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DIRECTORS' REPORT

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About OMV

OMV's market capitalization amounted to EUR 12.5 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 businesses feature a European footprint. In 2018, Group sales amounted to EUR 23 bn and year-end market capitalization was about EUR 12.5 bn. The majority of OMV's 20,231 employees work at its integrated European sites.

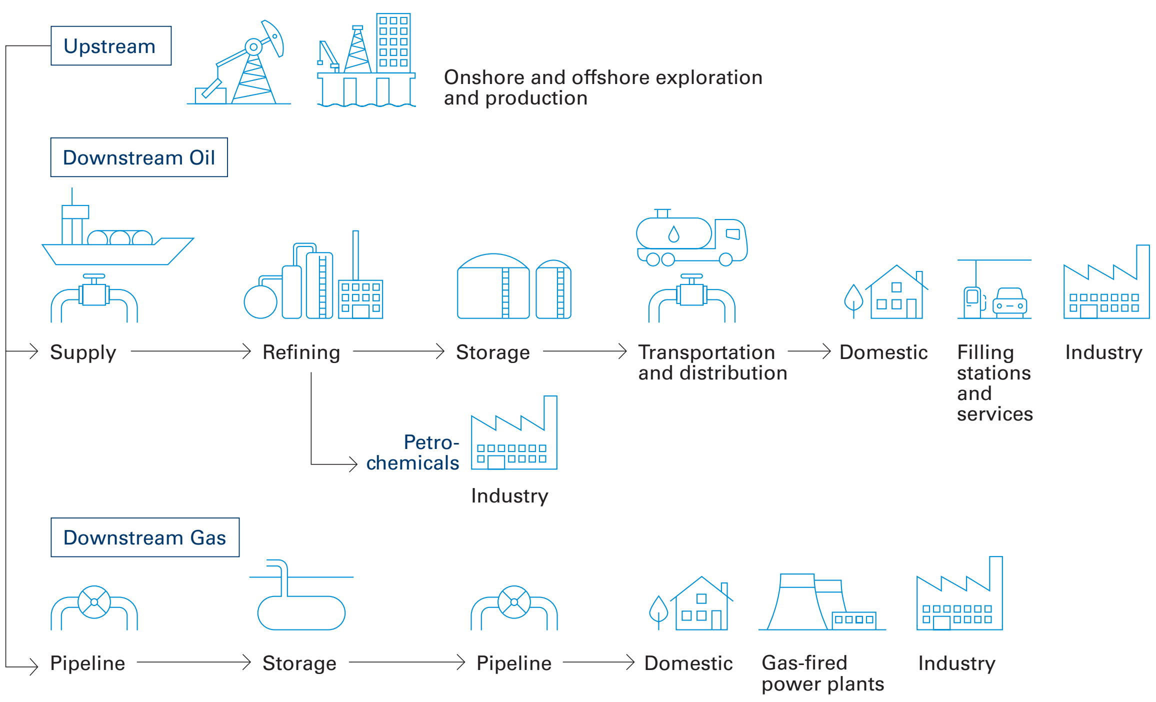
In the Upstream Business Segment, OMV focuses on the exploration, development, and production of oil and gas in its five core regions of Central and Eastern Europe, Russia, the North Sea, Middle East and Africa, and Asia-Pacific. At the end of 2018, OMV had proven reserves (1P) of 1.27 bn boe and proven and probable reserves (2P) of 2.16 bn boe. The Reserve Replacement Rate (RRR) was 180% in 2018. Daily production was 427 kboe/d in 2018 (2017: 348 kboe/d), which equals a total production of 156 mn boe. While gas production accounted for 57% of production, oil amounted to 43%.

OMV is one of Austria's largest listed industrial companies

The Downstream Business Segment consists of the Downstream Oil and the Downstream Gas businesses. Downstream Oil operates three refineries: Schwechat (Austria) and Burghausen (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 20.26 mn t in 2018 (2017: 23.82 mn t). The retail network consists of 2,064 filling stations in ten countries with a strong multibrand portfolio.

In Downstream Gas, the natural gas sales volume was 113.8 TWh in 2018 (2017: 113.4 TWh). OMV owns gas storages facilities with a capacity of 30 TWh and a 51% share in Gas Connect Austria, operating a 900 km natural gas pipeline network. 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 a gas-fired power plant in Romania.

Our value chain



Strategy

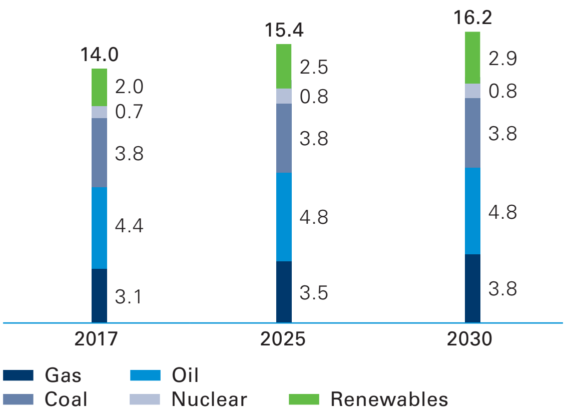
The OMV Strategy 2025 builds on the proven concept of integration. Based on a balanced growth strategy in Upstream and Downstream, the size and geographical reach of OMV will be expanded considerably to participate in attractive growth opportunities outside of Europe. OMV strives to substantially increase the clean CCS Operating Result to at least EUR 5 bn by 2025. Since the strategy was introduced in March 2018, significant milestones have already been reached.

Market outlook

Global energy demand continues to grow and will be met predominantly through traditional energy sources.

World energy demand by primary energy sources

In bn toe



Source: IEA New Policies Scenario, World Energy Outlook 2018

Global energy demand will continue to increase and is expected to rise by 16% by 2030, driven by GDP and population growth. Oil and gas demand continues to rise and will account for more than 50% of global energy demand. Natural gas will be the strongest-growing primary energy source among fossil fuels.

Oil will remain the main source of primary energy in the next decade with a share of about 30% and a compound annual growth rate of 0.7% up to 2030. The increase in consumption will mainly stem 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 transportation sector in these emerging markets. While demand for crude oil products is forecast to develop negatively in saturated markets such as North America and Northwest Europe, the global growth in demand beyond 2030 will come from the emerging markets in Asia, Africa, and the Middle East.

Natural gas will be the strongest-growing primary energy source among fossil fuels, supported by a decarbonization policy and stricter emissions standards. Gas demand will grow at an annual rate of 1.6% up to 2030. Demand for power generation as the main gas-consuming sector will expand further throughout the world, including Europe, replacing power generation from coal.

Oil and gas demand will continue to increase in the next decade

The growth in global demand for petrochemical products is tied to the general development of the economy. The growing petrochemicals market will also be an important consumer of oil and gas. Olefins such as ethylene, propylene, and butadiene are major building blocks for the chemical industry. Their derivatives, such as polyolefins, offer unique properties and economic benefits such as low material costs, as well as easy and fast processing. Petrochemicals are increasingly used, substituting other energy-intensive materials due to their advantageous characteristics. They are essential for various industries such as packaging, construction, transportation, healthcare, pharmaceuticals, and electronics.

This growth will be primarily driven by Asia-Pacific, following the economic development in the region. Demand in mature markets such as Europe, North America, and Japan will continue to stay healthy and develop in line with GDP.

Naphtha, an oil derivative product, is expected to remain the main feedstock for the petrochemical industry. Other feedstocks include coal, primarily in China, associated gas in the Middle East, and shale gas in North America.

Strategic cornerstones – OMV set to become bigger and more valuable

The OMV Strategy 2025 builds on the proven concept of integration, which ensures strong cash flows and resilience. OMV aims to grow both the Upstream and the Downstream business. In Upstream, we target production and reserves growth in defined core regions. In Downstream, the processing capacities and the geographical reach of OMV will be expanded considerably. Moreover, OMV will build

Strategy 2025 expands on the proven concept of integration on an international level a strong gas market presence in Europe. We will continue to improve our performance and extend our record of operational excellence. OMV strives to increase the clean CCS Operating Result to at least EUR 4 bn by 2020 and at least EUR 5 bn by 2025.The growth will be driven equally by Upstream and Downstream and will be achieved both organically and through acquisitions. Strategic partnerships will remain an important lever to access attractive projects, with long-term perspectives and value creation.

Increase clean CCS Operating Result to at least EUR 4 bn by 2020 and at least EUR 5 bn by 2025

Upstream

OMV Upstream will generate profitable growth by increasing quality of the portfolio, while remaining focused on cash generation. The target production levels of 500 kboe/d and 600 kboe/d in 2020 and 2025, respectively, are reaffirmed. Production will ensure more than 50% natural gas in the future to improve long-term carbon efficiency and adapt to the changing mix in global energy demand. To ensure a Reserve Replacement Rate of more than 100% (three-year average) and an average reserve life of eight to ten years in the long term, 1P reserves will almost double to more than 2 bn boe by 2025. Portfolio growth will be achieved primarily through acquisitions in low-cost, hydrocarbon-rich regions, but also through organic exploration and investments. Average production costs will not exceed USD 8/boe. Strict cost management, a focus on profitability, and prudent capital discipline will be of utmost importance as we take steps to reach these targets.

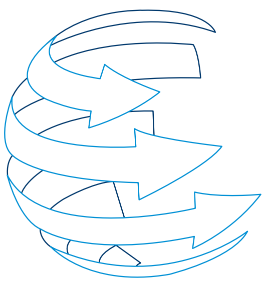
Upstream reserves to almost double to more than 2 bn boe by 2025

OMV will continue to focus its portfolio on five core regions. Portfolio expansion is being pursued with projects in OMV's core regions, with particular focus on the Middle East and Africa, Russia, and Asia-Pacific to ensure sustainable replacement with low-cost barrels and improve the Company's overall resilience.

Strategic partnerships with long-term value creation prospects will continue to be an important pathway for OMV to access material volumes of oil and gas reserves. Working together with selected national oil companies as well as with strong international oil companies supports our expansion into our core regions and bolsters our technological capabilities, while also minimizing operational and financial risks.

OMV Upstream is planning to invest between EUR 1.3 and 1.7 bn annually for organic growth and operations until 2025. OMV will increase its annual budget for exploration and appraisal activities from EUR 300 mn (2018) to EUR 350 mn in 2019 in line with the growing necessity to replace produced reserves. This translates into 15 to 20 exploration drillings to be expected per year.

OMV – Strategy 2025



Leverage on proven concept of **integration**

Significantly **internationalize** Upstream and Downstream

Build **strong gas market presence** in Europe

Drive **operating result**

Upstream – strategic achievements

Since the announcement of the OMV Strategy 2025 in March 2018, we have made major progress in implementing our strategy. The highlights are summarized below:

- Generated strong earnings with a clean Operating Result of EUR 2.0 bn in 2018
- Gas production increased to 57% of the total portfolio
- Production costs reduced to USD 7/boe in 2018
- Fast-track strategy execution: high-quality portfolio expanded through acquisitions in New Zealand, United Arab Emirates (UAE), and Malaysia
- Asia-Pacific is developed into a core region following the expansion in New Zealand and the acquisition of a 50% stake in a new joint venture company in Malaysia named SapuraOMV Upstream
- Three-year average Reserve Replacement Rate increased to 160%
- 1P reserves base increased to 1.3 bn boe at year-end 2018

Landmark transactions

New Zealand

- Expanded footprint by increasing stake in existing assets for a price of USD 579 mn
- Adding up to 100 mn boe of recoverable resources
- Immediate production contribution at closing
- Strong free cash flow contribution
- OMV has capitalized on its experience in New Zealand since 1990 to increase the oil and gas recovery rates.

Abu Dhabi

- Acquired a 20% stake in two oil fields in Abu Dhabi for USD 1.5 bn
- Greenfield developments with huge reserves of 450 mn boe
- Long term plateau of 43 kboe/d from 2023
- Long term stable and substantial free cash flow contribution
- Strengthening strategic partnership with ADNOC and building material position in one of the world's richest regions in hydrocarbons

Malaysia

- Acquired a 50% stake in a new joint venture company named SapuraOMV Upstream for USD 540 mn and USD 85 mn future contingency payment
- 260 mn boe of life of field production, 90% gas
- Plateau production of ~60 kboe/d (100%) expected by 2023
- SapuraOMV Upstream expected to be free cash flow positive in 2020
- OMV capitalizes on the increasing LNG demand and growing Asian markets.
- SapuraOMV Upstream will be the platform for further regional growth.

Downstream Oil

In Downstream Oil, OMV will further strengthen its competitive position in Europe. OMV will modify its European refining assets by reflecting expected demand changes and shifting to higher-value products. By 2025, up to EUR 1 bn will be invested in the refineries in Austria, Germany, and Romania. More than 50% of the investments will be used to expand OMV's position in the petrochemical sector. The three sites will continue to be operated as one integrated refinery system, optimizing asset utilization and maximizing margins through the exchange of intermediate products. OMV is well positioned to capture the benefits of marine fuel market changes in 2020 from new IMO regulations. OMV's site flexibility allows to further reduce its low heavy fuel oil yield of 2% with no additional investments by 2020. Western refineries will become heavy fuel oil free by 2025.

Excellently positioned to capture significant upside from new IMO regulations

The retail business will increase fuel sales in the premium and discount segments. The number of discount stations will be expanded in Austria, Germany, and Slovenia. The concept will be tested in Hungary. The focus of the premium retail network is on increasing the market share of the premium product "MaxxMotion" as well as developing additional customer-oriented service and shop offerings. In order to safeguard revenue and profitability in Europe, OMV will increase the share of our refineries' production sold through captive sales channels from 47% to 55% by 2025. This will ensure resilience and a refinery utilization rate of over 90% in the long term, which is well above the average in Europe.

Downstream Oil to export successful European refining and petrochemical business model to international growth markets

Building on our strong expertise as one of Europe's leading refiners, we strive to export our successful European refining and petrochemical business model to international growth markets. By 2030, fuel demand is expected to grow significantly in Asia, as well as in the Middle East and Africa. Petrochemicals demand is set to increase in all regions, especially in Asian markets. Overall, Asia will absorb more than 90% of the growth in global oil demand. Thus, OMV aims to nearly double its refining capacity by 2025, establishing one to two core regions outside Europe.

Downstream Oil – strategic achievements

Since the announcement of the OMV Strategy 2025 in March 2018, we have made major progress in implementing our strategy. The highlights are summarized below:

- Strong contribution to Group financials with a clean CCS Operating Result of EUR 1.6 bn
- Fast-track strategy execution: signed acquisition of a 15% interest in ADNOC Refining and in a to-be established Trading Joint Venture at the end of January 2019
- Increased share of refineries' production sold through captive sales channels to 49% supported by storage tank acquisitions and an increased number of discount filling stations
- Utilization rate of the refineries of 92% achieved, despite a six-week planned turnaround at the Petrobrazi refinery
- ReOil®: fuel production from waste plastic facility developed from an R&D phase into a pilot project integrated into our refinery

Landmark transactions: OMV becomes shareholder in ADNOC Refining

- Signed acquisition of a 15% interest in ADNOC Refining and in a to-be established Trading Joint Venture
- Refining complex is situated in Ruwais, in the United Arab Emirates
- Decisive step taken to grow the Downstream Oil business beyond Europe
- OMV becomes strategic partner in the 4th largest refinery in the world, integrated into petrochemicals, with a total capacity of 922 kbbl/d
- Increase in OMV's refining and petrochemical capacity by around 40% and 10%, respectively
- OMV will be part of an already profitable business with strong domestic sales and access to attractive markets such as Asia-Pacific
- Future significant value creation from organic and self-funded growth
- Further increase in profitability through OMV's world-class operational and commercial expertise

Downstream Gas

OMV will become the leading integrated supplier with a strong market presence from Northwest to Southeast Europe. By 2025, OMV gas sales will grow to more than 20 bcm, thereby aiming at a 10% market share in Germany, Europe's largest gas market. OMV will increasingly market natural gas from own upstream production as well as imported gas volumes. European demand for natural gas is expected to remain stable until 2030, with upside potential of 40 bcm primarily driven by a switch from coal to natural gas in power generation. In the same time period, European natural gas production is rapidly declining, causing an increasing supply gap that needs to be filled. In this environment, OMV's integrated position in the European market will be strengthened by rising equity gas volumes from projects in Norway and Romania and long-term supply contracts with Gazprom.

The Nord Stream 2 pipeline is advantageous for OMV's gas strategy and will secure as well as increase consistent and reliable long-term gas supplies to Europe and the Central European Gas Hub in Baumgarten, Austria.

Downstream Gas – strategic achievements
Since the announcement of the OMV Strategy 2025 in March 2018, we have made progress in implementing our strategy. The highlights are summarized below:

- Gas sales in Germany increased by 50%, reaching a market share of 2.6% in 2018
- Successful market entry in the Netherlands
- Extension of natural gas supplies from Russia to Austria until 2040; increase in gas supplies from Gazprom by 1 bcm per year
- Divestment of the Samsun power plant in Turkey

Finance

OMV's value-driven finance strategy aims to enable growth, drive performance, and reward shareholders. A set of strategic and financial criteria are taken into account when making an investment decision. Growth will be executed on a solid financial base, with the following long-term targets being the foundation of OMV's finance strategy:

- Positive free cash flow after dividends, taking a progressive dividend policy into account
- Clean CCS ROACE of at least 12%
- Increase clean CCS Operating Result to at least EUR 4 bn by 2020 and to at least EUR 5 bn by 2025
- Increase cash flow generation[1] to above EUR 5 bn in the mid term
- Grow clean CCS net income attributable to stockholders
- Ensure financial stability through a maximum gearing ratio of ≤30%
- Maintain a strong "investment-grade" credit rating

OMV aims to increase the clean CCS Operating Result to at least EUR 4 bn by 2020 and to at least EUR 5 bn by 2025. OMV targets attractive shareholder returns and aims to increase dividends every year or to at least maintain them at the respective prior year's level. Further growth will be enabled through capital expenditures and acquisitions already communicated. For the period 2018 to 2025, OMV plans to make annual investments averaging EUR 2.0 to 2.5 bn. In addition, a total acquisition budget of EUR 10 bn is planned, over a span of eight years, to be split equally between Upstream and Downstream.

Since the announcement of the Strategy 2025, OMV has executed the vast majority of its efforts to transform the company and deliver on our strategy. The number of acquisitions in Upstream and Downstream have substantially strengthened the portfolio and its profitability. In the short and medium term there are no further big acquisitions planned, apart from the ones communicated (i.e., the acquisition of a 24.98% stake in Achimov 4A/5A).

A set of strategic and financial criteria is taken into account when making an investment decision. Growth will be executed on a solid financial base, with a gearing ratio lower than or equal to 30%, while maintaining a strong investment-grade credit rating. The financial strategy will drive performance through its focus on cash, operational excellence, and resilience of the portfolio. Furthermore, the Company will continue to enhance its operating efficiency. The goal of the new efficiency program is to reduce costs by EUR 100 mn in 2020 compared with 2017.

In 2018, important milestones for the achievement of long-term financial objectives were reached:

- Clean CCS Operating Result increased from EUR 3.0 bn in 2017 to EUR 3.6 bn in 2018
- Free cash flow positive by year end after dividends as well as after acquisitions
- Clean CCS ROACE of 13%
- Operating cost savings target of EUR 100 mn achieved ahead of schedule in 2018
- Strong balance sheet maintained, with a gearing ratio of 13%
- Record dividend payment of EUR 1.50 per share
- Moody's credit rating upgrade to A3 from Baa1

Operating cost savings target of EUR 100 mn achieved ahead of schedule in 2018

[1] Defined as sources of funds

Sustainability

OMV responsibly delivers affordable energy for a sustainable supply: the energy for a better life. Sustainable business behavior is crucial for OMV to create and protect value in the long term, to build trust-based partnerships, and to attract customers as well as the best employees, investors, and suppliers.

OMV's approach to sustainability

In the era of energy transition, the goal of OMV's business is to provide "oil & gas at its best." The growing demand for energy and accelerating climate change pose immense challenges for the energy sector. The key lies in finding the balance between climate protection efforts, affordable energy, and reliable supply. This means producing and using oil and gas as sensibly and responsibly as possible to safeguard the energy supply. We pledge to conduct our business responsibly by protecting the environment, aiming to be an employer of choice, and creating long-term value for our customers, shareholders, and society.

15 sustainability targets

Investments of up to EUR 500 mn in innovative energy solutions

In line with the sustainable approach to the business, OMV has developed the Sustainability Strategy 2025 as an integral part of OMV's Corporate Strategy 2025. The Strategy includes 15 measurable targets set in the five focus areas: Health, Safety, Security, and Environment (HSSE), Carbon Efficiency, Innovation, Employees, as well as Business Principles and Social Responsibility. For a lower-carbon future OMV will invest up to EUR 500 mn by 2025 in innovative energy solutions such as ReOil® and Co-Processing and will implement carbon efficiency measures.

- **Health, Safety, Security, and Environment (HSSE):** Health, safety, security, and protection of the environment have top priority in all activities. Proactive risk management is essential for realizing OMV's HSSE vision of "ZERO harm – NO losses." OMV targets:
  - Zero work-related fatalities
  - Stabilize Lost-Time Injury Rate[1] at below 0.30 (per 1 million working hours)
  - Keep leading position for Process Safety Event Rate[2]

Further details can be found in the Health, Safety, Security, and Environment chapter on page 51.

- **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. OMV targets:
  - Lower OMV's carbon intensity of operations[3] by 19% by 2025 (vs. 2010)
  - Reduce the carbon intensity of OMV's product portfolio[4] by 4% by 2025 (vs. 2010)
  - Zero routine flaring and venting of associated gas by 2030
- **Innovation:** OMV's innovation efforts focus on optimizing production, exploring high-end petrochemical solutions, developing innovative energy solutions, and embracing digital technologies. Innovation is facilitated by investment and partnerships in research and development of innovative technological solutions. OMV targets:
  - Develop ReOil® into an industrial-scale process (unit size of ~200,000 t per year) with commercially viable economics
  - Raise the share of sustainable feedstock co-processed in the refineries to ~200,000 t per year by 2025
  - Increase the recovery factor in the CEE region in selected fields by 5 to 15 percentage points until 2025 through innovative Enhanced Oil Recovery methods

Further details can be found in the Upstream (page 64) and Downstream (page 71) chapters.

[1] Lost-Time Injury Rate is the frequency of injuries leading to lost working days, relative to one million working hours of employees and contractors.
[2] See Abbreviations and Definitions for definition of a Process Safety Event (PSE)
[3] CO_2 equivalent emissions produced to generate a certain business output using the following business-specific metric (Upstream: t CO_2 equivalent/toe produced, Refineries: t CO_2 equivalent/t throughput, Power: t CO_2 equivalent/MWh produced) consolidated to an OMV Group Carbon Intensity Operations Index, based on weighted average of business segments' carbon intensity
[4] OMV carbon intensity of product portfolio measures the CO_2 equivalent emissions generated through usage of OMV's products sold to third parties in t CO_2 equivalent/toe sold.

- **Employees:** OMV is committed to building and retaining a talented expert team for international and integrated growth. The focus of its diversity strategy is on gender and internationality. OMV targets:
  - Increase share of women at management level[1] to 25% by 2025
  - Keep high share of executives with international experience[2] at 75%

Further details can be found in the Employees chapter on page 53.

- **Business Principles and Social Responsibility:** OMV strives to uphold equally high ethical standards at all locations. 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. OMV targets:
  - Promote awareness of ethical values and principles: conduct in-person or online business ethics training courses for all employees
  - Assess Community Grievance Mechanism of all sites against UN Effectiveness Criteria[3] by 2025
  - Conduct human rights training courses for all employees exposed to human rights risks[4] by 2025
  - Increase the number of supplier audits covering sustainability elements to more than 20 per year by 2025

Carbon efficiency performance

OMV recognizes climate change as one of the most important global challenges. OMV integrates risks and opportunities related to climate change impacts into the development of the Company's business strategy and the planning of operational activities. In this regard, OMV aims to reduce its carbon footprint in an effort to mitigate the impact of its operations and product portfolio on climate change. In order to reduce the greenhouse gas (GHG) emissions of its operations, OMV implements measures aimed at optimizing its operational processes, increasing energy efficiency, and reducing methane emissions through leakage detection and improvement of asset integrity. For example, as a result of the Upstream Energy Efficiency Program at OMV Petrom, 30 gas-to-power (G2P) and combined heat and power plants (CHP) were installed. Phasing out existing routine flaring and venting by 2030 forms part of OMV's commitment to the World Bank initiative "Zero routine flaring by 2030."

OMV made substantial business decisions in 2018, which will lead to a higher share of natural gas in the OMV Upstream production portfolio. OMV started the production of the mainly gas-based assets of Aasta Hansteen in Norway, continued the negotiations for the direct interest in the Russian gas extraction of the Achimov 4A/5A gas formation and will also benefit of the future gas production of SapuraOMV Upstream in Malaysia. Additionally, OMV extended the Russian natural gas supply contracts until 2040. The higher share of natural gas in OMV's overall product portfolio will contribute to the reduction of the product portfolio's carbon intensity.

Share of natural gas in the product portfolio increased

In 2018, OMV achieved for the third time in a row an outstanding CDP Climate Change score of A– (Leadership). With its CDP Climate Change score, OMV is among eleven companies in the global oil and gas sector that achieved a leadership score and among the top four companies across all sectors in Austria.

CDP Climate Change score A–

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 29 compliance experts, ensures that OMV standards are consistently met across the Group. In 2018, 2,238 employees (2017: 688 employees) received in-person or online business ethics training. The "Integrity Platform" provides an anonymous whistleblowing mechanism for OMV employees and external stakeholders, such as suppliers, in relation to the issues of non-compliance with the legal regulations, the Code of Business Ethics, or other internal guidelines of the OMV Group.

[1] Management level: executives and advanced career level
[2] More than or equal to three years of living and working abroad
[3] Legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, based on engagement and dialog
[4] 1,059 employees in corporate functions managing human rights risks as well as the corresponding functions in countries with elevated human rights risk

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, corruption, and human trafficking. All suppliers are obliged to comply with the content of the Code of Conduct. In 2018, OMV performed a comprehensive assessment in terms of the environmental, social, and governance (ESG) performance of five suppliers and conducted nine audits that include sustainability elements. OMV will follow the defined road map and plans to perform more than ten audits with sustainability elements by 2020.

Human rights

191 social initiatives implemented, supporting the UN Sustainable Development Goals

Following the UN Guiding Principles on Business and Human Rights, OMV considers human rights to be an important aspect of our risk management which is integrated into our decision-making processes. In 2018, we conducted 30 human rights risk assessments at country level to evaluate OMV's human rights-related activities in existing engagements and assess any human rights risk in potential future engagements. A total of 243 employees received training on human rights topics through the e-learning tool and in-person training sessions (2017: 423). As professional training is essential to ensure compliance with our human rights commitment, we have set ourselves the goal of training, by 2025, all employees who are exposed to human rights topics. By 2018, 11% of the target group was trained. In addition, an internal awareness campaign on human rights was implemented. No incidents of human rights violations (child labor, harm to indigenous people, or discrimination) were reported in 2018 (2017: 0).

Community relations and development

OMV has an active partnership with the communities in all countries in which the Company operates its business and is committed to adding value to these societies. As part of OMV's stakeholder dialog, we have implemented a community grievance mechanism at all operating sites. In 2018, OMV registered 1,058 grievances (2017: 1,226) from the community grievance mechanism. All the grievances were handled in accordance with OMV's internal procedures.

OMV has set itself the goal of bringing its Community Grievances Management (CGM) system in line with the effectiveness criteria of the United Nations Guiding Principles and conducted a pilot audit of the CGM at OMV Petrom, Romania. The recommendations identified as a result of the audit will be analyzed and implemented at OMV Petrom to enhance the effectiveness of the CGM as a community engagement resource. With 965 registered grievances, the Romanian grievance procedure accounts for 91% of all OMV grievances received in 2018. OMV implemented 191 social initiatives in 17 countries, focusing on the needs of the local communities and on supporting the UN Sustainable Development Goals. In 2018, more than 2,800 members of communities (2017: 5,100) received training for better job opportunities or financial support to start their own business. Over 900,000 persons have benefitted from our community development projects.

More information about OMV's Environmental, Social, and Governance (ESG) ratings and index inclusions can be found in the OMV on the Capital Markets chapter on page 36.

Management approaches and performance details for all material topics will be reported in the stand-alone OMV Sustainability Report 2018. This report serves also as the separate consolidated non-financial report of OMV Aktiengesellschaft in accordance with Section 267a of the Austrian Commercial Code (UGB).

Health, Safety, Security, and Environment

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

HSSE strategy

To achieve this vision, the OMV Group's HSSE Strategy 2020/2025 was established as an integral part of the OMV Sustainability Strategy. The HSSE Strategy focuses on the cross-functional goals of strong HSSE commitment and leadership, increased efficiency and effectiveness of HSSE processes, management of HSSE risks and competent people, as well as subject matter goals in the areas of:

- Health: Improve the ability to work through integrated health management.
- Safety: Build on sustainable safety for people and plants.
- Security: Protect people and assets from emerging malicious intentional threats.
- Environment: Minimize the environmental footprint throughout the entire lifecycle.

Health, safety, and security

In 2018, the combined Lost-Time Injury Rate (LTIR) for OMV employees and contractors was 0.30 (2017: 0.34), and our combined Total Recordable Injury Rate (TRIR) was 0.78 (2017: 0.79).

In Upstream, our combined efforts resulted in an LTIR of 0.38 (2017: 0.28). We were very sad to lose one OMV employee and two contractor employees in 2018 in an explosion followed by a fire during a routine workover operation at a well in Komsomolskoye, Kazakhstan. During 2018, we continued our efforts to improve our safety culture and focused our attention on interactive communication on site as well as utilizing user-friendly tools to impart basic safety rules to our employees and supervisors. A set of supplementary life-saving rules was rolled out to further support our HSSE Golden Rules. Assessments of high-risk activities, especially activities that caused severe incidents in the past, were continued: In 2018, the focus was on electrical safety, process safety, risk assessment, and the permit to work.

In Downstream, the focus was on leadership engagement and the quality and effectiveness of activities such as safety walks, incident investigation, and contractor HSSE audits. The LTIR was 0.25 (2017: 0.40). In 2018, special emphasis was placed on training in different emergency and crisis management scenarios. The successful turnaround of the Petrobrazi refinery in 2018, with up to 5,000 additional contractor employees on site without a single incident requiring medical treatment was a clear highlight.

Successful turnaround of the Petrobrazi refinery without a single incident

OMV Group safety performance

In mn hours worked

	2018	2017
Company		
Lost-Time Injury Rate	0.29	0.24
Total Recordable Injury Rate	0.88	0.73
Contractors		
Lost-Time Injury Rate	0.31	0.39
Total Recordable Injury Rate	0.74	0.82
Total (Company and contractors)		
Lost-Time Injury Rate	0.30	0.34
Total Recordable Injury Rate	0.78	0.79

Employees' well-being and health are the foundation for successful company performance as they are core elements of ensuring the ability to work. In 2018, OMV continued its long tradition of offering healthcare and health prevention, such as cardiovascular disease prevention programs, cancer awareness sessions, vaccinations, first aid courses, and health hours, which go far beyond local legal requirements.

During 2018, a number of key safety-related activities took place:

- The roll-out of the Group-wide Safety Culture Program was continued with a focus on the quality of management walk-arounds to help people gain a better understanding of the challenges in the field of operations and shore up trust between the workforce and management. In a pilot workshop in one Romanian Asset, new forms of employee engagement and coaching for safety were explored.

Roll-out of the Group-wide Safety Culture Program was continued

- Contractor HSSE management is key to OMV Group's safety performance. For this reason, the internal regulations framework was reviewed to simplify it and facilitate its practical application in the future.

- A systematic review and update process of internal HSSE regulations and processes was continued and the sharing of lessons learned from safety reports and incident investigations is further promoted.

A volatile geopolitical environment combined with enduring regional conflicts resulted in the 2018 security emphasis remaining on the Middle East and North Africa. Notwithstanding the challenges of operating securely in Yemen, Libya, and Tunisia, the threat and reality of terrorist attacks on mainland Europe and elsewhere further validate OMV's travel security policy and procedures governing all company travellers. In addition to the enduring terrorist threat, political extremism, criminality, and cyber threats remain very credible threat actors.

The OMV Security Standard was revised, further re-enforcing a flexible security strategy that enables OMV to operate in a variety of challenging and dynamic environments.

Progress on the resilience capability continued throughout 2018, with improvements in the practical and procedural aspects of OMV's Crisis Management and Business Continuity project.

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 strives to optimize processes to use natural resources as efficiently as possible and to reduce emissions and discharges.

Target to reduce carbon intensity and further improve energy efficiency

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 principal targets are to reduce OMV's overall operations carbon intensity by 19% by 2025 and to reduce the product carbon intensity by 4% by 2025, both compared with 2010. This will be achieved by improving energy efficiency across all operations and implementing projects that reduce direct GHG emissions and by increasing the share of natural gas in our product portfolio.

OMV endorsed the World Bank initiative "Zero routine flaring by 2030." The phasing out of existing routine flaring and venting will make an essential contribution to achieving OMV's carbon targets. In 2018, for example, OMV Petrom Upstream continued to reduce its carbon intensity and put several new gas-to-power and combined heat and power plants into operation.

In 2018, there were two major hydrocarbon spills (level 3 to level 5 according to OMV definitions), with 36,874 liters of hydrocarbon spilled (2017: one major spill totaling 120,000 liters of hydrocarbon spilled). OMV continued to improve its oil spill response preparedness and capabilities.

Key environmental actions in 2018:

- Continued to implement the Group-wide Environmental Management standard, introducing the zero routine flaring and venting policy

- Reported for the first time the routine flaring amounts to the World Bank as endorser of the World Bank initiative "Zero routine flaring by 2030"

- Developed an Environmental Strategy 2025 as part of the overall HSSE Strategy 2020/2025 focusing on carbon and water management, as well as alignment with ISO 14001/ISO 50001

- Developed and rolled out a self-assessment tool to determine the level of compliance with the OMV Group Standard on Environmental Management and alignment with ISO 14001/50001

- Continued the roll-out of an Environmental Risk Assessment tool, which allows optimized data handling, prioritization, and action tracking

- Validation of three upstream greenhouse gas emissions reduction projects in accordance with ISO 14064-2

- First-time certification of OMV Tunisia in accordance with the ISO 50001 energy management standard and renewal of the ISO 14001 certificate

Employees

In 2018, OMV reached new heights on its growth journey. The fantastic business results we achieved together with our 20,231 employees make us proud and confident about the future. Powered by our people, we translate energy into quality of life. We focus on creating an environment in which people can develop professionally and fulfill their personal aspirations in line with our business needs and according to our Principles (the "How").

Employer of choice

This year we clearly articulated why OMV is an employer of choice to attract top talents both in local markets and internationally. We asked our employees what makes them proud to work here. Their feedback was summarized as the "5 reasons to join OMV":

1. Our international journey
2. Being at the forefront of technology
3. How we work together (our Principles)
4. Personal and career development internationally within the OMV family
5. Being part of the diverse team

An employer branding campaign was launched in October 2018.

OMV's People Strategy

We know that it is the experience, skills, attitude, and commitment of our people at OMV that turn our strategy into reality. To unlock our organization's full potential we continue pursuing People priorities supporting OMV growth:

- Strengthen **leadership capability**
- Focus on **culture and performance**
- Increase **organizational agility**
- Ensure OMV remains a **great place to work**

Consistency, transparency, and standardization in our People processes provide a backbone for growth. That is why we continue integrating and bringing them together in a central Group-wide IT platform ("My Success Factors") as part of our HR digitalization journey.

Highlights of 2018

Strong leadership is needed to ensure our growth is fast, profitable, and sustainable. We are investing into strengthening the capabilities of our managers through the **leadership development** initiatives that were anchored in the organization in 2017:

- 360° feedback for heads of department to practice the culture of open feedback and learning
- Cross-functional leadership sessions for middle managers with their teams to foster shared leadership responsibility
- First Time Leaders and Leading Leader programs, to prepare the participants for fulfilling their leadership role

Five reasons to join OMV

We need diverse, high-performing teams with a strong pipeline for business critical positions to accelerate our growth. In 2018, we rolled out a Group-wide **people review process.** Approximately 1,800 managers identified successors, evaluated these based on the PxP-Matrix (potential vs. personal impact), and provided feedback.

Within our **HR digitalization** agenda, our human resources processes have been simplified and automated further in **My Success Factors** – a state-of-the-art SAP-based tool that helps us strengthen our performance, learning, and digitally oriented corporate culture. In addition, **My Self Service** – based on SAP's latest Fiori application – was launched in October as a platform for employees to manage their personal administration in the easiest and fastest way possible.

OMV HR achieved the next step in the digitalization journey

Both platforms enable us to foster flexibility in the workplace as diverse organizational tasks can now be accomplished anytime and anywhere using mobile devices. Capitalizing on this trend, we are taking the next step to digitalize our ways of working.

Our new Group-wide **Recognition program** fosters employee engagement and supports our performance- and principle-led culture. In the program, our employees show appreciation for extraordinary results on the job and role modeling through attractive awards. Thanks to a simple workflow, it takes just a few clicks to nominate a colleague or a team to give an award to.

To fulfill the OMV strategy of expanding into and developing new core regions, we need a robust pipeline of experts with strong functional expertise, who are also keen to pursue an international career at OMV.

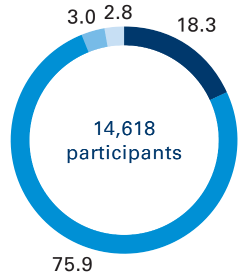
To enable this we have been investing in learning & development of our employees. In 2018, we increased our training offering, providing new courses (including online content) for employees to develop their functional, business, personal, and leadership skills. We have redefined career paths for all business areas fostering expert careers and making international career benefits clear and transparent.

Finally, our programs for early career development and collaboration with Gubkin University in Russia continue to deliver promising results in strengthening our talent pipeline.

As a basis for all our learning and development activities, we still focus primarily on our learning-on-the-job approach supported by internal knowledge transfer, mentoring and coaching, plus formal training. In 2018, 2,682 employees participated in training in Austria and 14,618 in the Group overall.

Number of training participants 2018 [1,2,3]

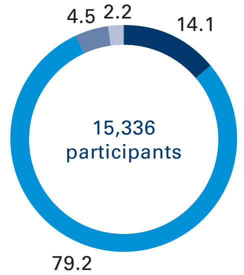
In %



Austria[4]	2,682
Romania/rest of Europe	11,091
Middle East/Africa	435
Rest of world	410

Number of training participants 2017 [1,2,3]

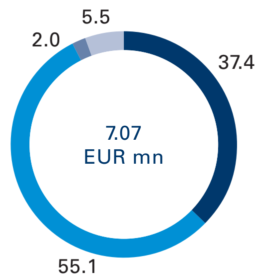
In %



Austria[4]	2,158
Romania/rest of Europe	12,149
Middle East/Africa	691
Rest of world	338

Money spent on training per region 2018 [1,2,3]

In %

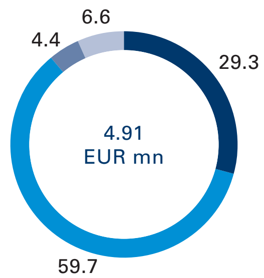


In EUR

Austria[4]	2,643,692
Romania/rest of Europe	3,895,112
Middle East/Africa	144,238
Rest of world	385,599

Money spent on training per region 2017 [1,2,3]

In %



In EUR

Austria[4]	1,439,500
Romania/rest of Europe	2,928,900
Middle East/Africa	213,700
Rest of world	324,800

[1] Excluding conferences and training for external employees
[2] The graphs may contain rounding differences.
[3] Number of employees who received at least one training
[4] Excluding GAS CONNECT AUSTRIA GmbH, Avanti GmbH and DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft.

Diversity

Diversity is an enormous strength that we are actively building on now and will continue to build on in the future. That is why we strive to continuously develop new initiatives and measures that promote diversity and equal opportunities at OMV. OMV is committed to its Group diversity strategy with a focus on gender and internationality. Being active in an industry with a strong technical focus, it is particularly challenging to achieve a satisfactory gender balance in all fields of business activity. OMV is committed to supporting the advancement of women to managerial positions. The strategic objective is to achieve the best diversity mix at senior management level. We aim to increase our female representation in senior leadership roles from 18% in 2017 to 25% by 2025. We support this through a number of initiatives such as mentoring, succession planning, and specific trainings, as well as initiatives to increase work-life flexibility.

The proportion of women in the Group is about 26%. In OMV's leadership development programs, the proportion of women in 2018 was 26% (22% in 2017). In OMV's Upstream integrated graduate development program for technical skill pools, the proportion of women was 25% in 2018 (22% in 2017). The topic of diversity has been incorporated in all leadership development programs and embedded in the OMV People Strategy.

OMV Group diversity strategy focus areas: gender and internationality

Employee key figures

At the end of 2018, OMV employed 20,231 employees in 26 countries. Compared with 2017, the number of employees in Austria increased by 4.3% and for the Group overall decreased by 2.4%.

Employees [1]

		2018	2017
Employees by region			
Austria		3,632	3,482
Romania/rest of Europe		15,232	15,722
Middle East and Africa		683	1,093
Rest of world		684	424
Total number of employees		**20,231**	**20,721**
Diversity			
Female	in %	26	25
Male	in %	74	75
Female Senior Vice Presidents	in %	17	18
Number of nationalities [2]		**74**	**74**

[1] As of year end
[2] Excluding GAS CONNECT AUSTRIA GmbH, Avanti GmbH and DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft.

OMV Group Business Year

In the year 2018, OMV was able to improve the clean CCS Operating Result significantly to EUR 3.6 bn. Driven by strong results in both Upstream and Downstream business segments and the successful implementation of the cost reduction program, this remarkable result and an operating cash flow of EUR 4.4 bn was achieved. Free cash flow after dividends amounted to EUR 0.3 bn after major acquisitions and a record dividend.

Business environment

Having lasted several years, the global economic upturn passed its peak in mid-2018. The rate of growth in the **global economy** was 3.7%, down by 0.1% compared to the previous year's figure. Global trade volume increased by 4.0%, 1.3 percentage points less than in 2017. At 4.6%, the growth in economic output in developing and emerging economies was twice that in industrialized countries (2.3%), although in each case it was down by 0.1%.

A debt-financed tax reform enabled the USA to deliver marked GDP growth of 2.9% underpinned by investment and consumption, whereas GDP growth in the eurozone was significantly lower, at 1.9%. In contrast to expansionary monetary policy, which continued to have a stimulating effect, trade conflicts and the threat of sanctions had an adverse impact on the economic and investment climate.

Within the EU-28, the main influencing factor was a reduction of 0.4 to 0.7 percentage points in economic growth in large countries such as Germany, France, Italy, and the UK, which make up over 80% of EU economic output. In the EU countries in Central and Eastern Europe, the economy proved to be in a much more stable state, expanding at a strong rate of 4.2%, 2.3 percentage points above the EU average.

In **Germany,** waning demand for exports and a supply bottleneck in the automotive industry curbed economic growth, which slowed sharply to 1.5% in 2018. Domestically, the biggest growth drivers were investment and consumption. Foreign trade put a brake on growth, however, after import volumes increased at a stronger pace than exports.

In **Austria,** economic growth remained very stable in 2018, increasing by 0.1 percentage points compared with 2017 to 2.7%. The strong 4.2% expansion in industrial production and the 3.5% increase in investment were the main factors underpinning the positive state of the economy, to which a slight uptick in consumption growth also contributed. Exports rose by 4.7%, outstripping the 3.0% increase in imports by a clear margin.

In **Romania,** which in 2017 expanded by 7.0%, making it the fastest-growing country in the region, the increase in GDP growth in 2018 was a noticeably weaker 4.0%. While domestic consumption expanded by 5.3% and industrial production by 4%, rising inflation, the current account deficit, and the 3.5% budget deficit clouded the economic picture.

Global oil demand rose by 1.2%

Global oil demand rose by 1.2%, or 1.2 mn bbl/d, to 99.2 mn bbl/d in 2018, with the OECD countries (increase in demand solely in North America) accounting for a third and the non-OECD countries (mainly Asian countries) for two-thirds of the increase. In the fourth quarter of 2018, global demand surpassed 100 mn bbl/d for the first time.

Global oil production rose by 2.5 mn bbl/d to 99.9 mn bbl/d in 2018, more than twice as fast as demand, as a result of which stocks increased by 0.7 mn bbl/d. Almost 90% of the rise in global production was attributable to increased production in the USA, which lifted its oil output by 16% to 15.4 mn bbl/d.

Crude oil production in the OPEC countries remained almost unchanged year on year at 32.5 mn bbl/d – a decrease of 0.3%. Declines in production in Venezuela (-30%) and Iran (-6%) were offset by other OPEC members.

The agreement among the 24-member OPEC alliance to extend the cap on production, the withdrawal of the USA from the international nuclear deal with Iran, and the threat of sanctions combined to push up the price of Brent crude from USD 66.5/bbl to over USD 80/bbl by mid-May 2018. After stabilizing temporarily in early summer, the oil price rose by 25% between mid-August and early October to an annual high of USD 86.2/bbl, making the decline in price – by USD 36/bbl to an annual low of USD 50.2/bbl by year-end – all the more dramatic. This slump in price was due mainly to US production being much higher than originally forecast, the receding threat of US sanctions on importers of Iranian crude, and increasing concern about weak demand in the economy.

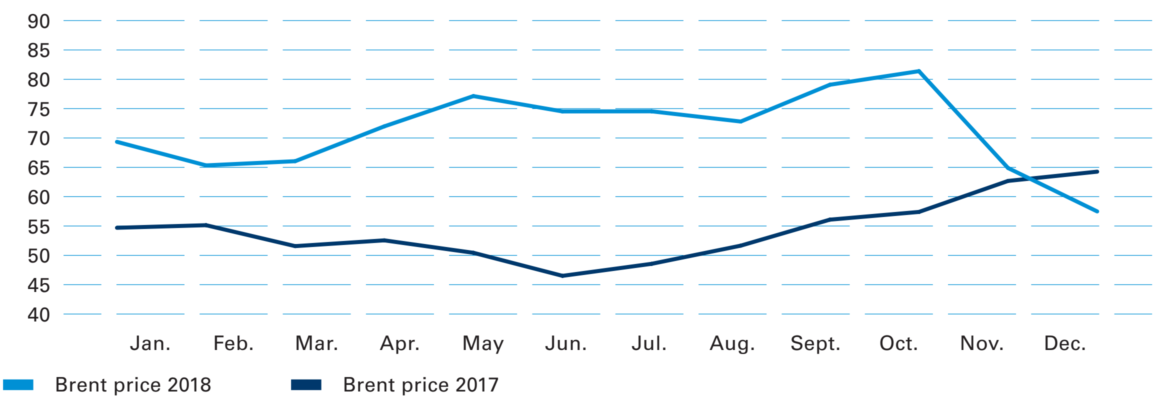
Brent crude was traded at an average of USD 71.31/bbl in 2018 and was therefore 32% more expensive than in the previous year. The EUR/USD **exchange rate** fluctuated between 1.25 and 1.13 in 2018. Although the US currency stabilized somewhat in the course of the year, the annual average of 1.18 represents a fall in value of 4.5%. On the Rotterdam market for mineral oil products, euro prices for the main products rose by between 15% for gasoline and 24% for middle distillates and heavy fuel oil.

The **natural gas market in Austria** delivered a weaker performance than in the previous year. Demand fell by 4% year on year to around 8.6 bcm, or 96.7 TWh. The market for space heating saw a decline of 5% due to weather conditions, gas-fired power plants generated 9% less electricity, and only industrial consumption increased in response to economic conditions. Domestic natural gas production dropped by 18% to 11.1 TWh, meaning that market coverage was also down to 11%. 85.6 TWh of demand were mainly met through net imports and by a slight withdrawal from storage. The volume in storage at year-end was 58.4 TWh, meaning that the filling level remained almost unchanged against the previous year at 63.7%.

Sales of mineral oil products in ten Central and Eastern European countries – OMV's relevant market – fell by approximately 1% in 2018 to around 144 mn t. In **Austria,** market volumes stagnated at 11.3 mn t, with demand for fuel about 1% higher, but demand for heating oil almost 15% lower. In **Germany,** total sales fell by 1.9 mn t, or 2%, to 95 mn t. With the exception of aviation fuel sales, which barely changed, all main products experienced weaker demand. In **Romania,** sales rose by around 1% to just under 9 mn t.

Crude price (Brent) – monthly average

In USD/bbl



Financial review of the year

Consolidated sales increased by 13% to EUR 22,930 mn. Higher oil, gas and product prices as well as higher sales volumes were partially offset by the missing contribution from OMV Petrol Ofisi following its divestment in 2017. The clean CCS Operating Result was substantially up by 23% from EUR 2,958 mn to EUR 3,646 mn, mainly due to a considerably higher Upstream result of EUR 2,027 mn (2017: EUR 1,225 mn). The Downstream clean CCS Operating Result decreased to EUR 1,643 mn (2017: EUR 1,770 mn). The clean Group tax rate in 2018 was 39% (2017: 25%), due to a considerably stronger Upstream contribution, particularly from high tax rate fiscal regimes such as Norway and Libya. The clean CCS net income amounted to EUR 2,108 mn (2017: EUR 2,035 mn). Clean CCS net income attributable to stockholders slightly decreased to EUR 1,594 mn (2017: EUR 1,624 mn). Clean CCS Earnings Per Share marginally declined to EUR 4.88 (2017: EUR 4.97).

Net special items of EUR (149) mn were recorded in 2018 (2017: EUR (1,281) mn). In **Upstream**, the net special items amounted to EUR 95 mn in 2018 compared to EUR (7) mn in 2017. Special items in 2018 were mainly related to reversals of past impairments of EUR 105 mn in Romania and Norway, to temporary hedging effects of EUR 89 mn and to gains from divestments in Pakistan (EUR 52 mn) and Tunisia (EUR 39 mn). These effects were compensated by negative impacts from the financial assets related to the contingent consideration from the divestments of Rosebank and of OMV (U.K.) Limited amounting to EUR (78) mn, mainly as a

Record clean CCS Operating Result of EUR 3,646 mn result of the shift of the expected final investment decision. Additionally, a special item was recorded to the amount of EUR (38) mn for the divestment of OMV's share in the Polarled pipeline and Nyhamna gas processing facilities in the North Sea region.

Downstream net special items amounted to EUR (219) mn (2017: EUR (1,242) mn) and were mainly related to the divestment of the Samsun power plant in Turkey (EUR (150) mn) and to the impairment of the Borealis fertilizer business of EUR (33) mn. The net special items in 2017 were mainly related to the divestment of OMV Petrol Ofisi.

In Corporate and Other, net special items amounted to EUR (26) mn in 2018 (2017: EUR (32) mn). Positive CCS effects of EUR 27 mn (2017: EUR 55 mn) were recognized in 2018.

OMV Group's reported Operating Result more than doubled in 2018 to EUR 3,524 mn (2017: EUR 1,732 mn). The net financial result improved to EUR (226) mn (2017: EUR (246) mn). With a Group tax rate of 40% (2017: 43%) the net income amounted to EUR 1,993 mn (2017: EUR 853 mn). Net income attributable to stockholders was EUR 1,438 mn compared to EUR 435 mn in 2017. Earnings Per Share more than tripled to EUR 4.40 compared to EUR 1.33 in 2017.

Positive free cash flow after dividends of EUR 263 mn despite a record dividend and major acquisitions

Key financials

		2018	2017	Δ
Sales[1]	in EUR mn	22,930	20,222	13%
Clean CCS Operating Result[2]	in EUR mn	**3,646**	**2,958**	**23%**
Clean Operating Result Upstream	in EUR mn	2,027	1,225	66%
Clean CCS Operating Result Downstream	in EUR mn	1,643	1,770	(7)%
Clean Operating Result Corporate and Other	in EUR mn	(21)	(16)	31%
Consolidation: elimination of inter-segmental profits	in EUR mn	(3)	(21)	(87)%
Clean Group tax rate	in %	39	25	n.m.
Clean CCS net income[2]	in EUR mn	2,108	2,035	4%
Clean CCS net income attributable to stockholders[2, 3]	in EUR mn	**1,594**	**1,624**	**(2)%**
Clean CCS EPS[2]	in EUR	4.88	4.97	(2)%
Special items	in EUR mn	**(149)**	**(1,281)**	**(88)%**
thereof Upstream	in EUR mn	95	(7)	n.m.
thereof Downstream	in EUR mn	(219)	(1,242)	n.m.
thereof Corporate and Other	in EUR mn	(26)	(32)	n.m.
CCS effects: inventory holding gains/(losses)	in EUR mn	27	55	n.m.
Operating Result Group	in EUR mn	**3,524**	**1,732**	**103%**
Operating Result Upstream	in EUR mn	2,122	1,218	74%
Operating Result Downstream	in EUR mn	1,420	584	143%
Operating Result Corporate and Other	in EUR mn	(47)	(48)	(3)%
Consolidation: elimination of inter-segmental profits	in EUR mn	28	(21)	(234)%
Net financial result	in EUR mn	(226)	(246)	(8)%
Group tax rate	in %	40	43	n.m.
Net income	in EUR mn	1,993	853	134%
Net income attributable to stockholders	in EUR mn	**1,438**	**435**	**231%**
Earnings Per Share (EPS)	in EUR	4.40	1.33	n.m.
Cash flow from operating activities	in EUR mn	4,396	3,448	28%
Free cash flow before dividends	in EUR mn	1,043	1,681	(38)%
Free cash flow after dividends	in EUR mn	**263**	**1,013**	**(74)%**

[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

In EUR mn

	2018	2017	Δ
Clean CCS Operating Result	**3,646**	**2,958**	**23%**
Special items	**(149)**	**(1,281)**	**(88)%**
thereof: Personnel restructuring	(40)	(31)	n.m.
thereof: Unscheduled depreciation	51	16	n.m.
thereof: Asset disposal	3	(31)	n.m.
thereof: Other	(164)	(1,235)	n.m.
CCS effect	**27**	**55**	**n.m.**
Operating Result	**3,524**	**1,732**	**103%**

More details on special items and CCS effects can be found in Note 4 of the consolidated financial statements.

Notes to the income statement

Sales Revenues

In EUR mn

	2018	2017	Δ	% of Group total
Sales to third parties				
Upstream	2,170	1,329	63%	9%
Downstream	20,756	18,887	10%	91%
thereof Downstream Oil	14,707	14,065	5%	64%
thereof Downstream Gas	6,049	4,822	25%	26%
Corporate and Other	4	6	(28)%	0%
Total	**22,930**	**20,222**	**13%**	**100%**
Intersegmental sales				
Upstream	3,386	2,839	19%	89%
Downstream	74	79	(7)%	2%
thereof Downstream Oil	48	34	39%	1%
thereof Downstream Gas	166	161	3%	4%
thereof intrasegmental elimination Downstream	(139)	(116)	(21)%	(4)%
Corporate and Other	335	349	(4)%	9%
Total	**3,795**	**3,267**	**16%**	**100%**
Total Sales (not consolidated)				
Upstream	5,556	4,168	33%	21%
Downstream	20,830	18,967	10%	78%
thereof Downstream Oil	14,755	14,099	5%	55%
thereof Downstream Gas	6,215	4,983	25%	23%
thereof intrasegmental elimination Downstream	(139)	(116)	(21)%	(1)%
Corporate and Other	339	355	(4)%	1%
Total	**26,725**	**23,490**	**14%**	**100%**

Sales revenues increased by 13%

Sales of the **Upstream** Business Segment increased by 33%, impacted by the gas business in Russia which was acquired in December 2017. Additionally, an improved market environment and higher lifted quantities in Norway and Libya contributed to higher sales revenues. Increase in the **Downstream** Business Segment was mainly driven by a higher pricing environment, with Downstream Oil sales amounting to 55% of the total not consolidated sales. The positive effects were partially offset by the divestment of OMV Petrol Ofisi in June 2017. After the elimination of the intersegmental sales, total sales **revenues to third parties** increased by 13% to EUR 22,930 mn. Sales to third parties split by geographical areas can be found in the Notes to the Consolidated Financial Statements (Note 4 – Segment Reporting).

Other operating income increased to EUR 517 mn in 2018 (2017: EUR 488 mn). 2018 was impacted by reversals of past impairments in amount of EUR 105 mn in Romania and Norway due to significantly improved operational performance. Moreover, other operating income contained a gain of EUR 52 mn related to the disposal of the Upstream companies active in Pakistan and a gain on disposal of the subsidiary OMV Tunisia Upstream GmbH amounting to EUR 39 mn. 2017 was impacted by a gain of EUR 137 mn upon the disposal of OMV (U.K.) Limited.

Income from equity-accounted investments amounted to EUR 391 mn (2017: EUR 510 mn) and mainly reflected the 36% share of the result from the Borealis group amounting to EUR 327 mn (2017: EUR 394 mn). The decrease compared to 2017 was mainly due to a positive impact in the 2017 net result of Pearl Petroleum Company Limited, following the reach of a settlement over a dispute concerning certain matters under the Heads of Agreement at the Khor Mor and Chemchemal fields amounting to 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 (14,094) mn (2017: EUR (12,331) mn). **Other operating expenses** totaled EUR (485) mn in 2018 (2017: EUR (1,491) mn). 2017 included a loss of EUR (1,209) mn linked to the divestment of OMV Petrol Ofisi disposal group, while in 2018 a loss on the divestment of OMV Samsun Üretim Sanayi ve Ticaret A.Ş. of EUR (150) mn was included. Further details on changes in group structure can be found in Note 3 of the Notes to the Consolidated Financial Statements. **Research and development (R&D) expenses,** which are included in Other operating expenses, amounted to EUR (40) mn (2017: EUR (33) mn).

The **net financial result** improved to EUR (226) mn (2017: EUR (246) mn), mainly as a result of higher interest income, partly compensated by higher bank fees. Dividend income amounted to EUR 20 mn (2017: EUR 15 mn).

Income tax

		2018	2017
Current taxes	In EUR mn	(1,007)	(492)
Deferred taxes	In EUR mn	(298)	(142)
Taxes on income and profit	In EUR mn	(1,305)	(634)
Effective tax rate	in %	**40**	**43**

The Group's **effective tax rate** decreased slightly to 40% (2017: 43%). For further details on taxes on income, please refer to Note 12 of the consolidated financial statements.

Summarized income statement

In EUR mn

	2018	2017	Δ
Sales revenues	22,930	20,222	13%
Other operating income	517	488	6%
Net income from equity-accounted investments	391	510	(23)%
Purchases (net of inventory variation)	(14,094)	(12,331)	14%
Production and operating expenses	(1,594)	(1,645)	(3)%
Production and similar taxes	(392)	(311)	26%
Depreciation, amortization and impairment charges	(1,827)	(1,852)	(1)%
Selling, distribution and administrative expenses	(1,749)	(1,636)	7%
Exploration expenses	(175)	(221)	(21)%
Other operating expenses	(485)	(1,491)	(67)%
Operating Result	**3,524**	**1,732**	**103%**
Net financial result	(226)	(246)	(8)%
Taxes on income	(1,305)	(634)	106%
Net income for the year	**1,993**	**853**	**134%**
thereof attributable to hybrid capital owners	78	103	(24)%
thereof attributable to non-controlling interests	477	315	51%
Net income attributable to stockholders of the parent	**1,438**	**435**	**n.m.**

Operating Result significantly increased to EUR 3,524 mn

Cash flow performance

Cash flow from operating activities amounted to EUR 4,396 mn, up by EUR 948 mn compared to 2017, supported by positive net working capital effects and an improved market environment as well as higher dividends from Borealis.

Cash flow from investing activities showed an outflow of EUR (3,353) mn in 2018 compared to EUR (1,766) mn in 2017, containing the acquisition of a 20% stake in an offshore concession in Abu Dhabi that led to an outflow of USD (1.5) bn and the acquisition of Shell's Upstream business in New Zealand that led to an outflow of EUR (350) mn. Cash flow from investing activities in 2018 also included a cash outflow of EUR (275) mn related to the financing agreements for the Nord Stream 2 pipeline project. In 2017, the divestments of OMV (U.K.) Limited and OMV Petrol Ofisi led to an inflow of EUR 1,689 mn, which was offset by the acquisition of an interest in the Yuzhno Russkoye gas field that led to an outflow of EUR (1,644) mn.

Cash flow from financing activities showed an outflow of EUR (975) mn (2017: inflow of EUR 27 mn). In 2018, OMV issued two Eurobonds totaling EUR 1,000 mn as well as a hybrid bond of EUR 500 mn, which partly offset the repayment of a EUR 750 mn Eurobond, a EUR 750 mn hybrid bond and other long-term debt as well as dividend distributions.

Despite major acquisitions in Abu Dhabi and New Zealand, **free cash flow after dividends** in 2018 showed an inflow of EUR 263 mn (2017: EUR 1,013 mn).

Cashflow from operating activities up by EUR 948 mn compared to last year

Capital Expenditure (CAPEX)

CAPEX in 2018 amounted to EUR 3,676 mn (2017: EUR 3,376 mn), mainly driven by the acquisitions of a 20% stake in the offshore concession in Abu Dhabi from ADNOC as well as Shell´s Upstream business in New Zealand. **Upstream** CAPEX increased to EUR 3,075 mn (2017: EUR 2,781 mn). Apart from the acquisitions in New Zealand and Abu Dhabi, the Upstream Business Segment invested mainly in field redevelopments, drilling and work-over activities in Romania as well as in field developments in Norway and Austria. **Downstream** CAPEX slightly decreased to EUR 576 mn (2017: EUR 580 mn), of which EUR 506 mn are attributable to Downstream Oil (2017: EUR 491 mn) and EUR 70 mn to Downstream Gas (2017: EUR 90 mn), mainly related to the maintenance of refineries and pipelines. CAPEX in the **Corporate and Other** segment was EUR 25 mn (2017: EUR 15 mn).

Capital expenditure[1]

In EUR mn

	2018	2017	Δ
Upstream	3,075	2,781	11%
Downstream	576	580	(1)%
thereof Downstream Oil	506	491	3%
thereof Downstream Gas	70	90	(22)%
Corporate and Other	25	15	69%
Total capital expenditure	**3,676**	**3,376**	**9%**
+/– Changes in the consolidated Group and other adjustments[2]	(86)	(1,595)	(95)%
– Investments in financial assets and acquisition of non-controlling interest	(4)	(20)	(78)%
Additions according to statement of non-current assets (intangible and tangible assets)	**3,585**	**1,762**	**104%**
+/– Non-cash changes	(393)	(176)	123%
Cash outflow due to investments in intangible assets and property, plant and equipment	**3,193**	**1,586**	**101%**
+ Cash outflow due to investments, loans and other financial assets	305	366	(17)%
+ Acquisitions of subsidiaries and businesses net of cash acquired	357	1,644	(78)%
Investments as shown in the cash flow statement	**3,855**	**3,596**	**7%**

[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 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.

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

Major acquisitions in Abu Dhabi and New Zealand

Total assets increased by EUR 5,385 mn to EUR 36,961 mn. The **non-current assets** were mainly impacted by the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi and the acquisition of Shell's Upstream business in New Zealand, for which more details are provided in Note 3 of the Consolidated Financial Statements. **Equity-accounted investments** increased by EUR 98 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 422 mn. Drawdowns under the financing agreements for the Nord Stream 2 pipeline project and an increased derivatives position were the main drivers for the increase in **other non-current assets**. **Current assets** increased by EUR 2,619 mn and amounted to EUR 12,017 mn as of December 31, 2018. **Assets held for sale** decreased by EUR 158 mn mainly due to the divestment of the Upstream companies active in Pakistan.

Equity (including non-controlling interest) rose by 7% in comparison to 2017. Equity ratio decreased to 42% (2017: 45%). **Pensions and similar obligations** increased by EUR 92 mn. **Non-current decommissioning and restoration obligations** increased by EUR 603 mn, mainly due to new obligations out of the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi and the acquisition of Shell's Upstream business in New Zealand.

Summarized statement of financial position

In EUR mn

	2018	2017	Δ
Assets			
Non-current assets	24,896	21,972	13%
Intangible assets and property, plant and equipment	18,432	16,301	13%
Equity-accounted investments	3,011	2,913	3%
Other non-current assets	2,695	2,014	34%
Deferred tax assets	759	744	2%
Current assets	12,017	9,398	28%
Inventories	1,571	1,503	5%
Trade receivables	3,420	2,503	37%
Other current assets	7,026	5,392	30%
Assets held for sale	47	206	(77)%
Equity and liabilities			
Equity	15,342	14,334	7%
Non-current liabilities	11,917	10,352	15%
Pensions and similar obligations	1,096	1,003	9%
Bonds and other interest-bearing debts	4,909	4,792	2%
Decommissioning and restoration obligations	3,673	3,070	20%
Other provisions and liabilities	1,508	1,050	44%
Deferred tax liabilities	731	437	67%
Current liabilities	9,680	6,826	42%
Trade payables	4,401	3,262	35%
Bonds and other interest-bearing debts	843	902	(7)%
Provisions and other liabilities	4,436	2,662	67%
Liabilities associated with assets held for sale	22	63	(65)%
Total assets/equity and liabilities	**36,961**	**31,576**	**17%**

Current and non-current **bonds and other interest bearing debts** increased by EUR 58 mn to EUR 5,752 mn compared to 2017, primarily related to the issuance of two Eurobonds totaling EUR 1,000 mn in December 2018, partly compensated by the repayment of an Eurobond amounting to EUR 750 mn and other repayments of long-term debt.

Current- and non-current other liabilities increased mainly due to a higher derivatives position. **Deferred tax liabilities** increased to EUR 731 mn (2017: EUR 437 mn) mainly due to the acquisition of Shell's Upstream business in New Zealand, for which more details are provided in Note 3 of the Consolidated Financial Statements. **Liabilities associated with assets held for sale** decreased to EUR 22 mn mainly due to the divestments of the Upstream companies active in Pakistan.

Gearing ratio

Gearing ratio

		2018	2017	Δ
Bonds	in EUR mn	5,007	4,757	5%
Other interest-bearing debts	in EUR mn	745	937	(20)%
Liabilities on finance leases	in EUR mn	288	292	(1)%
Debt	in EUR mn	**6,040**	**5,986**	**1%**
Cash and cash equivalents[1]	in EUR mn	4,026	3,981	1%
Net debt	in EUR mn	2,014	2,005	0%
Equity	in EUR mn	**15,342**	**14,334**	**7%**
Gearing ratio	in %	**13**[2]	**14**	**n.m.**

[1] Including cash reclassified to "held for sale".
[2] With the implementation of IFRS 16 on January 1, 2019, the Gearing ratio will be 18%

Upstream

In the Upstream Business Segment, OMV continued to reshape its portfolio in line with the focus on an improved quality of the asset base and reserves growth in 2018. The acquisition of Shell's upstream assets in New Zealand and the signing of new offshore concessions in Abu Dhabi were part of these efforts. Production cost decreased to USD 7.0/boe, while the one-year Reserves Replacement Rate reached 180% at year end.

Production cost decreased to USD 7/boe

At a glance

		2018	2017	Δ
Clean Operating Result	in EUR mn	2,027	1,225	66%
Special items	in EUR mn	95	(7)	n.m.
Operating Result	in EUR mn	2,122	1,218	74%
Capital expenditure[1]	in EUR mn	3,075	2,781	11%
Exploration expenditure	in EUR mn	300	230	31%
Exploration expenses	in EUR mn	175	222	(21)%
Production cost[2]	in USD/boe	7.01	8.79	(20)%
Total hydrocarbon production[2]	in kboe/d	427	348	23%
Total hydrocarbon production[2]	in mn boe	156	127	23%
Total hydrocarbon sales volumes	in mn boe	148.7	118.3	26%
Proved reserves as of December 31	in mn boe	1,270	1,146	11%
Average Brent price	in USD/bbl	71.31	54.19	32%
Average realized crude price	in USD/bbl	62.13	49.95	24%
Average realized gas price[2]	in USD/1,000 cf	4.72	5.10	(8)%

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 Russkoye gas field on December 1, 2017, OMV's share of 24.99% in Severneftegazprom ("SNGP," operator of Yuzhno Russkoye) has been accounted for at-equity and the result of the JSC Gazprom YRGM Development ("Trader"), in which OMV has a stake of 99.99%, has been fully consolidated.

[1] Capital expenditure including acquisitions, notably the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi from ADNOC in the amount of USD 1.5 bn in Q2/18

[2] Including OMV's interest in the Yuzhno Russkoye gas field, starting from December 1, 2017

Financial performance

Strong increase of clean Operating Result by 66% to EUR 2,027 mn

The **clean Operating Result** substantially increased from EUR 1,225 mn in 2017 to EUR 2,027 mn in 2018 due to a significantly better operational performance in the amount of EUR 582 mn. This was largely attributable to higher sales volumes following the acquisition of the interest in the Yuzhno Russkoye gas field in Q4/17 as well as the increased volumes from Libya. In addition, the contribution from the United Arab Emirates, as a result of the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi in Q2/18, impacted this result positively. These effects were partially offset by lower production contributions from Romania and New Zealand as well as the missing contribution from Pakistan following the divestment of OMV's Upstream companies in Q2/18. Net market effects had a positive impact of EUR 276 mn. Higher average prices were partially offset by hedging losses and the negative FX impact due to the depreciation of the US dollar against the euro. The 2017 result included a positive one-time effect of EUR 90 mn. OMV Petrom contributed EUR 693 mn in 2018 to the clean Operating Result compared to EUR 363 mn in 2017.

Net **special items** in 2018 amounted to EUR 95 mn (2017: EUR (7) mn) and were mainly associated with temporary hedging effects of EUR 89 mn. The **Operating Result** improved substantially to EUR 2,122 mn (2017: EUR 1,218 mn).

At USD 7.0/boe, **production cost** excluding royalties were down by 20% as a result of higher production coupled with the ongoing cost reduction program, partly offset by negative FX impacts due to the US dollar devaluation. At OMV Petrom, production cost increased by 3% to USD 11.2/boe mainly due to lower volumes.

Production increased by 23% to 427 kboe/d

Total hydrocarbon production rose by 23% to 427 kboe/d primarily due to Russia's contribution of 100 kboe/d. This was partially offset by lower production from Romania and Norway, due to natural decline, New Zealand, due to repair works at the Pohokura pipeline, and Pakistan, following the divestment of OMV's Upstream companies in Q2/18. OMV Petrom's total daily production went down by 8 kboe/d to 160 kboe/d mainly due to natural decline. **Total sales volumes** improved by 26%, mainly attributable to the contribution from Russia and higher sales in Libya, and partially offset by lower sales in Romania, New Zealand, and Austria as well as Pakistan.

In 2018, the **average Brent price** reached USD 71/bbl, an increase of 32%, mainly driven by robust demand growth, declining production in Venezuela, and fears of global market tightness ahead of effectiveness of US Iran sanctions despite a change in market sentiment from undersupply to oversupply toward year end. The Group's **average realized crude price** rose by 24%. The **average realized gas price** in USD/1,000 cf went down by 8% as 2018 reflects the contribution from Russia. Realized prices in 2018 were impacted by a realized hedging loss of EUR (308) mn.

Capital expenditure including capitalized E&A rose in 2018 to EUR 3,075 mn (2017: EUR 2,781 mn) and also accounts for the acquisition of a 20% stake in two offshore oil fields in Abu Dhabi from ADNOC in the amount of USD 1.5 bn and Shell's Upstream business in New Zealand in the amount of USD 579 mn. In 2017, capital expenditure including capitalized E&A was mainly related to the acquisition of the interest in the Yuzhno Russkoye gas field in Q4/17. Organic capital expenditure was undertaken primarily in Romania, Norway, and the United Arab Emirates. **Exploration expenditure** increased by 31% to EUR 300 mn and was mainly related to activities in Romania, Norway, and Austria.

Production

	2018				2017			
	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]	24.6	168.7	31.2	55.8	25.0	181.6	33.6	58.6
Austria	4.3	30.9	5.2	9.4	4.6	34.2	5.7	10.3
Kazakhstan[2]	2.2	1.7	0.3	2.5	2.3	1.3	0.2	2.6
United Kingdom	–	–	–	–	0.0	0.0	0.0	0.0
Norway	17.1	60.9	10.1	27.3	18.7	61.6	10.3	29.0
Libya	10.9	–	–	10.9	9.1	–	–	9.1
Tunisia	1.3	2.9	0.5	1.8	1.9	2.9	0.5	2.4
Pakistan[3]	0.1	7.0	1.2	1.3	0.2	15.3	2.6	2.7
Yemen	1.1	–	–	1.1	–	–	–	–
Kurdistan Region of Iraq	0.9	11.6	1.9	2.8	0.9	11.2	1.9	2.7
United Arab Emirates	1.8	–	–	1.8	–	–	–	–
New Zealand	2.1	16.0	2.7	4.8	2.9	20.0	3.3	6.2
Russia	–	218.4	36.4	36.4	–	19.8	3.3	3.3
Total	**66.5**	**518.2**	**89.5**	**156.0**	**65.6**	**347.9**	**61.3**	**127.0**

[1] To convert gas from cf to boe, the following conversion factor was applied in all countries: 1 boe = 6,000 cf; except for Romania, where the following was used: 1 boe = 5,400 cf.
[2] As OMV holds 51% of OMV Petrom, it is fully consolidated, and figures include 100% of OMV Petrom's production volumes.
[3] The upstream business in Pakistan was divested on June 28, 2018.

Portfolio developments

Acquisition of a 20% stake in Abu Dhabi offshore concessions

In 2018, OMV continued to optimize its upstream portfolio in line with the focus on improved quality of the asset base and growth of reserves. This was mainly supported by the acquisition of Shell's upstream assets in New Zealand and of a 20% stake in Abu Dhabi offshore concessions as well as the divestment of the Pakistan upstream business, part of the upstream assets in Tunisia, marginal fields in Romania, and the Polarled pipeline in Norway. In addition, strategic partnerships with significant players in high-growth regions were established and enhanced in 2018. OMV signed the Basic Sales Agreement for a share of 24.98% in Achimov 4A/5A with Gazprom, and a strategic partnership was set up with Sapura.

Central and Eastern Europe

Portfolio optimization continued with an agreement to transfer nine fields to Mazarine Energy signed on September 28, 2018. The transaction has been effective from March 1, 2019. The divestment of these nine fields located in the Moinesti Zemes region (Romania), with cumulative oil and gas production of approximately 1,000 boe/day, is part of the portfolio optimization program for OMV Petrom Upstream.

In 2018, drilling activities were sustained at a high level with an average of 13 drilling rigs active in OMV Petrom's operated licenses. A total of 110 new wells and sidetracks were drilled by the end of 2018, representing a significant increase compared with previous years. These activities included drilling two development wells that will make a significant contribution to OMV Petrom production, as well as complex and deep (>4,000 m) exploration wells (6600 Baicoi and 4461 Totea South).

Russia

After setting up the new core region of Russia in 2017 and closing the acquisition of a 24.99% share in the Yuzhno Russkoye gas field, in 2018 OMV went on to sign a "Basic Sale Agreement" which foresees a potential acquisition of a 24.98% interest in the Achimov 4A/5A phase development in the Urengoy gas and condensate field. The "Basic Sale Agreement" replaces the "Basic Agreement" concluded between OMV and Gazprom on December 14, 2016, which provided for a potential asset swap in return for an investment by Gazprom in OMV (Norge) AS. The execution and implementation of the potential transaction are subject to agreement with Gazprom on the final transaction documents plus regulatory and corporate approvals at a later stage.

Additionally, OMV continued to strengthen its partnership with Gazprom by signing a Memorandum on Strategic Cooperation. The document envisages the creation of a Joint Coordinating Committee on collaboration in the natural gas sector, both upstream and downstream, in the area of science and technology, as well as staff training.

North Sea

In 2018, as part of its portfolio optimization efforts, OMV sold its 9.1% stake in the Polarled pipeline as well as its 3.8% stake in the Nyhamna gas processing facilities to CapeOmega. The transaction has been effective from January 1, 2018.

Middle East and Africa

In December 2018, OMV and ADNOC signed a concession agreement awarding OMV with a 5% interest in the Ghasha concession for the duration of 40 years effective November 2018. The concession is located offshore Abu Dhabi and consists of three major gas and condensate development projects – Hail, Ghasha and Dalma – as well as other offshore oil, gas, and condensate fields including Nasr, SARB, and Mubarraz. According to ADNOC's planning, the project will start producing around the middle of the next decade. The fields are expected to produce at plateau at least 1.5 bn cf per day (40 mn cm), as well as over 120 kboe/d of oil and high-value condensate (gross).

In April 2018, OMV and ADNOC signed a new offshore concession agreement for a 20% stake in the offshore concession Abu Dhabi – Satah Al Razboot (SARB) field with the satellite fields Bin Nasher and Al Bateel, and the Umm Lulu field, as well as the associated infrastructure. The agreed participation fee is USD 1.5 bn and the contract term is 40 years. The concession was retroactively effective from March 9, 2018.

Portfolio optimization continued in 2018 with finalization of the divestments of the upstream business in Pakistan in June 2018 as well as of part of the upstream business in Tunisia.

On June 28, 2018, OMV closed the sale of its upstream companies active in Pakistan to Dragon Prime Hong Kong Limited, a wholly owned subsidiary of United Energy Group Limited, an independent exploration and production company. The final purchase price was approximately EUR 158 mn.

On December 21, 2018, OMV closed the sale of its wholly owned subsidiary OMV Tunisia Upstream GmbH to a subsidiary of Panoro Energy ASA. OMV Tunisia Upstream GmbH holds a 49% interest in the Cercina/Cercina Sud, El Ain/Gremda, El Hajeb/Guebiba, and Rhemoura concessions in Tunisia and 50% of the shares in the Thyna Petroleum Services S.A. (TPS) operating company. The agreed purchase price was USD 65 mn. The effective date of the transaction is January 1, 2018. Average production of the divested assets in 2018 was around 1.6 kboe/d, net to OMV.

Asia-Pacific

In 2018, OMV took a significant step in growing Asia-Pacific into a core region by acquiring Shell's upstream assets in New Zealand. The acquisition was completed on December 28, 2018, and included 48% of the Pohokura gas condensate field, the largest producing field in New Zealand, as well as 83.75% of the Maui gas condensate field and related infrastructure for production, storage, and transportation. OMV was already a partner in the two assets (OMV's former stakes: 26% in Pohokura and 10% in Maui) and took over operatorship upon closing. The economic effective date of the transaction is January 1, 2018. Average production of the acquired assets in the first two months of 2018 was around 31 kboe/d. The purchase price was USD 579 mn. Besides that, OMV acquired Todd Energy's 6.25% of the Maui gas condensate field and therefore holds 100% per year end.

In parallel, OMV also acquired Shell's 60.98% interest in the Great South Basin (GSB) exploration block. The transfer of GSB was effective on March 15, 2018, and increased OMV's stake to 82.93%.

In line with OMV's strategy to form partnerships with major players in high-growth regions, OMV and Sapura Energy Berhad ("Sapura Energy") have closed the agreement to form a strategic partnership on January 31, 2019. Under the agreement, OMV Exploration & Production GmbH (OMV E&P), a wholly owned subsidiary of OMV Aktiengesellschaft, has bought a 50% stake of the issued share capital in a new joint venture company established in 2019, called SapuraOMV Upstream Sdn. Bhd. OMV paid USD 540 mn for its 50% interest in SapuraOMV Upstream Sdn. Bhd. In addition, the parties agreed to an additional consideration of up to USD 85 mn based on certain conditions, mainly linked to the resource volume in Block 30, Mexico, at the time the final investment decision is taken. Both parties have also agreed to refinance the existing inter-company debt of USD 350 mn. The management of the partnership will be based in Malaysia and an equal number of representatives from both sides will sit on the board of directors. The new entity, SapuraOMV Upstream Sdn. Bhd. will be fully consolidated in OMV's financial statements. SapuraOMV Upstream Sdn. Bhd is a major independent oil and gas company based in Malaysia with an expected life of field production of approximately 260 mn boe and strong growth prospects.

OMV successfully closed the acquisition of Shell's Upstream business in New Zealand

Key projects

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. Engineering, contracting, and regulatory activities took place during 2018. New legislation covering offshore operations came into force on November 17, 2018, providing the regulatory framework for offshore projects in the Romanian section of the Black Sea. This current legislative environment does not provide the necessary prerequisites for a multi-billion investment decision. OMV Petrom remains keen to see the Black Sea developed and will therefore continue the dialogue with the authorities to understand the way forward.

Other major projects (Romania, OMV 100%)
In 2018, around EUR 90 mn were invested in the modernization, extension, and construction of new oil and gas processing facilities and pipelines. The CHD (Central Hydrocarbon Dewpointing) Hurezani project, whose scope involved building a new low-temperature separation unit and related pipelines, has achieved significant progress toward a start-up in the first half of 2019.

The Offshore Rejuvenation Program kicked off in 2015 consists of various projects aimed at 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 2023. Achievements in 2018 included an upgrade of the fire and gas detection systems on all platforms, an upgrade of cranes, and installation of riser protection.

Successful production start of Aasta Hansteen in December

Yuzhno Russkoye (Russia, OMV 24.99%)
To sustain plateau production in the Gazprom-operated Yuzhno Russkoye gas field, a 135 well drilling campaign targeting the Turonian layer was launched in October 2018. Alongside the existing three producing Turonian wells, four additional wells were completed in 2018 and eight more wells are expected to be completed in 2019. In addition, the operator initiated a project to investigate the potential of the field's deeper layers, which will be further assessed in 2019.

Gullfaks (Norway, OMV 19%)
At the Equinor-operated Gullfaks field, with 183 wells available for production/injection, 13 platform wells were re-drilled and completed in 2018. The new Cat J rig arrived in Norway in Q1/18 and has re-drilled and completed two subsea wells. This jack-up J rig is specially designed to perform efficient drilling operations on subsea development solutions in addition to the conventional surface drilling from the three fixed platform rigs. A PDO[1] amendment for implementing water injection in the producing Shetland/Lista formation was issued to the authorities in late December 2018.

Gudrun (Norway, OMV 24%)
The Equinor-operated Gudrun field continued with a high level of production from the existing platform wells, mainly as a consequence of delayed field decline and increased in-place volumes. During 2018, the license group initiated an improved oil recovery project which includes new wells and a change in drainage strategy by water injection; this will be further matured in 2019.

Edvard Grieg (Norway, OMV 20%)
The Edvard Grieg offshore oil field, operated by Lundin, produced at a level significantly above expectations due to high facility uptime throughout 2018. The field development plan was successfully completed in 2018 by drilling the last four wells of the fourteen-well program.

Aasta Hansteen (Norway, OMV 15%)
In 2018, the Aasta Hansteen platform was successfully transported to the location, hooked up, and commissioned. Production start-up was on December 16, 2018. All development wells were completed in 2018.

Wisting (Norway, OMV 25%)
The Wisting discoveries are located in the Hoop area of the Barents Sea in PL537, approximately 310 kilometers from the mainland of Norway. OMV is the operator of Wisting with 25% working interest. The current reference concept for the Wisting development is an FPSO with a subsea production system consisting of 19 producers and 15 water injectors. Two FPSO concepts in the form of a circular and a ship-shaped hull are being matured, and the final concept selection in the license group is expected in 2020. The recoverable resources in PL537 reported to the Norwegian Petroleum Directorate for 2018 are estimated at around 440 million barrels of oil compared to 350 million barrels in 2017.

Nawara (Tunisia, OMV 50%)
By the end of 2018, the OMV operated onshore Nawara gas condensate field development project was around 97% completed, falling behind schedule due to further social unrest in South Tunisia. The pipeline is approaching mechanical completion, while both the gas treatment plant in Gabes and the central processing facility have been delayed by protests and strikes. Nonetheless, OMV continues

[1] PDO – Plan of Development and Organization

to work with partners and contractors on solutions to minimize any further delay. The first gas delivery from the Nawara pipeline is expected towards the end of 2019.

Umm Lulu and SARB (UAE, OMV 20%)

Umm Lulu and Satah Al Razboot (SARB) are two offshore oil fields situated in the shallow waters of Abu Dhabi. Both fields are connected via pipelines to dedicated processing, storage, and loading facilities on Zirku Island. The full field facilities and infrastructures of the Umm Lulu field are expected to be finalized by 2020 with development drilling to continue until 2023. OMV has been appointed as Asset Lead for Umm Lulu.

Production start-up of the Umm Lulu and SARB fields was achieved in September 2018 and showed an initial capacity of 50 kboe/d (10 kboe/d net to OMV), ramping up to approximately 125 kboe/d (25 kboe/d net to OMV) in December 2018. Production from the concession area is expected to increase to 215 kboe/d (43 kboe/d net to OMV) by 2023.

Exploration and appraisal highlights

In 2018, OMV completed the drilling of 16 exploration and appraisal wells[1] in four different countries, of which ten were successful, including two already on production. The drilling of four wells was ongoing at year end, with three wells being finalized by March 2019.

In Norway, four exploration wells were finalized, two of which were successful, additionally one was ongoing at year end. The highlight was the High Pressure, High Temperature (HPHT) exploration well 6506/11-10 in the Norwegian Sea (PL644), where OMV was the operator. The well had two targets (Hades and Iris) and discovered significant gas and condensate volumes. Further appraisal is planned for 2019. Additionally, three appraisal wells were drilled and all were successful.

In Romania, following Repsol's country exit, OMV Petrom became the sole titleholder and operator of four onshore exploration licenses in the Getic region. Five exploration wells were finalized, of which two discovered hydrocarbons, while one was ongoing at year end. Of these two complex and deep exploration wells will be further tested in the first part of 2019.

In Austria, two exploration wells and one appraisal well, which included a deeper exploration target, were finalized in 2018, all of them hydrocarbon-bearing. One well was ongoing at year end.

Two seismic surveys in New Zealand and Austria were finalized in 2018. In Austria, 600 km^2 of seismic data was acquired northeast of Vienna and focused on potential deeper targets. An extension of the survey (in total ~1,500 km^2) was commenced in October 2018 and was ongoing at year end.

Exploration and appraisal expenditures increased to EUR 300 mn in 2018 (2017: EUR 230 mn). The increased spend reflects higher activity levels, an improved success rate, and higher equity levels in the Romanian activities.

Reserves development

Proved reserves (1P) as of December 31, 2018, increased to 1,270 mn boe (thereof OMV Petrom[2]: 532 mn boe). With 180%, the one-year Reserve Replacement Rate (RRR) was in the same order of magnitude than last year (2017: 191%) and far above the average in the past. The three-year average RRR grew to 160% (2017: 116%). The increase in proved reserves was mainly induced by the acquisition of a 20% share in the offshore concessions Umm Lulu and SARB in the United Arab Emirates and the successful development of the Turonian reservoir in the Russian gas field Yuzhno Russkoye. Further significant revisions were made due to the increase of our shares in New Zealand as well as the positive production performance and successful development activities in Norway.

Three-year average Reserve Replacement Rate grew to 160%

Proved and probable reserves (2P) increased to 2,157 mn boe (thereof OMV Petrom[2]: 810 mn boe) mostly due to the acquisitions in the United Arab Emirates and New Zealand.

[1] Of which seven were operated by OMV

[2] OMV Petrom covers Romania and Kazakhstan.

Innovation and new technologies

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

OMV applies various enhanced oil recovery methods with a special focus on intelligent water injection projects summarized in the Smart Oil Recovery 3.0 program (SOR 3.0). This enables OMV to increase the ultimate oil recovery by up to 15 percentage points in selected fields and thus extend field life. In 2018, two horizontal production wells and one injection well were drilled in the Matzen field in Austria. In total, more than 230 kboe of incremental oil were produced by SOR 3.0 by the end of 2018. Furthermore, research and development cooperation with Total and Gazprom was still ongoing in 2018. OMV continued to work on the pilot scale testing of innovative technologies in produced water treatment. The handling of back-produced water is one of the key aspects enabling cost-efficient SOR 3.0.

Increasingly complex reservoir fluids conditions lead to faster degradation of pipelines and processing equipment. To address this, OMV Upstream is building up its expertise in the application of nanotechnology products. In 2018, an ongoing pilot test to prevent paraffin deposition in well bores and reduce wear in sucker rod pumps showed promising preliminary results and was therefore extended to additional fields. Further areas of research are nanocoatings for corrosion and scale protection.

OMV collaborates with leading international universities (e.g., University of Cambridge, Stanford University, TU Wien, Montanuniversität Leoben, Johannes Kepler University Linz, University of Natural Resources and Life Sciences, Vienna) as well as international research institutes (e.g., Fraunhofer, Forschungszentrum Jülich, Austrian Institute of Technology, Joanneum Graz) and engages in research collaborations with industry partners and research initiatives globally.

With DigitUP, OMV Upstream aims to move up to the league of "digital frontrunners" in the oil and gas industry. By 2025, digital technologies and fully integrated work methods are expected to be at top international level, making the business more secure and more profitable. In this way, OMV will make the working environment more attractive for new and existing employees and open the door to new partnerships.

The DigitUP program will be implemented in two stages: The first phase spans the next three years, during which the aim is to implement state-of-the-art systems for OMV's exploration and production activities, create trust in these new technologies among employees, and enable them to use them in their routine work. In the second phase, which has 2025 as its target, the aim is to become a digital frontrunner.

Downstream

OMV's Downstream business consists of Downstream Oil and Downstream Gas. Downstream Oil has three refineries in Central and Eastern Europe, two of which have strong petrochemical integration. OMV operates a retail network of approximately 2,100 filling stations in Europe. Downstream Gas is active along the entire gas value chain. Gas sales volumes amounted to 114 TWh.

At a glance

		2018	2017	Δ
Clean CCS Operating Result[1]	in EUR mn	1,643	1,770	(7)%
thereof Downstream Oil	in EUR mn	1,439	1,554	(7)%
thereof Downstream Gas	in EUR mn	204	217	(6)%
Special items	in EUR mn	(219)	(1,242)	82%
CCS effects: inventory holding gains/(losses)[1]	in EUR mn	(4)	55	n.m.
Operating Result	in EUR mn	1,420	584	143%
Capital expenditure[2]	in EUR mn	576	580	(1)%
Downstream Oil KPIs				
OMV indicator refining margin[3]	in USD/bbl	5.24	6.05	(13)%
Ethylene/propylene net margin[3,4]	in EUR/t	448	427	5%
Utilization rate refineries		92%	90%	2%
Total refined product sales	in mn t	20.26	23.82	(15)%
thereof retail sales volumes	in mn t	6.33	8.13	(22)%
thereof petrochemicals	in mn t	2.41	2.15	12%
Downstream Gas KPIs				
Natural gas sales volumes	in TWh	113.76	113.40	0%
Net electrical output	in TWh	5.06	7.10	(29)%

Note: OMV Petrol Ofisi was divested on June 13, 2017.
[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] Capital expenditure including acquisitions
[3] Actual refining and petrochemical margins realized by OMV may vary from the OMV indicator refining margin, ethylene/propylene net margin, as well as from the market margins due to factors including a different crude slate, product yield, operating conditions, and a different feedstock.
[4] Calculated based on West European Contract Prices (WECP) with naphtha as feedstock

Financial performance

The **clean CCS Operating Result** came down from EUR 1,770 mn to EUR 1,643 mn in 2018 mainly due to a lower result in Downstream Oil.

The **Downstream Oil clean CCS Operating Result** declined in 2018 by EUR 114 mn to EUR 1,439 mn. This was mainly a result of the divestment of OMV Petrol Ofisi in June 2017, which contributed EUR 98 mn to the 2017 result, as well as of a weaker refining market environment. The **OMV indicator refining margin** decreased by 13% from USD 6.0/bbl to USD 5.2/bbl. Increased crude prices resulted in higher feedstock costs negatively impacting the indicator refining margin. While middle distillate margins improved, gasoline and heavy fuel oil margins declined. The **utilization rate of the refineries** came in at a very high rate of 92% in 2018 (2017: 90%) despite the planned six-week turnaround at the Petrobrazi refinery in Q2/18. At 20.3 mn t, **total refined product sales** decreased by 15% following the divestment of OMV Petrol Ofisi in Q2/17, which contributed 4.0 mn t in 2017. Excluding OMV Petrol Ofisi, total refined product sales grew slightly. In the retail business, sales volumes and margins increased. In the commercial business, sales volumes rose, while margins were slightly below 2017 levels. Furthermore, the commercial business in Germany and Austria profited from supply disruptions in southern Germany caused by extremely low Rhine water levels and a refinery outage. OMV Petrom contributed EUR 286 mn (2017: EUR 336 mn) to the clean CCS Operating Result of Downstream Oil.

The clean CCS Operating Result of the petrochemicals business increased by 12% to EUR 275 mn (2017: EUR 245 mn). The ethylene/propylene net margin increase was offset by declining petrochemical margins for butadiene and benzene. Furthermore, last year's result was negatively impacted by the planned turnaround at the Schwechat petrochemicals unit. Borealis's contribution to the clean Operating Result declined by EUR 39 mn to EUR 360 mn (2017: EUR 399 mn) mainly as a result of lower polyolefin margins and a challenging fertilizer market environment, partially offset by a strong Borouge result.

The **Downstream Gas clean CCS Operating Result** declined from EUR 217 mn to EUR 204 mn in 2018. The result in 2017 was supported by positive one-off valuation effects. The performance of Gas Connect Austria increased from EUR 97 mn in 2017 to EUR 102 mn. This was mainly attributable to a higher contribution from participations and an insurance compensation related to the Baumgarten incident in 2017, partially offset by the expiration of long-term contracts and higher energy costs. **Natural gas sales volumes** were flat at 113.8 TWh (2017: 113.4 TWh), and higher sales volumes in Germany were offset by lower sales in Romania and Turkey. **Net electrical output** dropped from 7.1 TWh to 5.1 TWh in 2018: While the Brazi power plant in Romania increased its output, it could not offset the missing share of the Samsun power plant following its divestment in Q3/18. OMV Petrom contributed EUR 77 mn (2017: EUR 50 mn) to the clean CCS Operating Result of Downstream Gas.

The Downstream **Operating Result** surged from EUR 584 mn to EUR 1,420 mn in 2018. The 2018 result reflects net **special items** of EUR (219) mn mainly related to the divestment of the Samsun power plant and an impairment of the Borealis fertilizer business. In 2017, net special items were EUR (1,242) mn, reflecting the recycling of FX losses following the divestment of OMV Petrol Ofisi. **CCS effects** of EUR (4) mn were booked due to decreasing crude prices.

Capital expenditure in Downstream amounted to EUR 576 mn (2017: EUR 580 mn). Capital expenditure in Downstream Oil grew by EUR 16 mn to EUR 506 mn (2017: EUR 491 mn), which was mainly due to increased investments in OMV Petrom and partially offset by the divestment of OMV Petrol Ofisi in Q2/17. Downstream Gas capital expenditure decreased to EUR 70 mn (2017: EUR 90 mn), reflecting mainly the divestment of the Samsun power plant.

Downstream Oil

Downstream Oil operates along the entire oil value chain: It processes equity and third-party crude and other feedstock in three highly competitive inland refineries with an annual capacity of 17.8 mn t in Schwechat (Austria), Burghausen (Germany), and Petrobrazi (Romania). In Austria and Germany, OMV is forward integrated into petrochemicals, with Borealis (OMV stake 36%) 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 2,064 filling stations, with total refined product sales of 20.3 mn t.

Refining including product supply and sales

High refinery utilization rate at 92%

The rise in crude oil prices in the course of 2018 put refining margins under pressure, which on average were slightly below the 2017 level. However, despite the year-on-year decline, refining economics are still healthy, supported by strong demand for middle distillate and some logistical issues in Europe keeping inland premia at high levels. The overall capacity utilization rate in 2018 reached a very high level of 92% (2017: 90%) despite planned turnaround activities at the Petrobrazi refinery and the planned small-scale maintenance activities at the Burghausen refinery.

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 strategically align investments, the full capitalization on the flexibilities in shifting output toward high-value products, and leveraging economies of scale.

In the petrochemical business, sales volumes were higher than in 2017, since there were no major turnaround activities at the Schwechat and Burghausen refineries. Increased sales volumes from Schwechat made a significant contribution. Average petrochemical margins, which were particularly high in Q4/18, were below the 2017 average. In the first half of 2018, butadiene prices in particular faced higher-than-expected naphtha prices. However, the improvement in demand in both Europe and the United States led to higher margins in the second half of 2018 and maintained them at a healthy level until the end of the year. Benzene margins have been under pressure since Q2/18, driven by an oversupplied European market. The decline in butadiene and benzene margins was not offset by the increase in propylene margins.

Annual refining capacities

In mn t

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

Retail

The Retail business continued its strong performance in 2018 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, the total sales volume dropped by 22% to 6.3 mn t. Nevertheless, the average throughput increased again by 1% on the back of strong performance in all key markets and a favorable market environment. At the end of the year, the network comprised 2,064 filling stations (2017: 2,039). OMV continues to focus on its successful multi-brand strategy with a planned further expansion in Germany based on an agreement with Aldi Süd. The OMV brand is positioned as a premium brand, with VIVA representing a strong shop, gastronomy, and service offering. The brand of the unmanned Avanti station stands for discount, and the Petrom brand represents value for money. This strategy has continued to deliver good results, while profitability per site has continued to increase. OMV's premium brand MaxxMotion demonstrated top performance and reflected its premium quality focus, although fuel price levels increased overall compared with previous years. The non-oil business, such as the VIVA convenience stores and car wash, continued its sustainable and very positive development with a higher contribution than in 2017. The focus on the high-quality products and services in the premium filling station network remains one of the key differentiators.

Borealis

Despite the drop versus 2017, Borealis benefited from solid integrated polyolefin margins and contributed substantially to the clean Operating Result with EUR 360 mn in 2018 (2017: EUR 399 mn). Another outstanding year was again supported by a weakening, but still healthy olefin and polyolefin market environment, which overcompensated for the continued downturn in fertilizers. That segment suffered from lower demand and higher gas prices. In addition, Borealis's joint venture with the Abu Dhabi National Oil Company, Borouge, benefited from strong margins and again delivered an excellent result.

Substantial Borealis contribution following excellent Borouge result

In September 2018, Bayport Polymers, the 50/50 joint venture of Total and Novealis Holdings (50/50 joint venture of Borealis and NOVA Chemicals), announced the final investment decision for the construction of a polyethylene plant in Bayport, Texas, with production capacity of 625,000 t per year.

Robust Retail performance further increased average throughput

In October 2018, following the successful completion of Front-End Engineering Design (FEED), Borealis made the final investment decision for a new world-scale Propane Dehydrogenation (PDH) plant. The facility will be located at Borealis's existing production site in Kallo (Antwerp), Belgium. Commissioning of the plant is scheduled for the first half of 2022. The PDH plant will have a target production capacity of 750,000 t per year.

In addition, Borealis acquired the Austrian plastics recycler Ecoplast Kunststoffrecycling GmbH (Ecoplast). Based in Wildon, Austria, Ecoplast processes around 35,000 t of post-consumer plastic waste per year from households and industrial customers into Low-Density Polyethylene (LDPE) and High-Density Polyethylene (HDPE) recyclates, mainly but not exclusively for the plastic film market.

Downstream Gas

Downstream Gas operates across the gas value chain from the wellhead to the burner tip of the end customer with a fully integrated gas business.[1] It includes the Group's power business activities, with one gas-fired power plant in Romania.

Supply, marketing and trading

OMV markets and trades natural gas in eight European countries (Austria, Germany, Netherlands, Romania, Hungary, Italy, Slovenia, and France) as well as in Turkey. Total gas sales in 2018 amounted to 113.8 TWh (2017: 113.4 TWh). The supply portfolio consists of equity gas and a diversified set of international suppliers. In addition, short-term activities on the main international hubs complement OMV's dynamic supply portfolio.

[1] OMV's gas business is operated in strict adherence to the applicable gas unbundling rules.

OMV Gas Marketing & Trading GmbH (OMV Gas) sales activities are focused on the large industry and municipality segments. In 2018, OMV Gas had a local presence in Austria, Germany, Hungary, and the Netherlands. External sales in these countries amounted to 65.2 TWh, an increase of 15% compared with 2017. Italy, Slovenia, and France are covered by origination activities. This is a substantial achievement given the challenging market environment. Margins remained under pressure due to the competitive and increasingly volatile European gas market situation. This situation is expected to continue in the future. In Germany, OMV Gas plans to achieve a market share of 10% by 2025, a target that is well on track. By the end of 2018, sales had reached 25.4 TWh, an increase of 49% over the previous year and a market share of 3%.

In Romania, OMV Petrom Gas activities achieved an excellent clean CCS Operating Result. In the context of a still volatile regulatory framework, natural gas sales to third parties decreased year on year and reached around 38.9 TWh in 2018. In Turkey, natural gas sales decreased from 10.9 TWh in 2017 to 8.6 TWh in 2018.

659 TWh new record volume nominated at CEGH-VTP

In 2018, OMV Gas also improved the capacity utilization of of the Gate regasification terminal. OMV Gas has concluded another important midterm LNG deal, under which a number of LNG cargoes will be delivered to Europe. These LNG cargoes will provide an additional source of gas supply to meet OMV's ambitious sales growth targets in Northwest Europe, while further enhancing the security of supply for OMV's geographically diverse supply portfolio.

OMV Gas has successfully closed the divestment of the Samsun power plant in Turkey. The closing of this transaction marked the last step toward streamlining our power business. OMV Gas power business was positively affected by high power prices in Romania, which led to a good financial result. Net electrical output declined to 5.1 TWh. While the Brazi power plant in Romania increased its output, it could not offset the missing contribution from the divested Samsun power plant. 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 by a business interruption insurance in 2018.

Gas logistics

OMV runs gas storage facilities in Austria and Germany with a storage capacity of 30 TWh and holds a 65% stake in the Central European Gas Hub (CEGH), an important gas trading hub in Central and Eastern Europe. OMV's subsidiary Gas Connect Austria operates an approximately 900 km long high-pressure natural gas pipeline network in Austria.

The Entry/Exit transport volumes declined by 6% in 2018 compared with the high level of 2017 mainly due to the unusually warm weather toward the end of the year and lower consumption for electricity generation.

The Austrian gas storage market was again characterized by low summer/winter spreads below EUR 1/MWh. After a very low filling level of 6% in April 2018 due to cold spells in Q1/18, the storage level reached a relatively low maximum of 75% in November 2018 (November 2017: 98%). The relatively low 2018 storage level was mainly caused by high summer gas prices and correspondingly low spreads to winter forward prices.

At the Central European Gas Hub, 659 TWh of natural gas were nominated at the Virtual Trading Point (VTP) in 2018, an increase of 6% compared with 2017. On the PEGAS CEGH Gas Exchange Market, 133 TWh were traded in Austria in 2018, an increase of almost 50% versus last year. Both results are new all-time highs in the history of CEGH. CEGH launched the CEGH Gas Storage Marketing Platform in November 2018, a new service that enables gas storage operators to offer storage capacity.

Construction of Nord Stream 2 has commenced in 2018 and at year end 2018 about 400 km of pipes were laid in German, Finnish, and Swedish waters. In 2018, OMV provided funds of EUR 275 mn, bringing OMV's total current drawdowns under the financing agreements for Nord Stream 2 to approximately EUR 600 mn.

Innovation and new technologies

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

OMV is consequently developing new technologies such as Co-Processing to improve the quality and stability of fuels with biogenic components. Traditionally, the biogenic component is blended to the fuel after production. Co-Processing introduces the biogenic feedstock already in the production process. This concept enables OMV to produce transportation fuels from various biogenic feedstock such as domestic rapeseed oil, used cooking oil, or algae oil using existing refinery plants. In 2018, OMV continued its development efforts in the field of Co-Processing of renewable feedstock through further tests in laboratories and pilot plants. The focus was on fine-tuning the technical concept in terms of product quality, biogenic yields, and utility consumption.

OMV is also active in the production of advanced fuels that are not in direct competition with food. In cooperation with the Christian Doppler Laboratory in Cambridge, OMV is investigating approaches to converting CO_2 and water into synthesis gas using sunlight and catalysts. This synthesis gas can then be converted into liquid fuels. In addition, OMV participates in various funded research projects with external partners, e.g., the conversion of CO_2 and biowaste into alcohols in collaboration with the TU Wien (Vienna University of Technology) and the liquefaction of biowaste to bio-based crude oil together with the Montanuniversität Leoben.

At the beginning of 2018, the European Commission introduced the new Circular Economy Package with the aim of increasing the recycling rates for plastics and minimizing the release of plastics into the environment. Refinery post-consumer and post-industrial plastics are already being recycled into synthetic crude oil in a pyrolysis process in OMV's ReOil® pilot plant at the Schwechat refinery (a proprietary OMV technology). This synthetic crude can be processed into any desired refinery product. Mechanical completion of the pilot plant with a capacity of 100 kg/h was reached at the end of 2017. In 2018, OMV operated and further improved the pilot plant to prepare the next scale-up steps to industrial scale.

ReOil®: an OMV approach towards circular economy

OMV is actively involved in the development of alternative fuels in major mobility applications in order to stay abreast of market developments for emissions reductions.

OMV holds 40% of SMATRICS, Austria's largest e-mobility provider. SMATRICS currently operates 428 charging stations at 166 publicly accessible locations. SMATRICS is also an enabler for e-mobility and offers a complete B2C and B2B service package. OMV also works with IONITY – High-Power Charging. This is available at seven OMV locations with more planned in the near future. With the OMV e-mobility card, ROUTEX customers can seamlessly use their fuel of choice.

Compressed natural gas (CNG) and liquefied natural gas (LNG) can reduce CO_2 and particulate emissions from vehicles by 20% and 90%, respectively. To exploit this potential, OMV is conducting a strategic evaluation on LNG as an alternative fuel for heavy-duty vehicles. In addition, first activities with industrial partners to increase utilization of the existing CNG network in Austria have commenced.

As a pioneer in hydrogen mobility, OMV currently operates five hydrogen filling stations in Austria and is a joint venture partner of H2 MOBILITY, whose goal is to operate a Germany-wide hydrogen filling station network by the end of 2023. Several initiatives for the production and use of hydrogen are being promoted by OMV across a number of sectors, aimed at unlocking the potential of the fuel and positioning OMV accordingly.

Outlook

Market environment

For the year 2019, OMV expects the average Brent oil price to be at USD 65/bbl (2018: USD 71/bbl). In 2019, average European gas spot prices are anticipated to be lower compared to 2018.

Group

In 2019, organic capital expenditure (including capitalized exploration and appraisal expenditure and excluding acquisitions) is projected to come in at EUR 2.3 bn (2018: EUR 1.9 bn).

Upstream

OMV expects total production to be around 500 kboe/d in 2019 (2018: 427 kboe/d). The production at El Sharara in Libya resumed in March 2019, and we assume from the middle of March until December an average production contribution from Libya of 35 kboe/d (2018: 30 kboe/d) depending on the security situation. The organic capital expenditure for Upstream (including capitalized exploration and appraisal expenditure and excluding acquisitions) is anticipated to come in at EUR 1.5 bn in 2019. In 2019, exploration and appraisal expenditure is expected to be at EUR 350 mn (2018: EUR 300 mn).

Downstream

In 2019, the refining indicator margin will be at the level of around USD 5/bbl (2018: USD 5.2/bbl). Petrochemical margins will be slightly lower than in 2018 (2018: EUR 448/t). The total refined product sales in 2019 are forecasted to be on a similar level compared to 2018 (2018: 20.3 mn t). In OMV's markets, retail and commercial margins are predicted to be similar compared to those in 2018. There is no planned turnaround of the refineries in 2019. Therefore, the utilization rate of the refineries is expected to be higher than in 2018 (2018: 92%).

The natural gas sales volumes in 2019 are projected to be above to those in 2018 (2018: 114 TWh). Natural gas sales margins are forecasted to be lower in 2019 compared to 2018. Due to the divestment of the Samsun power plant in Turkey in Q3/18, the net electrical output in 2019 will be lower than in 2018 (2018: 5.1 TWh). The net electrical output of the Brazi power plant in Romania is expected to be above the level of 2018. OMV will continue to finance the Nord Stream 2 pipeline.

Information about the longer-term outlook can be found in the Strategy chapter (page 43).

Risk Management

Like 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 enhance risk awareness and risk management skills across the entire organization, including subsidiaries in more than 20 countries. The 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. The 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 nonfinancial 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. An analysis to assess the potential impact of a hard Brexit scenario on OMV Group companies was undertaken, which showed that there is no significant impact expected. OMV also 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. In particular risks due to US sanctions on the Nord Stream 2 project and on OMV's activities in Russia are regularly assessed and monitored. Risks related to the EU Emissions Trading System 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, NZD, 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.

Management of market price risk and FX risk

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 Risk Committee, which is chaired by the CFO and comprised of senior management of the Business Segments and corporate functions. The 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.

Management of interest rate risk

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.

Management of credit 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.

For further details on climate change related risks and their management, see the OMV Sustainability Report 2018.

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 in place between the two core shareholders, Österreichische Beteiligungs AG (ÖBAG) and Mubadala Petroleum and Petrochemicals Holding Company L.L.C (MPPH), which provides for coordinated behavior and certain limitations on transfers of shareholdings.

3. ÖBAG holds 31.5% and MPPH 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) As the authorized capital granted by the Annual General Meeting on May 13, 2009 expired on May 13, 2014, the Annual General Meeting decided upon a new authorized capital on May 14, 2014. Specifically, it authorized the Executive Board until May 14, 2019 to increase the share capital of OMV with the consent of the Supervisory Board – at once or in several tranches – by an amount of up to EUR 32,727,272 by issuing up to 32,727,272 new no-par value common voting shares in bearer form in return for contributions in cash. The capital increase can also be implemented by way of indirect offer for subscription after taking over by one or several credit institutions according to Section 153 Paragraph 6 Stock Corporation Act. The issue price and the conditions of issuance can be determined by the Executive Board with the consent of the Supervisory Board. The Annual General Meeting also authorized the Executive Board, subject to the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the capital increase serves to

   (i) adjust fractional amounts or

   (ii) 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.

   In addition, the Supervisory Board was 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) The EUR 750 mn hybrid bond, which was issued in 2011, was called and redeemed at its nominal value plus interest on April 26, 2018, the first possible call date.

   b) OMV has issued perpetual hybrid notes the amount of EUR 1,987 mn which are subordinated to all other creditors. According to IFRS, the proceeds of the hybrid notes are fully treated as equity because the repayment of the principal and the payments of interest are solely at the discretion of OMV.

   On December 7, 2015, OMV issued hybrid notes with an aggregate size of EUR 1,500 mn, in two tranches of EUR 750 mn each with the following interest payable:

   (i) The hybrid notes of tranche 1 bear a fixed interest rate of 5.250% until, but excluding, December 9, 2021, which is the first call date of tranche 1. From December 9, 2021, until, but excluding, December 9, 2025, hybrid notes of tranche 1 will bear interest according to a 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 1% per annum.

   (ii) The hybrid notes of tranche 2 bear a fixed interest rate of 6.250% until, but excluding, December 9, 2025, which is the first call date of tranche 2. From December 9, 2025, tranche 2 will bear interest according to a 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 1% per annum

   Interest is due and payable annually in arrears on December 9 of each year, unless OMV elects to defer the relevant interest payments. The outstanding deferred interest must be paid under certain circumstances, in particular, if the General Meeting of OMV resolves upon a dividend payment on OMV shares.

   On June 19, 2018 OMV issued a hybrid bond with a size of EUR 500 mn. The hybrid bears a fixed interest rate of 2.875% until, but excluding, June 19, 2024. From June 19, 2024 until, but excluding, June 19, 2028 the hybrid notes will bear interest at a rate according to the relevant five-year swap rate and an additional margin of 2.335% per annum and, from June 19, 2028, with an additional step-up of 1% per annum. Interest is due and payable annually in arrears on June 19 of each year, unless OMV elects to defer the relevant interest payments. The outstanding deferred interest must be paid under certain circumstances, in particular, if the General Meeting of OMV resolves upon a dividend payment on OMV shares.

   The hybrid notes outstanding as of December 31, 2018 do not have a scheduled maturity date and they 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. Any accrued unpaid interest becomes payable when the bond is redeemed. 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. 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. 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. 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 37 in the Consolidated Financial Statements.

Vienna, March 13, 2019

The Executive Board

Rainer Seele m.p. Johann Pleininger m.p. Reinhard Florey m.p. Manfred Leitner m.p.