned as a premium brand with VIVA representing a strong shop, gastronomy and service offer. The unmanned Avanti/FE filling station brand stands for discount, and the Petrom brand represents value for money. This strategy continued to deliver good results. OMV's premium

Strong Retail performance surpasses market in core refinery orbit

brand MaxxMotion demonstrated top performance, reflecting its premium quality focus, as well as its perceived affordability due to moderate product price increases. Non-oil business, such as the VIVA convenience stores and car wash, continued its sustainable development with an increased contribution compared to 2016. A focus on the highest-quality products and services in the premium filling station network remains one of the key differentiators.

Borealis

Borealis benefited from a strong market environment especially in the polyolefins business and delivered a solid contribution to the clean CCS Operating Result in 2017 of EUR 399 mn (2016: EUR 399 mn). The second consecutive outstanding year was again supported by a very healthy olefin and polyolefin market environment, overcompensating for the continued fertilizer trough, which suffered from lower demand and prices. In addition, Borealis's joint venture with the Abu Dhabi National Oil Company, Borouge, benefited from increased margins and again delivered an excellent result.

Borealis will continue to invest into the future and announced that it will move to the FEED (Front End Engineering and Design) stage for a new, world-scale propane dehydrogenation plant in Kallo, Belgium. Additionally, Borealis and Borouge recently announced the launch of Anteo, a new family of linear low-density polyethylene packaging grades for the global packaging market. It delivers easy processability at lower extruder pressure, better sealing integrity and improved puncture resistance.

Downstream Gas

Downstream Gas operates across the gas value chain from the wellhead to the end customer with a fully integrated gas sales and logistics business. It includes the Group's power business activities, with two gas-fired power plants in Romania and Turkey.

Supply, marketing and trading

OMV markets and trades natural gas in eight European countries and in Turkey. Total gas sales volumes amounted to 113.40 TWh in 2017 (2016: 108.89 TWh). The supply portfolio consists of equity gas and a diversified portfolio of international suppliers. In addition, short-term activities at the main international hubs are complementing OMV's dynamic supply portfolio.

OMV Gas sales activities are focused on the large industry and municipality segments. In 2017, OMV Gas had a local presence in Austria, Germany, Hungary, Netherlands and Croatia. External sales volumes in these countries amounted to 57.2 TWh, representing an increase of 2% compared to 2016. Italy and France are covered by origination activities. This is a substantial achievement given the challenging market environment. Due to the highly competitive and increasingly volatile European gas market situation, the margins remained under pressure. This situation is expected to continue in the future. In Germany, OMV Gas plans to reach a market share of 10% by 2025, a target that is well on track. By the end of 2017, sales reached 17.1 TWh, representing an increase of 25% compared to last year.

In Romania, OMV Petrom Gas activities achieved an excellent clean CCS Operating Result. In the context of a still volatile gas market regulatory framework, the natural gas sales volumes to third parties increased slightly over last year, reaching approximately 45.3 TWh in 2017.

In Turkey, natural gas sales volumes increased from 8.9 TWh in 2016 to 10.9 TWh in 2017.

In 2017, OMV Gas concluded two important LNG deals. With Qatargas (world's largest producer of LNG), OMV Gas signed a sale and purchase agreement under which Qatargas will deliver up to 1.1 mn t of LNG per annum for five years. Additionally, OMV Gas and Cheniere (Houston-based energy company primarily engaged in LNG-related business) have entered into a medium-term multiyear LNG sales agreement under which Cheniere will deliver a number of LNG cargoes to OMV in Europe. The LNG cargoes to be delivered to Europe will provide an additional gas supply source to meet OMV's ambitious sales growth targets in North-west Europe while also providing even greater security of supply to OMV's geographically diverse supply portfolio.

The power business was positively affected by higher power prices both in Romania and Turkey compared to last year, which led to a better power result. Net electrical output was 7.10 TWh, an increase of 37% compared to 2016. The financial impact of the non-availability of one power transformer at the Brazi power plant (Romania) for more than half the year in 2017 was compensated for by the business interruption insurance.

Gas logistics

Gas logistics operates an approximately 900 km high-pressure natural gas pipeline network in Austria together with 31 TWh (in 2016: 30 TWh) of storage capacity and holds a 65% stake in the Central European Gas Hub (CEGH), an important gas trading hub in Central and Eastern Europe.

Due to a change in tariff regulation at the beginning of 2017, the gas transportation business suffered significantly from the decreased interest rate levels and consequently lower allowed returns for the regulated business. This was partly compensated

for by higher transport volumes triggered by renewed gas-to-power utilization and higher domestic consumption due to lower costs. For the storage business, another year with depressed summer/winter spreads placed more pressure on prices. This environment forced OMV to shut down operations at the Thann site (working gas volume: 250 mcm) and to extract existing cushion gas. The technical utilization was exceptionally 100% full in October 2016 and down to only 6% filling level in April 2017, which shows a high demand for flexibility in the market.

At the Central European Gas Hub Virtual Trading Point, 622 TWh of natural gas were traded in 2017, an increase of 17% compared to 2016. In CEGH's first year of Gas Exchange cooperation with the French company Powernext, the exchange-traded volumes in Austria boomed, with a volume of 89 TWh in 2017 almost tripling that of the previous year.

In Q2/17, OMV, ENGIE, Shell, Uniper and Winterhall signed financing agreements with Nord Stream 2 AG for the financing of the Nord Stream 2 pipeline project. OMV has committed to fund 10% of the project costs up to EUR 950 mn. In 2017, OMV provided funding of EUR 324 mn.

EUR 324 mn funding for Nord Stream 2 project in 2017

Innovation and new technologies

OMV actively explores alternative feedstocks, technologies and fuels, with the aim of developing a well-diversified and competitive future portfolio. Efforts and resources center on the production of sustainable biofuels and advanced fuels, future energy for transport and innovative solutions for industry and storage.

In 2017, OMV continued its development efforts in the co-processing of renewable feedstocks with further field testing and a focus on increasing the biogenic yield and volume. For traditional biofuel mixtures, the biogenic component is added to the fuel after production. Co-processing introduces the biogenic raw material into the production process. After a successful first field trial with rapeseed oil in 2016 resulting in an EU-recognized certification

of sustainable biomass, a second trial in 2017 with a higher biogenic volume was successfully conducted and provided valuable information that helped to enhance the technology.

Furthermore, OMV engages in the production of advanced fuels that are not in direct competition with food. For example, OMV cooperates with the Christian Doppler Laboratory in Cambridge to research ways to convert sunlight into energy syngas. Additionally, OMV participates in various funded research projects in the area of synthetic fuels for the future with external partners (e.g. BIO ABC, Kopernikus).

In 2017, OMV delivered the first scale-up step from a bench scale unit to a pilot plant for a project that uses plastic waste to produce a synthetic crude in a pyrolysis process (ReOil). This recycled crude can be processed into any desired refinery product while reducing the dependence on fossil resources and improving carbon intensity. The mechanical completion of the new pilot plant was reached at the end of 2017, and the next step will be a scale-up for commercial usage.

Moreover, OMV actively explores sustainable mobility options. For example, in 2017 OMV joined SMATRICS with an interest of 40%. The remaining shares are held by VERBUND with 40% and SIEMENS with 20%. SMATRICS is the complete provider for all services related to electric mobility throughout Austria. Additionally, OMV continued to develop economically sustainable business models in the areas of Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG).

OMV also investigates other alternative energy sources like hydrogen. As a pioneer in hydrogen mobility, OMV currently operates five hydrogen filling stations in Austria and is a joint venture partner in H2 MOBILITY, whose aim is to run a hydrogen filling station network across all of Germany by the end of 2023. The wind2hydrogen project, which has the objective of producing "green hydrogen" from renewable electricity that can be stored, transported or used whenever it is convenient for customers, provided valuable insights into hydrogen production via electrolysis for the future.

Outlook

Market environment

For the year 2018, OMV expects the average Brent oil price to be at USD 60/bbl. In 2018, average European gas spot prices are anticipated to be on a similar level compared to 2017.

Group

In 2018, capital expenditure (CAPEX) including capitalized exploration and appraisal activities and excluding acquisitions is projected to come in around EUR 1.9 bn.


Upstream

OMV expects total production of 420 kboe/d in 2018. The production from Russia is planned to contribute around 100 kboe/d. In 2018, production in Libya is forecasted to be at a similar level to that of 2017. CAPEX for Upstream (including capitalized E&A and excluding acquisitions) is anticipated to come in around EUR 1.3 bn in 2018. Exploration and appraisal expenditure is expected to be at EUR 300 mn.

Downstream

In 2018, the refining margins are projected to be lower than in 2017. Petrochemical margins are forecasted to be at a similar level to those in 2017. In OMV's markets, retail and commercial margins are predicted to be on a level similar to 2017. The total refined product sales will be lower in 2018 compared to 2017, following the divestment of OMV Petrol Ofisi in June 2017. The utilization rate of the refineries is expected to be above 90% in 2018. This includes the planned full-site turnaround at the Petrobrazil refinery scheduled for approximately six weeks in Q2/18.

The natural gas sales volumes are projected to be higher in 2018 than in 2017. Natural gas sales margins are forecasted to be at a similar level in 2018 to those in 2017. The net electrical output is expected to slightly increase in 2018, as a result of the full availability of the Brazi power plant. OMV will continue to finance the Nord Stream 2 pipeline subject to the progress of the project financing from the capital markets.

 Information about the longer-term outlook can be found in the Strategy chapter (page 51).

Risk Management

In common with the entire oil and gas industry, OMV is exposed to a variety of risks – including market and financial risks, operational risks and strategic risks. The Group's risk management processes focus on risk identification, assessment and evaluation of such risks and their impact on the Group's financial stability and profitability in order to actively manage them in the context of the Group's risk appetite and defined risk tolerance levels.

It is OMV's view that the Group's overall risk is significantly reduced due to its integrated nature and the related, partially offsetting, effects of different risks. The balancing effects of offsetting industry risks, however, can often lag or weaken. Therefore, OMV's risk management activities focus on the Group-wide net risk exposure of the existing and future portfolio. The interdependencies and correlations between different risks are also reflected in the company's consolidated risk profile. The areas of risk management and insurance are centrally coordinated at the corporate level within the Treasury and Risk Management department, which ensures that well-defined and consistent risk management processes, tools and techniques are applied across the entire organization. Risk ownership is assigned to those managers who are best suited to oversee and manage the related risk.

The overall objective of the risk policy is to safeguard the cash flows required by the Group and to maintain a strong, investment-grade credit rating in line with the Group's risk appetite.

Enterprise Wide Risk Management

Non-financial and financial risks are regularly identified, assessed and reported through the Group-wide Enterprise Wide Risk Management (EWRM) process.

The main purpose of the OMV Group's EWRM is to deliver value through risk-based management and decision-making. Assessment of financial, operational and strategic risks supports the exploitation of business opportunities in a systematic manner in order to ensure sustainable growth in OMV's value. Since 2003, the EWRM system has helped to enhance risk awareness and risk management skills across the entire organization, including within subsidiaries in more than 20 countries. OMV Group is constantly enhancing the EWRM based on internal and external requirements.

A cross-functional committee chaired by the OMV Group CFO with senior management members of the OMV Group – the Risk Committee – ensures that the EWRM effectively captures and manages the material risks across the OMV Group.

The process is facilitated by a Group-wide IT system supporting the established individual process steps: risk identification, risk analysis, risk evaluation, risk treatment, reporting and risk review through continuous surveillance of changes to the risk profile. Overall risk resulting from the bottom-up risk management process is computed using Monte Carlo simulations and compared against planning data. This is further combined with a senior management view from a top-down approach to capture the risks implied in the strategy. This process also includes those companies that are not fully consolidated. Twice a year, the results from this process are consolidated and presented to the Executive Board and the Audit Committee. In compliance with the Austrian Code of Corporate Governance, the effectiveness of the EWRM system is evaluated by the external auditor on an annual basis. The key non-financial and financial risks identified with respect to OMV's medium-term plan are

- ▶ Operational risks, including all risks related to physical assets, production risks, project risks, personnel risks, IT risks, HSSE and regulatory/compliance risks
- ▶ Strategic risks arising, for example, from changes in technology, risks to reputation or political uncertainties, including sanctions
- ▶ Financial risks including market price risks and foreign exchange risks

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. Risks related to the EU Emission Trading Scheme are separately recorded and aggregated for the Group as a whole. Furthermore, OMV is

monitoring emerging regulations related to climate change and decarbonization in all operating countries. Through systematic staff succession and development planning, Corporate Human Resources plans for suitable managerial staff to meet future growth requirements in order to mitigate personnel risks. The OMV Group is exposed to a wide range of health, safety, security and environmental risks that could result in significant losses.

Control and mitigation of assessed risks takes place at all organizational levels using clearly defined risk policies and responsibilities. The key Group risks are governed centrally to ensure the ability to meet the planning objectives through the essence of corporate directives, including those relating to health, safety, security, environment, legal matters, compliance, human resources and corporate social responsibility, with special emphasis on human rights and market price risks.

Financial Risk Management

Market price and financial risks arise from volatility in the prices of commodities, foreign exchange (FX) rates and interest rates. Also of importance are credit risks, which arise from the inability of a counterparty to meet a payment or delivery commitment. As an oil and gas company, OMV has a significant exposure to oil and gas prices. Substantial FX exposures include the USD, RON, NOK, TRY and RUB. The Group has a net USD long position, mainly resulting from sales of oil production. The comparably less significant short positions in RON, NOK and RUB originate from expenses in local currencies in the respective countries.

Analysis and management of financial risks arising from foreign currencies, interest rates, commodity prices, counterparties, liquidity and insurable risks are undertaken in a consolidated way at the corporate level. Market price risk is monitored and analyzed centrally in respect of the potential cash flow impact using a specific risk analysis model that considers portfolio effects. The impact of financial


risks (e.g. market prices, currencies) on the OMV Group's cash flow and liquidity are reviewed quarterly by the Financial Risk Committee, which is chaired by the CFO and comprised of senior management of the Business Segments and corporate functions. The Financial Risk Committee is also responsible for reviewing the risk governance framework of the OMV Group and proposing changes to the OMV Executive Board.

In the context of market price risk and FX risk, the OMV Executive Board decides on hedging strategies to mitigate such risks whenever deemed necessary. To protect the Group's cash flow from the potential negative impact of falling oil and gas prices in the Upstream business, OMV uses financial instruments for hedging purposes.

In the Downstream business, OMV is especially exposed to volatile refining margins and inventory risks. In order to mitigate those risks, corresponding hedging activities are undertaken. Those include margin hedges as well as stock hedges. In addition, Emission Compliance Management ensures a balanced position of emission allowances by selling the surplus or covering the gap.

To balance the Group's interest rate portfolio, loans can be converted from fixed to floating rates and vice versa according to predefined rules. 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 rates are not considered to be a material risk.

The main counterparty credit risks are assessed, monitored and controlled at the Group and segment level using predetermined credit limits for all counterparties, banks and security providers. The procedures are governed by guidelines at the OMV Group and OMV Petrom level.

 For further details on risk management and the use of financial instruments, please refer to Note 28 of the Consolidated Financial Statements.

Other Information

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

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

The Supervisory Board has been authorized to adopt amendments to the Articles of Association resulting from the issuance of shares according to the authorized capital.
- b) On May 18, 2016, the Annual General Meeting authorized the Executive Board for a period of five years from the adoption of the resolution, therefore, until (and 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, of the Austrian Commercial Code) or by third parties for the account of the Company.

8. a) A hybrid bond with a size of EUR 750 mn was placed on the market on May 25, 2011. As the repayment of the 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, thereafter a reset fixed rate (to be determined) until April 26, 2023, and thereafter a floating interest rate with a 100-basis-point step-up. The hybrid bond has no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has, in particular, the right to repay the hybrid bond at certain call dates. In the case of a change of control, OMV may call the hybrid bond for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid bond.
- b) On December 7, 2015, OMV issued hybrid notes with an aggregate size of EUR 1.5 bn in two tranches of EUR 750 mn each. As the repayment of the principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid notes (less costs of issuance) are fully treated as equity. Tranche 1 bears a fixed interest coupon of 5.250% until, but excluding, December 9, 2021, which is the first call date of tranche 1, and tranche 2 bears a fixed interest coupon of 6.250% until, but excluding, December 9, 2025, which is the first call date of tranche 2. From December 9, 2021, until, but excluding, December 9, 2025, hybrid notes of tranche 1 will bear interest according to a fixed reset interest rate to be determined according to the relevant five-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 five-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.
9. The material financing agreements to which OMV is a party and bonds issued by OMV contain typical change of control clauses.
10. There are no agreements between the Company and members of the Executive Board and Supervisory Board or employees regarding the payment of compensation in the event of a public takeover bid.
11. The most important elements of the internal control and risk management system regarding the accounting process are the following: Governance for the internal control system is defined by internal corporate regulations (ICS Directive and its Annexes). Corporate Internal Audit controls the compliance with these principles and requirements through regular audits, based on the annual audit plan approved by the Audit Committee of the Supervisory Board, or through ad hoc audits. The results of those audits are presented to the Audit Committee of the Supervisory Board. The establishment of Group-wide standards for the preparation of annual and interim financial statements by means of the corporate IFRS Accounting Manual is also regulated by an internal corporate

regulation. The Group uses a comprehensive risk management system. The essential processes of the financial reporting system have been identified and analyzed. For the main "end-to-end" processes (e.g. purchase-to-pay, order-to-cash), Group-wide minimum control requirements are defined. Based on a defined time plan, the implementation and the effectiveness are being monitored. In addition, the effectiveness of the risk management system is regularly evaluated by external auditors. The results of the evaluation are reported to the Audit Committee of the Supervisory Board.

12. In accordance with section 267a (6) of the Commercial Code, a separate consolidated non-financial report will be issued.

Subsequent events

 Please refer to Note 38 in the Consolidated Financial Statements.

Vienna, March 14, 2018

The Executive Board

Rainer Seele m.p.

Johann Pleininger m.p.

Reinhard Florey m.p.

Manfred Leitner m.p.