Quarterly Report 2017

Q2

OMV Aktiengesellschaft

Moving more. Moving the future. OMV

Table of Contents

Disclaimer regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements may be identified by the use of terms such as "outlook," "expect," "anticipate," "target," "estimate," "goal," "plan," "intend," "may," "objective," "will" and similar terms or by their context. These forward-looking statements are based on beliefs and assumptions currently held by and information currently available to OMV. By their nature, forward-looking statements are subject to risks and uncertainties, both known and unknown, because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of OMV. Consequently, the actual results may differ materially from those expressed or implied by the forward-looking statements. Therefore, recipients of this report are cautioned not to place undue reliance on these forward-looking statements.

Neither OMV nor any other person assumes responsibility for the accuracy and completeness of any of the forward-looking statements contained in this report. OMV disclaims any obligation to update these forward-looking statements to reflect actual results, revised assumptions and expectations and future developments and events. This report does not contain any recommendation or invitation to buy or sell securities in OMV.

August 10, 2017

OMV Group Report January – June and Q2 2017 including condensed consolidated financial statements as of June 30, 2017

Key Performance Indicators [1]

Group

- Clean CCS Operating Result doubled to EUR 662 mn
- Clean CCS net income attributable to stockholders amounted to EUR 282 mn, clean CCS Earnings Per Share were EUR 0.86
- Operating Result and net income were negatively impacted by recycling of FX losses [2] following the divestment of OMV Petrol Ofisi
- Strong free cash flow after dividend payments at EUR 747 mn
- Strong operating cash flow generation in 6m/17 fully covering investments and increased dividend payments
- Clean CCS ROACE at 11%

Upstream

- Hydrocarbon production increased to a ten-year quarterly high of 339 kboe/d
- Production cost decreased by 19% to USD 8.7/boe

Downstream

- OMV indicator refining margin rose to USD 6.0/bbl
- Ethylene/propylene net margins strongly increased
- Total natural gas sales improved to 26TWh

Key events

- OMV closed the sale of its wholly owned subsidiary OMV Petrol Ofisi to VIP Turkey Enerji AS, a subsidiary of Vitol Investment Partnership Ltd., on June 13, 2017. The overall transaction value amounts to EUR 1.37 bn. The net cash impact on OMV was EUR 0.88 bn in Q2/17.
- On May 25, 2017, OMV and ADNOC signed a Memorandum of Understanding for cooperating in a number of areas, including the evaluation of opportunities in downstream projects; the exchange of knowledge and experience in refining operations and refinery-petrochemical integration and optimization, and downstream technical and maintenance support.

---

[1] Figures above are reflecting the Q2/17 period, all comparisons described above relate to the previous year quarter except where mentioned otherwise
[2] In Q2/17, the income statement was impacted by the recycling of FX losses following the depreciation of the Turkish lira against the euro, since the acquisition in 2010. There was no impact on cash flow and balance sheet in Q2/17.

Directors' Report (condensed, unaudited)

Group performance

Financial highlights

in EUR mn (unless otherwise stated)

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
5,152	5,518	4,614	12	Sales [2]	10,670	8,605	24
662	**805**	**331**	100	**Clean CCS Operating Result [3]**	**1,467**	**593**	**147**
259	321	3	n.m.	Clean Operating Result Upstream [3]	580	(93)	n.m.
411	494	363	13	Clean CCS Operating Result Downstream [3]	904	683	32
(13)	(13)	(12)	(11)	Clean Operating Result Corporate and Other [3]	(26)	(16)	(58)
5	3	(24)	n.m.	Consolidation: Elimination of inter-segmental profits	8	20	(57)
35	20	5	n.m.	Clean Group tax rate in %	27	(2)	n.m.
393	602	273	44	Clean CCS net income [3]	995	504	98
282	**502**	**222**	27	**Clean CCS net income attributable to stockholders [3, 4]**	**784**	**396**	**98**
0.86	1.54	0.68	27	Clean CCS Earnings Per Share in EUR [3]	2.40	1.21	98
662	**805**	**331**	100	**Clean CCS Operating Result [3]**	**1,467**	**593**	**147**
(1,322)	**210**	**(608)**	(117)	**Special items [5]**	**(1,112)**	**(623)**	**(78)**
(34)	22	94	n.m.	CCS effects: Inventory holding gains/(losses)	(12)	(10)	(22)
(694)	**1,037**	**(183)**	n.m.	**Operating Result Group**	**343**	**(40)**	**n.m.**
169	508	(600)	n.m.	Operating Result Upstream	677	(702)	n.m.
(857)	540	476	n.m.	Operating Result Downstream	(318)	707	n.m.
(14)	(16)	(15)	5	Operating Result Corporate and Other	(30)	(19)	(57)
8	5	(44)	n.m.	Consolidation: Elimination of inter-segmental profits	14	(27)	n.m.
(62)	(49)	(45)	(38)	Net financial result	(111)	(99)	(11)
(756)	988	(228)	n.m.	Profit before tax	232	(140)	n.m.
(23)	17	49	n.m.	Group tax rate in %	148	114	30
(928)	816	(117)	n.m.	Net income	(112)	19	n.m.
(1,028)	712	(168)	n.m.	Net income attributable to stockholders [4]	(316)	(73)	n.m.
(3.15)	2.18	(0.51)	n.m.	Earnings Per Share in EUR	(0.97)	(0.22)	n.m.
991	923	1,036	(4)	Cash flow from operating activities	1,914	1,615	19
1,329	1,320	551	141	Free cash flow before dividends	2,649	406	n.m.
747	1,320	172	n.m.	Free cash flow after dividends	2,067	27	n.m.
943	1,669	3,992	(76)	Net debt	943	3,992	(76)
7	12	29	(76)	Gearing ratio in %	7	29	(76)
397	302	489	(19)	Capital expenditure	698	956	(27)
11	10	7	56	Clean CCS ROACE in % [3]	11	7	56
(1)	3	(9)	84	ROACE in %	(1)	(9)	84
21,140	22,210	23,172	(9)	Employees	21,140	23,172	(9)

Figures in this and the following tables may not add up due to rounding differences.
[1] Q2/17 compared to Q2/16
[2] Sales excluding petroleum excise tax
[3] Adjusted for special items; clean CCS figures exclude fuels' inventory holding gains/losses (CCS effects) resulting from the refineries and OMV Petrol Ofisi
[4] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests
[5] Special items are exceptional, non-recurring items; starting with Q1/17 the special items also include temporary effects from commodity hedging for material Downstream and Upstream hedging transactions (in order to mitigate possible income statement volatility)

Second quarter 2017 (Q2/17) compared to second quarter 2016 (Q2/16)

Consolidated sales increased by 12% compared to Q2/16, mainly due to higher market prices in Downstream. **Clean CCS Operating Result** doubled from EUR 331 mn to EUR 662 mn, mainly driven by a significantly higher Upstream result. The improved Upstream performance was driven by higher realized oil and gas prices and increased sales volumes in Libya and Norway. OMV Petrom group's clean CCS Operating Result amounted to EUR 197 mn, compared to EUR 49 mn in Q2/16. The **clean Group tax rate** in Q2/17 was 35% compared to 5% in Q2/16 as a result of higher revenue contributions from Libya and Norway. The **clean CCS net income** was EUR 393 mn. **Clean CCS net income attributable to stockholders** amounted to EUR 282 mn (Q2/16: EUR 222 mn). Clean CCS Earnings Per Share rose to EUR 0.86 (Q2/16: EUR 0.68).

Net **special items** of EUR (1,322) mn were recorded in Q2/17 (EUR (608) mn in Q2/16), mainly related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of FX losses was recorded in OMV's Group net income in the amount of approximately EUR 1.2 bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. Negative **CCS effects** of EUR 34 mn were recognized in Q2/17. OMV Group's reported **Operating Result** came in at EUR (694) mn, lower than Q2/16 (EUR (183) mn). OMV Petrom's contribution to the Group's reported Operating Result was EUR 172 mn, compared to EUR 46 mn in Q2/16.

The **net financial result** was EUR (62) mn in Q2/17 (Q2/16: EUR (45) mn). This was mainly due to a lower dividend income in Q2/17 as well as to higher FX losses. With a **Group tax rate** of (23)% in Q2/17 (Q2/16: 49%) **net income** amounted to EUR (928) mn. **Net income attributable to stockholders** was EUR (1,028) mn compared to EUR (168) mn in Q2/16. **Earnings Per Share** for the quarter equaled EUR (3.15) (Q2/16: EUR (0.51)).

Cash flow from operating activities amounted to EUR 991 mn compared to EUR 1,036 mn in Q2/16. This was mainly related to lower cash inflows from net working capital. **Free cash flow after dividends** was EUR 747 mn (Q2/16: EUR 172 mn), mainly as a result of the net cash inflows from the disposal of OMV Petrol Ofisi. The cash inflow in Q2/17 from the OMV Petrol Ofisi disposal adjusted for the de-consolidation of the OMV Petrol Ofisi cash balance at closing amounted to EUR 879 mn. In addition, the cash flow from operating activities in Q2/17 includes a positive effect resulting from a reduction in OMV Petrol Ofisi net working capital. Other purchase price components relating to the sale of OMV Petrol Ofisi non-core assets (e.g. Aliaga terminal) were reported as cash inflows in previous accounting periods since the economic effective date of the transaction (June 30, 2016).

Net debt decreased to EUR 943 mn compared to EUR 3,992 mn at June 30, 2016, mainly as a result of a higher cash position. On June 30, 2017, the **gearing ratio** stood at 7% (June 30, 2016: 29%).

Capital expenditures were reduced to EUR 397 mn (Q2/16: EUR 489 mn) with the majority dedicated to Upstream.

January to June 2017 (6m/17) compared to January to June 2016 (6m/16)

Consolidated sales increased by 24% compared to 6m/16, mainly due to higher market prices in Downstream. **Clean CCS Operating Result** rose from EUR 593 mn in 6m/16 to EUR 1,467 mn, which was mainly driven by a higher Upstream result, due to higher realized oil and gas prices and sales volumes in Libya and Norway. OMV Petrom group's clean CCS Operating Result rose to EUR 367 mn (6m/16: EUR 141 mn). With a **clean group tax rate** in 6m/17 of 27% (6m/16: (2)%) the **clean CCS net income** increased to EUR 995 mn. **Clean CCS net income attributable to stockholders** amounted to EUR 784 mn (6m/16: EUR 396 mn). **Clean CCS Earnings Per Share** rose to EUR 2.40 (6m/16: EUR 1.21).

Net **special items** of EUR (1,112) mn were recorded in 6m/17 (EUR (623) mn in 6m/16), mainly related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of FX losses was recorded in OMV's Group net income in the amount of approximately EUR 1.2 bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. Negative **CCS effects** of EUR 12 mn were recognized in 6m/17. OMV Group's reported **Operating Result** rose to EUR 343 mn (6m/16: EUR (40) mn). The contribution of OMV Petrom to the Group reported Operating Result was EUR 349 mn, significantly higher than in 6m/16 (EUR 124 mn).

The **net financial result** of EUR (111) mn decreased (6m/16: EUR (99) mn) mainly due to a lower dividend income. With a **group tax rate** of 148% (6m/16: 114%) **net income** amounted to EUR (112) mn. **Net income attributable to stockholders** was EUR (316) mn compared to EUR (73) mn in 6m/16. **Earnings Per Share** equaled EUR (0.97) compared to EUR (0.22) in 6m/16.

Cash flow from operating activities increased to EUR 1,914 mn (6m/16: EUR 1,615 mn), supported by an improved market environment and a higher dividend from Borealis. **Free cash flow after dividends** rose to EUR 2,067 mn (6m/16: EUR 27 mn), mainly attributable to the net cash inflows from the disposals of OMV (U.K.) Limited and OMV Petrol Ofisi in the amount of EUR 1,689 mn.

Net debt decreased to EUR 943 mn compared to EUR 3,992 mn at June 30, 2016, mainly as a result of a higher cash position. On June 30, 2017, the **gearing ratio** stood at 7% (June 30, 2016: 29%).

Capital expenditures were reduced to EUR 698 mn (6m/16: EUR 956 mn) with the majority dedicated to Upstream.

Cash flow

Summarized cash flow statement

in EUR mn

Q2/17	Q1/17	Q2/16	Δ %[1]		6m/17	6m/16	Δ %
766	1,192	691	11	Sources of funds	1,957	1,344	46
991	923	1,036	(4)	Cash flow from operating activities	1,914	1,615	19
338	397	(485)	n.m.	Cash flow from investing activities	735	(1,209)	n.m.
1,329	1,320	551	141	Free cash flow	2,649	406	n.m.
(608)	(127)	(392)	(55)	Cash flow from financing activities	(735)	(424)	(73)
(10)	(15)	(2)	n.m.	Effect of exchange rate changes on cash and cash equivalents	(25)	(5)	n.m.
710	1,179	156	n.m.	Net (decrease)/increase in cash and cash equivalents	1,889	(23)	n.m.
3,493	2,314	1,169	199	Cash and cash equivalents at beginning of period	2,314	1,348	72
4,203	**3,493**	**1,325**	**n.m.**	**Cash and cash equivalents at end of period**	**4,203**	**1,325**	**n.m.**
-	*370*	-	*n.a.*	*thereof cash disclosed within Assets held for sale*	-	-	*n.a.*
4,203	**3,123**	**1,325**	**n.m.**	**Cash and cash equivalents presented in the consolidated statement of financial position**	**4,203**	**1,325**	**n.m.**
747	**1,320**	**172**	**n.m.**	**Free cash flow after dividends**	**2,067**	**27**	**n.m.**
747	**1,320**	**208**	**n.m.**	**Free cash flow after dividends incl. non-controlling interest changes**	**2,067**	**63**	**n.m.**

[1] Q2/17 compared to Q2/16

Second quarter 2017 (Q2/17) compared to second quarter 2016 (Q2/16)

In Q2/17, **sources of funds** rose to EUR 766 mn (Q2/16: EUR 691 mn), driven by an improved market environment. Net working capital effects generated a cash inflow of EUR 225 mn (Q2/16: EUR 345 mn).

Cash flow from operating activities decreased slightly to EUR 991 mn as a result of lower cash inflows from net working capital.

Cash flow from investing activities showed an inflow of EUR 338 mn (Q2/16: outflow of EUR 485 mn), primarily as a result of the divestment of OMV Petrol Ofisi that led to a net inflow of EUR 879 mn. This was partly compensated by the first drawdown under the financing agreements for the Nord Stream 2 pipeline project, which resulted in a cash outflow of approximately EUR 200 mn.

Cash flow from financing activities showed an outflow of EUR 608 mn compared to EUR 392 mn in Q2/16, mainly attributable to increased dividend payments.

Free cash flow (defined as net cash from operating activities less net cash used in investing activities) increased to EUR 1,329 mn (Q2/16: EUR 551 mn). **Free cash flow after dividends** amounted to EUR 747 mn (Q2/16: EUR 172 mn).

January to June 2017 (6m/17) compared to January to June 2016 (6m/16)

In 6m/17, **sources of funds** rose to EUR 1,957 mn (6m/16: EUR 1,344 mn), supported by an improved market environment and an increased dividend from Borealis. Net working capital components in the cash flow statement generated a cash outflow of EUR 44 mn (6m/16: cash inflow of EUR 271 mn).

Cash flow from operating activities amounted to EUR 1,914 mn, up by EUR 299 mn compared to 6m/16.

Cash flow from investing activities showed an inflow of EUR 735 mn in 6m/17 compared to an outflow of EUR 1,209 mn in 6m/16. The increase is mainly related to the divestments of OMV (U.K.) Limited and OMV Petrol Ofisi leading to a net inflow of EUR 1,689 mn. This was partly compensated by the first drawdown under the financing agreements for the Nord Stream 2 pipeline project, which resulted in a cash outflow of approximately EUR 200 mn.

Cash flow from financing activities showed an outflow of EUR 735 mn compared to EUR 424 mn in 6m/16, mainly as a result of increased dividend payments.

Free cash flow (defined as net cash from operating activities less net cash used in investing activities) significantly increased to EUR 2,649 mn (6m/16: EUR 406 mn). **Free cash flow after dividends** strongly rose to EUR 2,067 mn in 6m/17 (6m/16: EUR 27 mn).

Risk management

As an international oil and gas company with operations extending from hydrocarbon exploration and production through to trading and marketing of mineral products and gas, OMV is exposed to a variety of risks including market and financial risks, and operational and strategic risks. A detailed description of risks and risk management activities can be found in the 2016 Annual Report (pages 84–85).

The main uncertainties that can influence the OMV Group's performance are the commodity price risk, FX risk, operational risks and also political as well as regulatory risks. The commodity price risk is being monitored constantly and appropriate protective measures for the cash flow are taken, if required. The inherent exposure to safety and environmental risks is monitored through HSSE (Health, Safety, Security and Environment) and risk management programs, which have the clear commitment to keep OMV's risks in line with industry standards.

See also the Outlook section of the Directors' Report below for more information on current risks.

Transactions with related parties

Please refer to the selected explanatory notes of the consolidated financial statements for disclosures on significant transactions with related parties.

Outlook

Market environment

For the year 2017, OMV expects the average Brent oil price to be at USD 52/bbl (previous forecast: USD 55/bbl). The gas market environment in Europe continues to be characterized by structural oversupply. However, average gas prices in European spot markets are expected to be higher in 2017 compared to 2016, due to the cold winter in Europe in the first quarter of 2017.

Group

- 2017 CAPEX (including capitalized E&A and excluding acquisitions) is expected to come in at EUR 1.8 bn (previous forecast: EUR 1.9 bn).
- OMV targets a cost reduction of more than EUR 250 mn in 2017 compared to 2015.

Upstream

- OMV expects total production of around 330 kboe/d in 2017 (previous forecast: 320 kboe/d).
- In the second half of 2017, production in Libya is forecasted to be about 20 kboe/d. Production in Tunisia, Norway and the CEE region is expected to be slightly lower compared to the strong first half year.
- CAPEX for Upstream (including capitalized E&A and excluding acquisitions) is expected to come in at EUR 1.2 bn in 2017 (previous forecast: EUR 1.3 bn).
- Exploration and appraisal expenditure is expected to amount to EUR 300 mn.

Downstream

Oil

- Refining margins are projected to be higher than in 2016.
- Petrochemical margins are expected to be higher compared to the levels in 2016. Following strong performance in 6m/17, petrochemical margins are expected to trend downwards for the rest of the year.
- In OMV's markets excluding Turkey, retail margins are forecasted to be higher, while commercial margins are expected to be on a similar level compared to 2016.
- The refineries utilization rate is expected to be above 90% in 2017, despite the planned full-site turnaround at the Schwechat refinery completed in Q2/17.

Gas

- Natural gas sales volumes are expected to be slightly higher in 2017 compared to 2016.
- Natural gas sales margins are expected to be lower in 2017 compared to 2016 due to oversupply in the European gas market.
- Due to a change in tariff regulation, the contribution from the gas transportation business in Austria (Gas Connect Austria) is expected to be significantly lower in 2017 compared to 2016.

Business Segments

Upstream

in EUR mn (unless otherwise stated)

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
615	657	377	63	Clean Operating Result before depreciation	1,271	649	96
259	321	3	n.m.	Clean Operating Result	580	(93)	n.m.
(90)	187	(603)	85	Special items	97	(609)	n.m.
169	508	(600)	n.m.	Operating Result	677	(702)	n.m.
227	209	316	(28)	Capital expenditure	436	689	(37)
40	53	49	(19)	Exploration expenditure in EUR mn	93	164	(43)
58	32	653	(91)	Exploration expenses in EUR mn	90	689	(87)
8.69	8.91	10.71	(19)	Production cost in USD/boe [2]	8.80	10.90	(19)
				Key Performance Indicators			
339	335	316	7	Total hydrocarbon production in kboe/d	337	314	7
169	*170*	*177*	*(4)*	*thereof OMV Petrom group*	*170*	*176*	*(4)*
16.5	15.9	14.7	12	Crude oil and NGL production in mn bbl	32.4	29.3	11
80.8	80.3	79.5	2	Natural gas production in bcf	161.1	157.1	3
28.5	28.5	26.4	8	Total hydrocarbon sales volumes in mn boe	57.0	52.7	8
49.64	53.69	45.59	9	Average Brent price in USD/bbl	51.72	39.81	30
46.02	50.40	38.70	19	Average realized crude price in USD/bbl	48.17	34.69	39
5.09	5.02	4.60	11	Average realized gas price in USD/1,000 cf	5.05	4.70	8
15.10	15.40	13.32	13	Average realized gas price in EUR/MWh [3]	15.25	13.76	11
1.102	1.065	1.129	(2)	Average EUR-USD FX rate	1.083	1.116	(3)

Note: The net result from the equity-accounted investment in Pearl Petroleum Company is reflected in the Operating Result in all presented periods. Starting with Q1/17, the impact from Pearl Petroleum Company is included in OMV's "Total hydrocarbon production in kboe/d" and "Production cost in USD/boe."

[1] Q2/17 1 compared to Q2/16

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

[3] The average realized gas price is converted to MWh using a standardized calorific value across the portfolio

Second quarter 2017 (Q2/17) compared to second quarter 2016 (Q2/16)

- Strong increase of clean Operating Result due to higher prices and sales volumes
- Record-high production of 339 kboe/d, increased by 22 kboe/d compared to Q2/16
- Production cost decreased by 19% to USD 8.7/boe

The **clean Operating Result** substantially increased from EUR 3 mn to EUR 259 mn. This was driven by higher realized oil and gas prices and favorable FX effects in the amount of total EUR 109 mn. This includes hedging gains of EUR 17 mn in Q2/17 (Q2/16: hedging losses of EUR (18) mn). Furthermore, mainly liftings in Libya and higher sales volumes in Norway positively impacted the result by EUR 91 mn. Lower depreciation and production cost also supported the result. Depreciation decreased by EUR 43 mn mainly as a result of the effect of upward reserves revisions in Q4/16.

OMV Petrom contributed EUR 98 mn to the clean Operating Result in Q2/17 compared to EUR 43 mn in Q2/16. Negative **special items** amounted to EUR 90 mn. This includes a lower foreseen contingency encashment following the Rosebank field divestment in the amount of EUR 36 mn. The EUR-USD FX development of the total contingency payments, due in US dollars, led to an additional negative impact of the foreseen value in the amount of EUR 13 mn. In addition, an intangible asset write-off in Norway in the amount of EUR 19 mn was booked in Q2/17. The **Operating Result** amounted to EUR 169 mn (Q2/16: EUR (600) mn).

At USD 8.7/boe, **production cost** excluding royalties (OPEX) were down by 19% as a result of a higher production coupled with the successful implementation of the cost reduction program. Despite lower production volumes, production costs at OMV Petrom decreased by 13% to USD 10.4/boe due to the abolishment of infrastructure tax and strict cost management.

Total hydrocarbon production increased by 7% to a quarterly ten-year high of 339 kboe/d primarily due to the production contribution from Libya of 24 kboe/d. Production in Norway also increased despite maintenance activities at the Gullfaks field. OMV Petrom's total daily oil and gas production was down to 169 kboe/d, mainly due to natural decline. **Total sales volumes** increased by 8% due to regular liftings from Libya and higher liftings from Norway.

In Q2/17, the **average Brent price** in USD was up by 9%, mainly due to production cuts by OPEC members. The Group's **average realized crude price** increased by 19%. The **average realized gas price** in USD/1,000 cf rose by 11%. Realized prices increased more than the benchmark quotations since they were supported by positive realized hedging results of EUR 17 mn in Q2/17.

Capital expenditures including capitalized E&A in Upstream were EUR 227 mn compared to EUR 316 mn in Q2/16. Investments were undertaken primarily in Norway and Romania. **Exploration expenditures** fell by 19% to EUR 40 mn and were mainly related to activities in the United Arab Emirates, Norway and Romania.

January to June 2017 (6m/17) compared to January to June 2016 (6m/16)

The **clean Operating Result** substantially increased from EUR (93) mn in 6m/16 to EUR 580 mn in 6m/17. This was mainly attributable to higher realized oil and gas prices, which had a positive impact of EUR 368 mn. The realized prices include hedging gains and favorable FX effects in the amount of EUR 39 mn each. The liftings in Libya and higher sales volumes in Norway are main contributors to the result of EUR 183 mn. Lower depreciation and production cost also supported the result. Depreciation decreased by EUR 75 mn mainly as a result of the effect of upward reserves revisions in Q4/16.

OMV Petrom contributed EUR 200 mn to the clean Operating Result compared to EUR 27 mn in 6m/16. Positive special items recorded in the first six months of 2017 amounted to EUR 97 mn (6m/16: EUR (609) mn). This includes the net FX gains in the amount of EUR 135 mn following the closing of the OMV (U.K.) Limited divestment, which were partly offset by a lower foreseen contingency payment following the Rosebank field divestment. The **Operating Result** improved to EUR 677 mn (6m/16: EUR (702) mn).

At USD 8.8/boe, **production cost** excluding royalties (OPEX) were down by 19%. This was the result of the successful implementation of the cost reduction program coupled with a higher production. At OMV Petrom, production costs decreased by 13% to USD 10.5/boe, despite lower production volumes. This was attributable to the abolishment of the infrastructure tax and to strict cost management..

Total hydrocarbon production rose by 7%, mainly as a result of the contribution from Libya and higher production from Norway. OMV Petrom's total daily oil and gas production was down by 6 kboe/d, mainly due to natural decline. **Total sales volumes** improved by 8% due to regular liftings from Libya and higher liftings from Norway.

In 6m/17, the **average Brent price** in USD was up by 30%, mainly due to production cuts by OPEC members. The Group's **average realized crude price** rose by 39%. The **average realized gas price** in USD/1,000 cf went up by 8%. Realized prices increased more than the benchmark quotations since they were supported by positive realized hedging results of EUR 39 mn in 6m/17.

Capital expenditures including capitalized E&A in Upstream were EUR 436 mn compared to EUR 689 mn in 6m/16. Investments were undertaken primarily in Norway and Romania. **Exploration expenditures** fell by 43% to EUR 93 mn and were mainly related to activities in the United Arab Emirates, Norway and Romania.

Downstream

in EUR mn (unless otherwise stated)

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
528	611	524	1	Clean CCS Operating Result before depreciation [2]	1,139	998	14
411	494	363	13	Clean CCS Operating Result [2]	904	683	32
382	*411*	*289*	*32*	*thereof Downstream Oil*	*793*	*585*	*35*
29	*82*	*74*	*(61)*	*thereof Downstream Gas*	*111*	*97*	*14*
(1,231)	26	(2)	n.m.	Special items	(1,204)	(12)	n.m.
(37)	20	114	n.m.	CCS effects: Inventory holding gains/(losses) [2]	(17)	36	n.m.
(857)	540	476	n.m.	Operating Result	(318)	707	n.m.
168	91	171	(2)	Capital expenditure	259	263	(1)
				Downstream Oil Key Performance Indicators			
6.03	5.42	4.67	29	OMV indicator refining margin in USD/bbl [3]	5.72	4.87	17
494	385	357	38	Ethylene/propylene net margin in EUR/t [4]	439	364	21
77	96	72	6	Utilization rate refineries in %	86	81	6
6.94	6.54	7.65	(9)	Total refined product sales in mn t	13.47	14.47	(7)
2.52	*2.34*	*2.62*	*(4)*	*thereof retail sales volumes in mn t*	*4.86*	*4.84*	*0*
0.41	*0.59*	*0.56*	*(27)*	*thereof petrochemicals in mn t*	*1.00*	*1.16*	*(14)*
				Downstream Gas Key Performance Indicators			
25.97	32.30	24.42	6	Natural gas sales volumes in TWh	58.26	56.92	2
1.04	1.74	0.72	45	Net electrical output in TWh	2.78	1.50	86

[1] Q2/17 compared to Q2/16
[2] 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.
[3] Actual refining margins realized by OMV may vary from the OMV indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions
[4] Calculated based on West European Contract Prices (WECP)

Second quarter 2017 (Q2/17) compared to second quarter 2016 (Q2/16)

- Strong Downstream result due to significantly higher refining and petrochemical margins
- Successfully completed full-site turnaround at Schwechat refinery
- Divestment of OMV'sTurkish subsidiary, OMV Petrol Ofisi, closed on June 13, 2017

The **Clean CCS Operating Result** increased from EUR 363 mn in Q2/16 to EUR 411 mn in Q2/17 resulting from improved results in Downstream Oil.

Downstream Oil clean CCS Operating Result rose from EUR 289 mn to EUR 382 mn, mainly driven by higher refining and petrochemical margins. The **OMV indicator refining margin** increased from USD 4.7/bbl to USD 6.0/bbl. This was largely attributable to stronger fuel oil and middle distillates margins, which were partially offset by the higher feedstock cost due to the increased crude price. The **utilization rate of the refineries** was 77% in Q2/17, reflecting the turnaround at the Schwechat refinery. In Q2/16, the utilization rate was 72% as a result of turnarounds in the Schwechat and Petrobrazi refineries. Compared to previous year's quarter, the turnaround impact was higher due to more complex activities and a more favorable margin environment. At 6.9 mn t**, total refined product sales** decreased by 9%. This was due to lower sales volumes in OMV Petrol Ofisi following the divestment on June 13, 2017, as well as lower petrochemical sales due to turnaround activities. Average retail margins and total volumes increased in all regions excluding Turkey. Commercial sales volumes were above Q2/16 while margins slightly declined (excluding Turkey).

The clean CCS Operating Result of the petrochemicals business declined slightly to EUR 50 mn. Increased petrochemical margins almost offset the impact of the refinery turnaround. The contribution from Borealis declined by EUR 18 mn to EUR 94 mn, mainly due to negative inventory effects. OMV Petrom contributed EUR 87 mn to the clean CCS Operating Result. The clean CCS Operating Result of OMV Petrol Ofisi amounted to EUR 44 mn. The lower depreciation coming from the reclassification of OMV Petrol Ofisi to assets held for sale had a positive impact of EUR 31 mn on the result.

Downstream Gas clean CCS Operating Result reached EUR 29 mn compared to EUR 74 mn in Q2/16. The result of the previous year quarter included one-off and valuation effects of EUR 41 mn. The performance of Gas Connect Austria decreased by EUR 6 mn to EUR 26 mn following the change in regulated tariffs. **Natural gas sales volumes** increased from 24.4 TWh to 26.0 TWh. The power business remained challenging.

The **Operating Result** of Downstream amounted to EUR (857) mn compared with EUR 476 mn in Q2/16. This result reflects negative **special items** of EUR (1,231) mn, mainly related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of FX losses was recorded in OMV's Group net income in the amount of approximately EUR 1.2 bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. **CCS effects** of EUR (37) mn were booked due to decreasing crude prices during Q2/17.

Capital expenditures in Downstream remained stable at EUR 168 mn. Downstream Oil investments accounted for EUR 154 mn, mainly attributable to the Schwechat turnaround activities.

January to June 2017 (6m/17) compared to January to June 2016 (6m/16)

The **clean CCS Operating Result** increased from EUR 683 mn to EUR 904 mn in 6m/17 due to improved results in both Downstream Oil and Downstream Gas.

Downstream Oil clean CCS Operating Result rose from EUR 585 mn to EUR 793 mn, mainly driven by increased refining and petrochemical margins and good performance in the retail business. The **OMV indicator refining margin** increased from USD 4.9/bbl to USD 5.7/bbl. This was largely attributable to stronger middle distillates and fuel oil margins, which were partially offset by the higher feedstock costs due to increased crude prices. The **utilization rate of the refineries** was 86% in 6m/17, reflecting the turnaround at the Schwechat refinery. At 13.5 mn t, **total refined product sales** decreased by 7%. This was due to lower sales volumes in OMV Petrol Ofisi following the divestment on June 13, 2017, as well as lower petrochemical sales due to turnaround activities. Retail margins and volumes increased in all regions excluding Turkey. Commercial sales volumes and margins were below 6m/16 (excluding Turkey).

The clean CCS Operating Result of the petrochemicals business improved to EUR 124 mn (6m/16: EUR 110 mn), despite the planned turnaround activities at the Schwechat refinery. This was supported by all products, whereas the butadiene margins especially were exceptionally high. Borealis generated a stable result of EUR 207 mn (6m/16: EUR 203 mn). OMV Petrom contributed EUR 149 mn to the clean CCS Operating Result. The clean CCS Operating Result of OMV Petrol Ofisi amounted to EUR 98 mn. The lower depreciation coming from the reclassification of OMV Petrol Ofisi to assets held for sale had a positive impact of EUR 67 mn.

Downstream Gas clean CCS Operating Result improved from EUR 97 mn to EUR 111 mn in 6m/17. This included the reversal of temporary valuation effects from storage and supply hedges in the amount of EUR 29 mn. The performance of Gas Connect Austria decreased from EUR 64 mn in 6m/16 to EUR 52 mn in 6m/17 following the change in regulated tariffs. **Natural gas sales volumes** slightly increased to 58.3 TWh in 6m/17 (6m/16: 56.9 TWh). The power business remained challenging.

The **Operating Result** of Downstream amounted to EUR (318) mn compared with EUR 707 mn in 6m/16. This result reflects negative **special items** of EUR (1,204) mn, mainly related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of FX losses was recorded in OMV's Group net income in the amount of approximately EUR 1.2 bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. Negative **CCS effects** of EUR (17) mn were booked due to decreasing crude prices during 6m/17.

Capital expenditures in Downstream remained stable at EUR 259 mn. Downstream Oil investments accounted for EUR 239 mn.

Group Interim Financial Statements (condensed, unaudited)

Income statement (unaudited)

in EUR mn (unless otherwise stated)

Q2/17	Q1/17	Q2/16		6m/17	6m/16
5,152	5,518	4,614	Sales revenues	10,670	8,605
72	216	87	Other operating income	288	196
101	121	117	Net income from equity-accounted investments	221	213
94	*113*	*111*	*thereof Borealis*	*207*	*203*
5,324	**5,855**	**4,818**	**Total revenues and other income**	**11,179**	**9,013**
(3,276)	(3,376)	(2,842)	Purchases (net of inventory variation)	(6,652)	(5,354)
(422)	(402)	(423)	Production and operating expenses	(823)	(832)
(79)	(85)	(71)	Production and similar taxes	(164)	(143)
(462)	(454)	(542)	Depreciation, amortization and impairment charges	(916)	(1,070)
(385)	(405)	(408)	Selling, distribution and administrative expenses	(790)	(835)
(58)	(32)	(649)	Exploration expenses	(90)	(681)
(1,338)	(64)	(66)	Other operating expenses	(1,402)	(140)
(694)	**1,037**	**(183)**	**Operating Result**	**343**	**(40)**
5	0	15	Dividend income	5	24
13	13	9	Interest income	26	31
(62)	(61)	(65)	Interest expenses	(124)	(131)
(17)	(1)	(4)	Other financial income and expenses	(18)	(23)
(62)	**(49)**	**(45)**	**Net financial result**	**(111)**	**(99)**
(756)	**988**	**(228)**	**Profit before tax**	**232**	**(140)**
(172)	(172)	111	Taxes on income	(344)	159
(928)	**816**	**(117)**	**Net income for the period**	**(112)**	**19**
(1,028)	***712***	***(168)***	***thereof attributable to stockholders of the parent***	***(316)***	***(73)***
26	*25*	*26*	*thereof attributable to hybrid capital owners*	*51*	*51*
75	*78*	*25*	*thereof attributable to non-controlling interests*	*153*	*41*
(3.15)	**2.18**	**(0.51)**	**Basic Earnings Per Share in EUR**	**(0.97)**	**(0.22)**
(3.14)	2.18	(0.51)	Diluted Earnings Per Share in EUR	(0.96)	(0.22)

Statement of comprehensive income (condensed, unaudited)

in EUR mn

Q2/17	Q1/17	Q2/16		6m/17	6m/16
(928)	816	(117)	Net income for the period	(112)	19
963	(292)	31	Exchange differences from translation of foreign operations	671	0
0	0	1	Gains/(losses) on available-for-sale financial assets	0	1
9	23	(68)	Gains/(losses) on hedges	33	(73)
(73)	(36)	19	Share of other comprehensive income of equity-accounted investments	(109)	(10)
899	**(304)**	**(17)**	**Total of items that may be reclassified (“recycled”) subsequently to the income statement**	**594**	**(82)**
0	0	(55)	Remeasurement gains/(losses) on defined benefit plans	0	(55)
0	0	(18)	Share of other comprehensive income of equity-accounted investments	0	(18)
0	**0**	**(73)**	**Total of items that will not be reclassified (“recycled”) subsequently to the income statement**	**0**	**(73)**
3	1	15	Income taxes relating to items that may be reclassified (“recycled”) subsequently to the income statement	4	19
0	0	2	Income taxes relating to items that will not be reclassified (“recycled”) subsequently to the income statement	0	2
3	**1**	**16**	**Total income taxes relating to components of other comprehensive income**	**4**	**21**
902	**(304)**	**(74)**	**Other comprehensive income for the period, net of tax**	**598**	**(134)**
(26)	**512**	**(190)**	**Total comprehensive income for the period**	**486**	**(115)**
(131)	*416*	*(208)*	*thereof attributable to stockholders of the parent*	*285*	*(207)*
26	*25*	*26*	*thereof attributable to hybrid capital owners*	*51*	*51*
80	*71*	*(8)*	*thereof attributable to non-controlling interests*	*150*	*41*

Statement of financial position (unaudited)

in EUR mn

	Jun. 30, 2017	Dec. 31, 2016
Assets		
Intangible assets	1,664	1,713
Property, plant and equipment	14,036	14,613
Equity-accounted investments	2,655	2,860
Other financial assets	1,271	947
Other assets	62	70
Deferred taxes	733	839
Non-current assets	**20,421**	**21,042**
Inventories	1,333	1,663
Trade receivables	2,037	2,459
Other financial assets	807	1,245
Income tax receivables	29	32
Other assets	254	198
Cash and cash equivalents	4,203	2,069
Current assets	**8,664**	**7,666**
Assets held for sale	247	3,405
Total assets	**29,332**	**32,112**
Equity and liabilities		
Capital stock	327	327
Hybrid capital	2,231	2,231
Reserves	8,256	8,357
OMV equity of the parent	10,814	10,915
Non-controlling interests	3,019	3,010
Equity	**13,833**	**13,925**
Provisions for pensions and similar obligations	1,038	1,057
Bonds	3,727	3,725
Interest-bearing debts	947	1,012
Provisions for decommissioning and restoration obligations	3,254	3,320
Other provisions	562	553
Other financial liabilities	385	409
Other liabilities	149	155
Deferred taxes	121	122
Non-current liabilities	**10,182**	**10,354**
Trade payables	2,699	3,731
Bonds	67	38
Interest-bearing debts	128	222
Provisions for income taxes	186	212
Provisions for decommissioning and restoration obligations	102	92
Other provisions	366	435
Other financial liabilities	756	1,169
Other liabilities	867	828
Current liabilities	**5,172**	**6,727**
Liabilities associated with assets held for sale	146	1,107
Total equity and liabilities	**29,332**	**32,112**

Condensed statement of changes in equity (condensed, unaudited)

in EUR mn

	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Other reserves [1]	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
January 1, 2017	**327**	**1,507**	**2,231**	**7,990**	**(1,131)**	**(9)**	**10,915**	**3,010**	**13,925**
Net income for the period				(265)			(265)	153	(112)
Other comprehensive income for the period				0	601		601	(3)	598
Total comprehensive income for the period				**(265)**	**601**		**336**	**150**	**486**
Dividend distribution and hybrid coupon				(442)			(442)	(141)	(584)
Disposal of treasury shares		1				1	2		2
Share-based payments		3					3		3
June 30, 2017	**327**	**1,512**	**2,231**	**7,282**	**(530)**	**(8)**	**10,814**	**3,019**	**13,833**

	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Other reserves [1]	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
January 1, 2016	**327**	**1,500**	**2,231**	**8,613**	**(989)**	**(10)**	**11,672**	**2,626**	**14,298**
Net income for the period				(22)			(22)	41	19
Other comprehensive income for the period				(53)	(81)		(134)	0	(134)
Total comprehensive income for the period				**(75)**	**(81)**		**(156)**	**41**	**(115)**
Dividend distribution and hybrid coupon				(377)			(377)	(2)	(379)
Disposal of treasury shares		1				1	2		2
Share-based payments		(3)		1			(2)		(2)
Increase/(decrease) in non-controlling interests				(108)			(108)	144	36
June 30, 2016	**327**	**1,498**	**2,231**	**8,054**	**(1,070)**	**(9)**	**11,031**	**2,809**	**13,840**

[1] Other reserves contain exchange differences from the translation of foreign operations, unrealized gains and losses from hedges and available-for-sale financial assets as well as the share of other comprehensive income of equity-accounted investments.

Summarized statement of cash flows (condensed, unaudited)

in EUR mn

Q2/17	Q1/17	Q2/16		6m/17	6m/16
(928)	**816**	**(117)**	**Net income for the period**	**(112)**	**19**
521	446	1,157	Depreciation, amortization and impairments including write-ups	967	1,693
37	63	(147)	Deferred taxes	100	(205)
(2)	0	(15)	Losses/(gains) on the disposal of non-current assets	(1)	(15)
(5)	4	(36)	Net change in long-term provisions	(2)	(26)
1,143	(137)	(152)	Other adjustments	1,006	(123)
766	**1,192**	**691**	**Sources of funds**	**1,957**	**1,344**
109	158	(124)	(Increase)/decrease in inventories	267	133
532	(59)	(59)	(Increase)/decrease in receivables	474	(94)
(378)	(344)	499	(Decrease)/increase in liabilities	(722)	241
(38)	(25)	29	(Decrease)/increase in short-term provisions	(63)	(8)
991	**923**	**1,036**	**Cash flow from operating activities**	**1,914**	**1,615**
			Investments		
(333)	(426)	(473)	Intangible assets and property, plant and equipment	(759)	(1,190)
(221)	(4)	1	Investments, loans and other financial assets	(225)	(28)
0	0	(54)	Acquisitions of subsidiaries and businesses net of cash acquired	0	(54)
			Disposals		
12	18	41	Proceeds from sale of non-current assets	30	62
879	810	0	Proceeds from the sale of subsidiaries and businesses, net of cash disposed	1,689	0
338	**397**	**(485)**	**Cash flow from investing activities**	**735**	**(1,209)**
(17)	(37)	(242)	(Decrease)/increase in long-term borrowings	(54)	(307)
0	0	36	Decrease in non-controlling interest	0	36
(10)	(89)	192	(Decrease)/increase in short-term borrowings	(99)	226
(582)	0	(379)	Dividends paid	(582)	(379)
(608)	**(127)**	**(392)**	**Cash flow from financing activities**	**(735)**	**(424)**
(10)	(15)	(2)	Effect of exchange rate changes on cash and cash equivalents	(25)	(5)
710	**1,179**	**156**	**Net (decrease)/increase in cash and cash equivalents**	**1,889**	**(23)**
3,493	2,314	1,169	Cash and cash equivalents at beginning of period	2,314	1,348
4,203	**3,493**	**1,325**	**Cash and cash equivalents at end of period**	**4,203**	**1,325**
0	*370*	*0*	*thereof cash disclosed within Assets held for sale*	*0*	*0*
4,203	**3,123**	**1,325**	**Cash and cash equivalents presented in the consolidated statement of financial position**	**4,203**	**1,325**
1,329	**1,320**	**551**	**Free cash flow**	**2,649**	**406**
747	**1,320**	**172**	**Free cash flow after dividends**	**2,067**	**27**
747	**1,320**	**208**	**Free cash flow after dividends incl. non-controlling interest changes**	**2,067**	**63**

Selected notes to the interim consolidated financial statements

Legal principles

The interim condensed consolidated financial statements for the six months ended June 30, 2017, have been prepared in accordance with IAS 34 Interim Financial Statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2016.

The interim condensed consolidated financial statements for 6m/17 are unaudited and an external review by an auditor was not performed.

The interim condensed consolidated financial statements for 6m/17 have been prepared in million EUR (EUR mn, EUR 1,000,000). Accordingly, there may be rounding differences.

In addition to the interim financial statements, further information on main items affecting the interim financial statements as of June 30, 2017, is given as part of the description of OMV's Business Segments in the Directors' Report.

General accounting policies

The following amended standards have been effective since January 1, 2017. At the time of preparation of these condensed interim financial statements, the EU endorsement was still pending. None of these changes are expected to have a material impact on the condensed interim financial statements.

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

New income statement structure

The Group income statement has been restructured in line with industry best practice to comprehensively reflect the operations of the Group and to enhance transparency for investors.

The main changes to the income statement are:

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

- Previously, net income from equity-accounted investments was included within the net financial result.
- Starting from Q1/17, the net income from equity-accounted investments is included in "Total revenues and other income" and contributes to the "Operating Result". The "Operating Result" includes the former indicator "Earnings Before Interest and Taxes" and the net result from equity-accounted investments. Thus, the "Operating Result" reflects the operational result of OMV including contributions from associates and joint ventures.

2. The line items **"purchases (net of inventory variation)," "production and operating expenses"** and **"production and similar taxes"** are now shown separately

- These items were previously disclosed mainly within the line "production cost of sales."
- Purchases (net of inventory variation): This line item includes the cost of goods and materials that are used for conversion into finished or intermediary products as well as goods purchased for reselling. This position also includes inventory changes and write-offs.
- Production and operating expenses: This line item contains all costs incurred when manufacturing a good or providing a service.
- Production and similar taxes: This line item contains production taxes, royalties and other taxes related to hydrocarbon production.

3. "Selling, distribution and administrative expenses" are now combined and reported in one line item

- These costs were previously disclosed as part of selling expenses and administrative expenses.
- The new selling, distribution and administrative expenses line item includes all costs directly related to marketing and selling of products and administrative costs.

4. "Depreciation, amortization and impairment charges" are now disclosed as a separate line item

- Previously, "depreciation, amortization and impairment charges" were included in "production cost of sales," "selling expenses," "administrative expenses," "exploration expenses" and "other operating expenses."

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

For comparison only, figures of previous periods are presented in the same structure.

Changes in the consolidated Group

Compared with the consolidated financial statements as of December 31, 2016, the consolidated Group changed as follows:

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

OMV (U.K.) Limited has been deconsolidated as of January 13, 2017, following the successful closing of the sales transaction.

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

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

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

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

All entities included for the first time in 2017 were newly formed or existing wholly owned subsidiaries.

Changes in the ownership of subsidiaries with a change in control

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

On June 13, 2017, the sale of all shares in OMV Petrol Ofisi A.Ş., Petrol Ofisi Havacilik Operasyonlari A.Ş., OMV Petrol Ofisi Holding Anonim Şirketi, Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi and Erk Petrol Yatırımları A.Ş. to VIP Turkey Enerji A.Ş., a subsidiary of Vitol Investment Partnership Ltd., was closed. The loss on the disposal of the subsidiaries and joint operation was recognized in the line "Other operating expenses" and amounted to EUR 1,214 mn. The loss is related to the reclassification ("recycling") of FX losses from other comprehensive income to the income statement. As a result of the disposal, a deferred, unconditional consideration of EUR 20 mn has been recognized in other long-term financial assets.

The cash considerations from the disposals of OMV (U.K.) Limited and OMV Petrol Ofisi disposal group are summarized in the following table:

Net cash inflows from disposal of OMV (U.K.) Limited in Q1/17 and OMV Petrol Ofisi in Q2/17

in EUR mn

	OMV (U.K.) Limited	OMV Petrol Ofisi
Consideration received	819	1,320
less cash disposed of	(9)	(441)
Net cash inflow	**810**	**879** [1]

[1] Excluding cash inflows generated from related divestments, asset transfers and Net Working Capital effects since the economic effective date of the transaction, June 30, 2016

Other significant transactions

In June 2017, the first drawdown under the financing agreements for the Nord Stream 2 pipeline project took place and resulted in a cash outflow of approximately EUR 200 mn and is reflected in the line "Investments, loans and other financial assets" in the cash flow from investing activities.

OMV recognized receivables related to the contingent considerations from the divestment of the 30% stake in Rosebank and from the divestment of OMV (U.K.) Limited, which are dependent on the date when the Rosebank project coventurers will approve the final investment decision. A change of assumptions about the date when the Rosebank project coventurers will approve the final investment decision lead to a re-valuation of the contingent considerations in Q2/17 (Level 3). This triggered a negative fair value adjustment in the amount of EUR 36 mn recognized in other operating expenses.

Seasonality and cyclicality

Seasonality is of significance, especially in the Downstream Business Segment. For details, please refer to the section "Business Segments."

Notes to the income statement

Material impairments and write-ups

In 6m/17, there were no material impairments or write-ups.

Income tax

in EUR mn

Q2/17	Q1/17	Q2/16		6m/17	6m/16
(172)	(172)	111	Taxes on income and profit	(344)	159
(135)	(109)	(36)	Current taxes	(244)	(47)
(37)	(63)	147	Deferred taxes	(100)	205
(23)%	17%	49%	Effective tax rate	148%	114%

Notes to the statement of financial position

Commitments

As of June 30, 2017, OMV had contractual obligations for the acquisition of intangible assets and property, plant and equipment of EUR 1,113 mn (December 31, 2016: EUR 1,541 mn), mainly relating to exploration and production activities in Upstream. The decrease is mainly related to the disposal of OMV Petrol Ofisi and OMV (U.K.) Limited.

Inventories

During 2017, there were no material write-downs of inventories.

Equity

On May 24, 2017, the Annual General Meeting approved the payment of a dividend of EUR 1.20 per share, resulting in a total dividend payment of EUR 392 mn to OMV Aktiengesellschaft stockholders. Dividend distributions to minorities amounted to EUR 141 mn in 6m/17. An interest payment to hybrid capital owners amounting to EUR 51 mn was also made in 6m/17. The total number of own shares held by the Company as of June 30, 2017, amounted to 772,287 (December 31, 2016: 824,369).

Financial liabilities

As of June 30, 2017, short- and long-term borrowings, bonds and finance leases amounted to EUR 5,146 mn (December 31, 2016: EUR 5,283 mn). Finance lease liabilities amounted to EUR 274 mn (December 31, 2016: EUR 278 mn).

Material changes of contingent liabilities

As part of the disposal of the subsidiary OMV (U.K.) Limited, the contingent liability of EUR 27 mn related to the deferred consideration from the acquisition of an increased share in the West of Shetland area (United Kingdom) in 2014 has ceased to exist for OMV.

In relation to the Bulgarian Commission for Protection of Competition (CPC) investigation initiated in 2016, on March 30, 2017, CPC terminated the proceedings against OMV Bulgaria OOD and the other companies without a finding of violation on the condition that they comply with specific commitments. OMV Bulgaria OOD is committed to designing and implementing internal regulations to achieve compliance with such commitments, which were presented to the CPC on April 28, 2017.

During Q2/17, the tax audit of OMV Petrom SA, having the oil and gas royalties for the period 2011 to 2015 as its scope, was closed without any findings.

Fair value measurement

Financial instruments recognized at fair value are disclosed according to the following fair value measurement hierarchy:

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

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Financial instruments

in EUR mn

Financial instruments on asset side	Level 1	Level 2	Jun. 30, 2017 Total	Level 1	Level 2	Dec. 31, 2016 Total
Investment funds	7		**7**	7		**7**
Bonds	15	78	**93**	20	76	**96**
Derivatives designated and effective as hedging instruments		4	**4**		39	**39**
Other derivatives	175	320	**494**	192	585	**777**
Total	**197**	**402**	**599**	**219**	**699**	**919**

Financial instruments on liability side	Level 1	Level 2	Jun. 30, 2017 Total	Level 1	Level 2	Dec. 31, 2016 Total
Liabilities on derivatives designated and effective as hedging instruments		3	**3**		70	**70**
Liabilities on other derivatives	147	279	**426**	208	632	**840**
Total	**147**	**282**	**429**	**208**	**703**	**911**

There were no transfers between levels of the fair value hierarchy.

With the exception of investments in other companies valued at cost, for which no reliable estimates of their fair values can be made, the carrying amounts of financial assets are the fair values.

Bonds and other interest-bearing debts amounting to EUR 4,868 mn (December 31, 2016: EUR 4,997 mn) are valued at amortized cost. The estimated fair value of these liabilities was EUR 5,352 mn (December 31, 2016: EUR 5,515 mn). The carrying amount of other financial liabilities is effectively the same as their fair value, as they are predominantly short-term.

Segment reporting

Intersegmental sales

in EUR mn

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
698	718	573	22	Upstream	1,416	1,066	33
34	43	47	(28)	Downstream	77	67	15
7	*9*	*6*	*16*	*thereof Downstream Oil*	*17*	*14*	*21*
29	*43*	*33*	*(10)*	*thereof Downstream Gas*	*72*	*69*	*4*
(3)	*(9)*	*8*	*n.m.*	*thereof intrasegmental elimination Downstream*	*(12)*	*(16)*	*25*
88	88	84	4	Corporate and Other	176	175	0
819	**849**	**704**	**16**	**OMV Group**	**1,669**	**1,309**	**28**

Sales to external customers

in EUR mn

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
310	418	199	56	Upstream	728	412	77
4,841	5,097	4,415	10	Downstream	9,938	8,193	21
3,812	*3,904*	*3,663*	*4*	*thereof Downstream Oil*	*7,716*	*6,471*	*19*
1,029	*1,194*	*752*	*37*	*thereof Downstream Gas*	*2,222*	*1,722*	*29*
1	3	0	n.m.	Corporate and Other	4	0	n.m.
5,152	**5,518**	**4,614**	**12**	**OMV Group**	**10,670**	**8,605**	**24**

Total sales (not consolidated)

in EUR mn

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
1,007	1,136	772	31	Upstream	2,144	1,478	45
4,875	5,140	4,462	9	Downstream	10,015	8,260	21
3,820	*3,913*	*3,669*	*4*	*thereof Downstream Oil*	*7,733*	*6,485*	*19*
1,058	*1,236*	*785*	*35*	*thereof Downstream Gas*	*2,294*	*1,790*	*28*
(3)	*(9)*	*8*	*n.m.*	*thereof intrasegmental elimination Downstream*	*(12)*	*(16)*	*25*
89	91	84	6	Corporate and Other	180	176	3
5,971	**6,368**	**5,318**	**12**	**OMV Group**	**12,339**	**9,913**	**24**

Segment and Group profit

in EUR mn

Q2/17	Q1/17	Q2/16	Δ % [1]		6m/17	6m/16	Δ %
169	508	(600)	n.m.	Operating Result Upstream	677	(702)	n.m.
(857)	540	476	n.m.	Operating Result Downstream	(318)	707	n.m.
(892)	*453*	*400*	*n.m.*	*thereof Operating Result Downstream Oil*	*(439)*	*642*	*n.m.*
35	*87*	*75*	*(54)*	*thereof Operating Result Downstream Gas*	*122*	*65*	*86*
(14)	(16)	(15)	5	Operating Result Corporate and Other	(30)	(19)	(57)
(702)	1,032	(139)	n.m.	Operating Result segment total	329	(14)	n.m.
8	5	(44)	n.m.	Consolidation: Elimination of intersegmental profits	14	(27)	n.m.
(694)	1,037	(183)	n.m.	OMV Group Operating Result	343	(40)	n.m.
(62)	(49)	(45)	(38)	Net financial result	(111)	(99)	(11)
(756)	**988**	**(228)**	**n.m.**	**OMV Group profit before tax**	**232**	**(140)**	**n.m.**

[1] Q2/17 compared to Q2/16

Assets [1]

in EUR mn

	Jun. 30, 2017	Dec. 31, 2016
Upstream	10,697	11,250
Downstream	4,853	4,915
thereof Downstream Oil	*3,681*	*3,710*
thereof Downstream Gas	*1,172*	*1,205*
Corporate and Other	151	161
Total	**15,700**	**16,326**

[1] Segment assets consist of intangible assets and property, plant and equipment

Other notes

Transactions with related parties

In 6m/17, there were arm's-length supplies of goods and services between the Group and equity-accounted companies.

Significant transactions with related parties

in EUR mn

	6m/17		6m/16	
	Sales and other income	Purchases	Sales and other income	Purchases
Borealis	490	20	473	15
GENOL Gesellschaft m.b.H. & Co	78	1	57	1
Erdöl-Lagergesellschaft m.b.H.	19	26	24	26
Enerco Enerji Sanayi ve Ticaret A.Ş.	3	88	0	83
Trans Austria Gasleitung GmbH	20	11	10	4

Related Party Balances

in EUR mn

	Jun. 30, 2017	Dec. 31, 2016
Loans receivable	0	2
Trade receivables	32	39
Trade payables	27	37
Prepayments received	151	157

In 6m/17, OMV received dividend income of EUR 270 mn (6m/16: EUR 153 mn) from Borealis AG, EUR 11 mn (6m/16: EUR 9 mn) from Trans Austria Gasleitung GmbH, EUR 9 mn (6m/16: EUR nil) from Pearl Petroleum Company Limited and EUR 3 mn (6m/16: EUR 14 mn) from Enerco Enerji Sanayi ve Ticaret A.Ş.

In January 2017, Borealis received two decisions of the Finnish Board of Adjustment with regard to Borealis Technology Oy. The Board of Adjustment has confirmed the Finnish tax authority's view that the license arrangements, entered into between Borealis Technology Oy and Borealis AG in 2008 and 2010, should be considered as a sale of businesses. The Board of Adjustment is requesting that Borealis pays an additional EUR 297 mn, comprising taxes, late payment interest and penalties. Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Borealis appealed this decision to the Helsinki Administrative Court on March 6, 2017, and has obtained a suspension of payment until the final decision.

At the end of December 2015, Borealis received a reassessment decision from the Finnish tax authority for its Finnish subsidiary Borealis Polymers Oy with regard to the year 2009. The authority is requesting that Borealis pays an additional EUR 153 mn, an amount comprising taxes, late payment interest and penalties. Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Borealis appealed the reassessment decision to the Finnish tax authority's Board of Adjustment in February 2016. The decision of the Board of Adjustment is expected in the second half of the 2017 calendar year. A suspension of payment has been obtained pending the decision.

Subsequent events

In July 2017, OMV Petrom signed the contract for the sale of OMV Petrom Wind Power SRL. The completion of the transaction is subject to customary conditions precedent, including approval from the Competition Council, and is expected by end of this year. The transaction will not have a material impact on net income since the disposal group was already reclassified to assets and liabilities held for sale and is valued at the expected selling price less costs of disposal (Level 2).

On August 2, 2017, OMV closed the sale of its 50% stake in the Ashtart oil field, an offshore field in the Gulf of Gabes, Tunisia, as well as OMV's 50% stake in the operating company SEREPT to PERENCO, an independent oil and gas company. The closing of this transaction will not have a material impact on net income since the disposal group was already reclassified to assets and liabilities held for sale and is valued at the expected selling price less costs of disposal (Level 2).

Declaration of the Management

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group Directors' Report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, the principal risks and uncertainties for the remaining six months of the financial year and the major related-party transactions to be disclosed.

Vienna, August 10, 2017

The Executive Board

Rainer Seele
Chairman of the Executive Board
and Chief Executive Officer

Reinhard Florey
Chief Financial Officer

Johann Pleininger
Deputy Chairman of the Executive Board
and Executive Board
Upstream

Manfred Leitner
Member of the Executive Board
Downstream

Further Information

Next events

- OMV Q3/17 report: November 9, 2017

OMV contacts

Florian Greger, Vice President and Head of Investor Relations
Tel.: +43 1 40440-21600; e-mail: investor.relations@omv.com

Robert Lechner, Public Relations
Tel.: +43 1 40440-21472; e-mail: public.relations@omv.com

Please find additional information on our web site www.omv.com.