ANNUAL REPORT 2017

OMV Aktiengesellschaft

The energy for a better life. OMV

At a Glance

Five-Year Summary

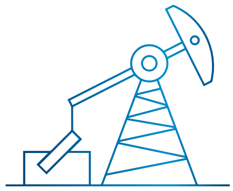
		2017	2016	2015	2014[1]	2013[2]
Sales[3]	in EUR mn	20,222	19,260	22,527	35,913	42,414
Operating Result before depreciation and amortization, impairments and write-ups	in EUR mn	3,666	3,747	3,490	4,314	4,990
Operating Result	in EUR mn	1,732	(32)	(1,661)	1,149	2,772
Profit from ordinary activities	in EUR mn	1,486	(230)	(1,909)	792	2,291
Taxes on income	in EUR mn	(634)	47	654	(265)	(562)
Net income for the year	in EUR mn	853	(183)	(1,255)	527	1,729
Net income attributable to stockholders of the parent	in EUR mn	435	(403)	(1,100)	278	1,162
Clean CCS Operating Result before depreciation and amortization, impairments and write-ups[4]	in EUR mn	4,909	3,693	4,117	4,749	4,639
Clean CCS Operating Result[4]	in EUR mn	2,958	1,535	1,737	2,418	2,815
Clean CCS net income attributable to stockholders of the parent[4]	in EUR mn	1,624	995	1,148	1,132	1,112
Balance sheet total	in EUR mn	31,576	32,112	32,664	33,855	31,848
Equity	in EUR mn	14,334	13,925	14,298	14,514	14,545
Net debt	in EUR mn	2,005	2,969	4,038	4,902	4,371
Average capital employed	in EUR mn	15,550	17,943	19,972	19,760	17,669
Cash flow from operating activities	in EUR mn	3,448	2,878	2,834	3,666	4,124
Capital expenditure	in EUR mn	3,376	1,878	2,769	3,832	5,239
Free cash flow	in EUR mn	1,681	1,081	(39)	272	142
Free cash flow after dividends	in EUR mn	1,013	615	(569)	(377)	(485)
Depreciation, amortization and impairments including write-ups[5]	in EUR mn	1,941	3,784	5,153	3,165	2,296
Net Operating Profit After Tax (NOPAT)	in EUR mn	987	(88)	(1,119)	627	1,978
Clean CCS NOPAT[4]	in EUR mn	2,169	1,325	1,522	1,697	1,938
Return On Average Capital Employed (ROACE)	in %	6	0	(6)	3	11
Clean CCS ROACE[4]	in %	14	7	8	9	11
Return On Equity (ROE)	in %	6	(1)	(9)	4	11
Equity ratio	in %	45	43	44	43	46
Gearing ratio	in %	14	21	28	34	30
Earnings Per Share (EPS)	in EUR	1.33	(1.24)	(3.37)	0.85	3.56
Clean CCS Earnings Per Share[4]	in EUR	4.97	3.05	3.52	3.47	3.41
Cash flow per share[6]	in EUR	10.56	8.82	8.68	11.24	12.64
Dividend Per Share (DPS)[7]	in EUR	1.50	1.20	1.00	1.25	1.25
Payout ratio	in %	113	n.m.	n.m.	147	35
Employees as of December 31		20,721	22,544	24,124	25,501	26,863
Production	in kboe/d	348	311	303	309	288
Proved reserves	in mn boe	1,146	1,030	1,028	1,090	1,131
Total refined product sales	in mn t	23.8	30.7	30.0	31.1	31.5
Natural gas sales volumes[8]	in TWh	113	109	110	114	126
Lost-Time Injury Rate (LTIR)	per mn h worked	0.34	0.40	0.27	0.44	0.52

[1] As of 2015, figures for 2014 were adjusted according to IAS 8
[2] As of 2014, figures for 2013 were adjusted due to the implementation of IFRS 11 "Joint Arrangements"
[3] Sales excluding petroleum excise tax
[4] Adjusted for special items; clean CCS figures exclude fuels' inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi
[5] Including impairments and write-ups from financial assets
[6] Cash flow from operating activities
[7] 2017: as proposed by the Executive Board and confirmed by the Supervisory Board, subject to confirmation by the Annual General Meeting 2018
[8] As of 2015, this KPI reflects only third-party volumes and excludes trading volumes; historical figures were adjusted accordingly

Fields of Activity

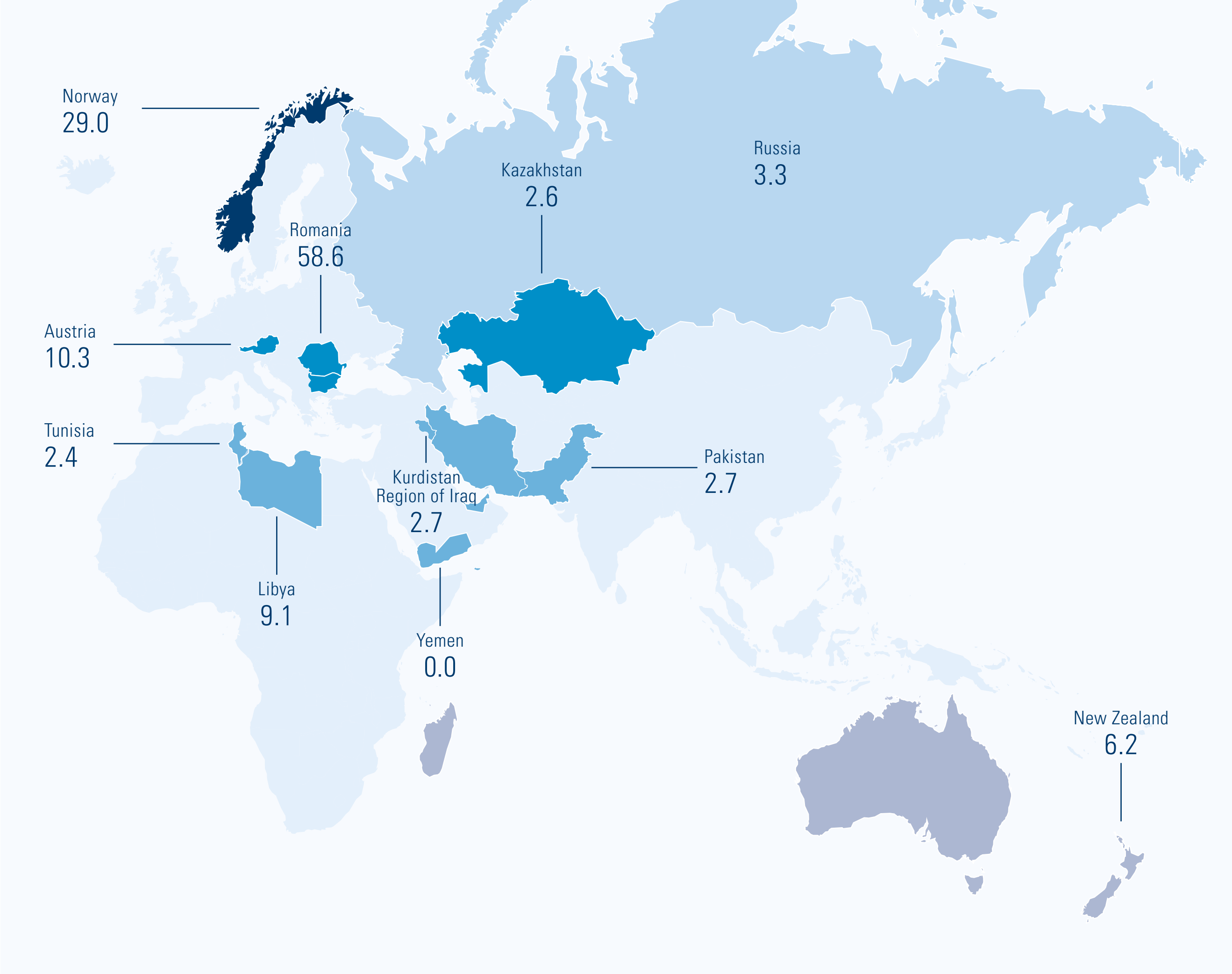
Upstream

OMV Upstream explores and produces oil and gas in Europe, the Middle East, Africa, Russia and Australasia. Daily production in 2017 was 348 kboe/d (equal to 127.0 mn boe), with an almost even split between oil and gas. While more than half of the production comes from Romania and Austria, the Company started to optimize its international portfolio, focusing on low-cost, high-reserve regions like Russia. At year-end, proven reserves amounted to 1.15 bn boe.



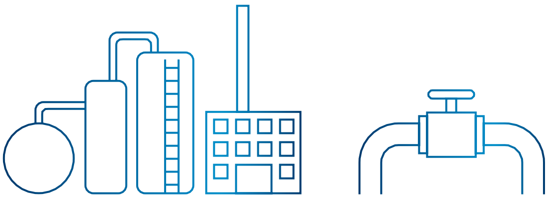
Core region 1	Core region 2	Core region 3	Core region 4	
Central and Eastern Europe	**North Sea**	**Middle East and Africa**	**Russia**	**Rest of world**
Austria Bulgaria Romania Kazakhstan	Norway	Kurdistan Region of Iraq Libya Pakistan Tunisia United Arab Emirates Yemen		Australia Madagascar New Zealand

Annual production per country 2017
In mn boe

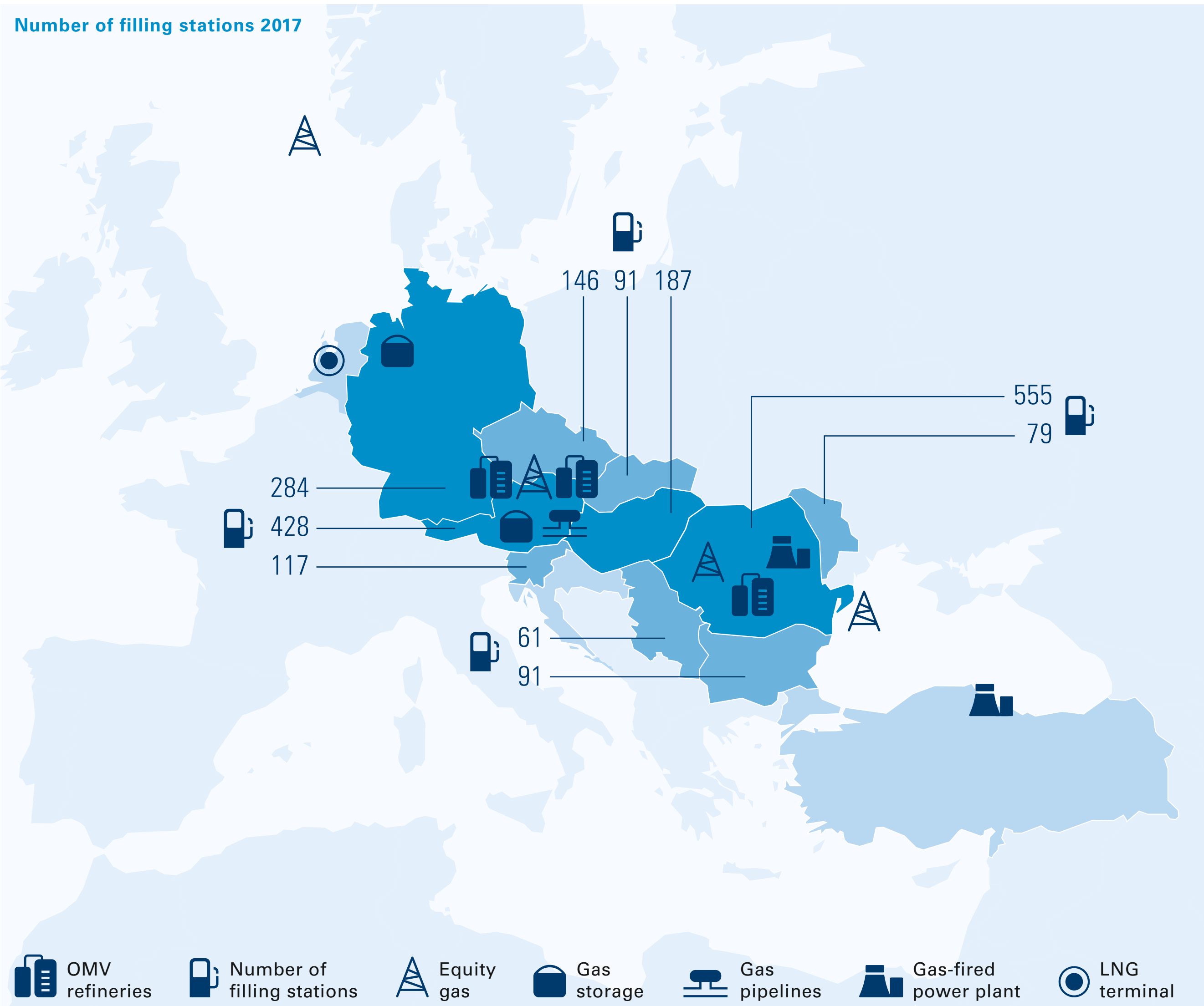


Downstream

Downstream Oil (incl. Petrochemicals) operates three refineries in Austria, Germany and Romania, an international multibrand filling station retail network, and a high-quality commercial business. In 2017, OMV processing capacity was 17.8 mn t. Downstream Gas is a fully integrated value-added gas sales and logistics business. With an Austrian gas pipeline network and storage facilities, OMV brings equity and contracted gas to Europe.



Downstream Oil & Gas market	Downstream Oil market	Downstream Gas market
Austria	Bulgaria	Croatia
Germany	Czech Republic	Netherlands
Hungary	Moldova	Turkey
Romania	Serbia	
	Slovakia	
	Slovenia	



The Energy for a Better Life.

Energy is part of our lives: Conventional and alternative fuels enable mobility. Natural gas heats homes. Petrochemical products form the basis for plastics we use anywhere – from everyday products to high-tech applications.

Behind all of these products is the energy of OMV: an energy bringing more convenience and more comfort to life.

Along the entire value chain, OMV contributes expertise, technological know-how and innovation to increasing people's quality of life.

Safe. Secure. Responsible. And Profitable. Today and tomorrow.

FINANCIAL CALENDAR

April 12, 2018	Trading Update Q1 2018
May 3, 2018	Results January–March 2018
May 12, 2018	Record date for the Ordinary Annual General Meeting
May 22, 2018	Ordinary Annual General Meeting
May 29, 2018	Dividend ex-date
May 30, 2018	Dividend record date
June 1, 2018	Dividend payment date
July 11, 2018	Trading Update Q2 2018
August 2, 2018	Results January–June and Q2 2018
October 10, 2018	Trading Update Q3 2018
October 31, 2018	Results January–September and Q3 2018
January, 2019	Trading Update Q4 2018
February, 2019	Results January–December and Q4 2018
March, 2019	Publication of the Annual Report 2018

▷ **Please check here for final confirmation:**
www.omv.com/financial-calendar

▷ **Download the PDF version of this annual report here:**
www.omv.com/annual-report

Contents

Oil and gas has been – and will continue to be – the backbone of global energy supply. This is why OMV has been investing in modern technologies for more plant efficiency, process sustainability and product value. OMV's innovative capacity and technological expertise safeguard energy for a better life.

Energy 4.0: data for added value
What connects data with oil and gas? For OMV the answer is clear: In over 60 years of energy production, the company has collected an enormous and valuable volume of data. These data archives – which take the form of core samples, seismic data and measurements of a countless number of refinery sensors – deliver many advantages when it comes to applying technology in OMV's core business. Modern digitalization tools ensure optimum evaluation and use of digital and analog data in machine control for increased efficiency and availability – a significant contribution to ensuring a reliable energy supply.

Exploration and production efficiency
In OMV Upstream, experienced teams continuously enable efficient exploration of oil and gas resources, they develop sustainable and effective production methods, and they transfer OMV's enormous expertise across business units and countries. Knowledge transfer is a key factor in OMV's success.

According to Jan Paul, who is responsible for Upstream Technology Management, Austria is the hub of OMV's global research and development activities. OMV's TECH Center & Lab in Gänserndorf, Lower Austria, is situated right in the middle of one of Europe's oldest oil fields. This ensures ideal conditions for the application of innovative

With the new 3D Visualization Center at the OMV head office, all disciplines and locations can now collaborate interactively. The technology used here is truly unique and state-of-the-art.

processes and technologies. Solutions developed and tested here help OMV recover optimum volumes from mature fields. With recovery rates of up to 60 percent, OMV is one of the international industry leaders.

OMV also uses state-of-the-art seismic technologies: For many years the company has been collecting and evaluating enormous amounts of data from the core of the earth using advanced IT tools. OMV geoscientists utilize the valuable support of high-performance computer systems. These systems create virtual field models and analyze them using artificial intelligence, delivering deep insights into potential oil and gas reservoirs to decision makers. Based on their data evaluation results, the systems also provide targeted interpretation assessments and suggestions for action. The latest IT asset in OMV's tool kit is the state-of-the-art 3D Visualization Center. Here, OMV experts from all over the globe can analyze and interpret seismic data collectively – independent of where they are. These unique, high-resolution 3D visualizations serve as a sound basis for decision-making as they depict reservoirs down to the smallest detail.

Optimizing resources and processes

The success of OMV's refinery business, too, builds on many years of expertise in the application of technology. Sites and processes are continually controlled and optimized. To ensure maximum safety

» Extensive expertise and fast piloting in our own oil and gas fields right at our doorstep – they are our recipes for maintaining our technological edge and success.

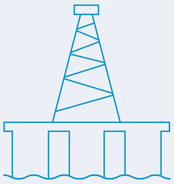
JAN PAUL
OMV Technology Management, Upstream

UPSTREAM TECHNOLOGIES AND INNOVATIONS

TECH CENTER & LAB

At OMV's TECH Center & Lab, experts collaborate to increase oil and gas recovery rates. The close interaction of various disciplines creates a strong base for the assessment of new and existing technologies and has made OMV an industry leader with recovery rates of up to 60 percent.

DRILLING COCKPIT



Central surveillance of drilling activities located all over the world pools OMV resources and knowledge at one central location. While local teams can concentrate on their on-site operation tasks, experts at the head office monitor drilling and intervene when plan deviations occur.

RESERVOIR MODELING

Artificial intelligence enables better and faster analysis of large data volumes from the reservoirs, delivering a sound basis for geoscientists' decisions. The enormous data density allows for the simulation of different scenarios and long-term reservoir planning.

» A refinery is a very technology-intensive environment. We transfer decades of expertise in the application of technology into optimizing our operative business. Every day!

ALEXANDER MITTELMAYR
OMV Head of Process Units, Downstream

and efficiency, OMV has implemented fully automated operation control in many refinery areas, as explained by Alexander Mittelmayr, who is responsible for ensuring seamless plant operation.

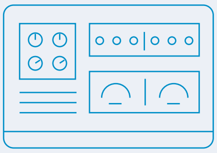
He quotes the DMC system at the Burghausen refinery as an example of OMV's high degree of technological excellence. This control system is one of the world's largest of its kind. DMC is short for "Dynamic Matrix Control" and works just like an autopilot: The software automatically controls the complete process chain while factoring a vast multitude of process variables like temperature, pressure or quantity, enabling automated optimization of product yield, flow rate and energy efficiency.

OMV Downstream uses innovative digital tools not only in their day-to-day operations but also in large projects: The Electronic Turnaround Optimization Platform – or eTOP – was first used at the Schwechat refinery in 2016. The proprietary software supported the cross-linking of hundreds of parallel process steps in the context of the refinery's regular, multi-week general inspection. In the past, these steps had been recorded on many meters of wallpaper at a central location. Today, the state-of-the-art IT system features digital recordings of all processes and workflows right from the beginning – starting with touchscreens or tablets directly on-site. All technical data and plans as well as the actual status of all workflows are now available anytime and anywhere.

These and many other OMV technology innovations serve but one single mission: to ensure the economical, sustainable and reliable supply of energy for a better life. ‹

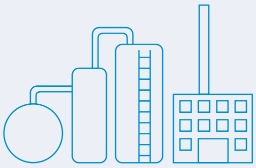
DOWNSTREAM TECHNOLOGIES AND INNOVATIONS

DMC SYSTEM



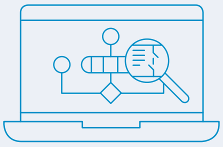
The DMC system at the Burghausen refinery collects 400 process variables and uses this data for automated asset monitoring and control. This ensures optimum capacity utilization and maximum profitability.

ETOP – ELECTRONIC TURNAROUND OPTIMIZATION PLATFORM

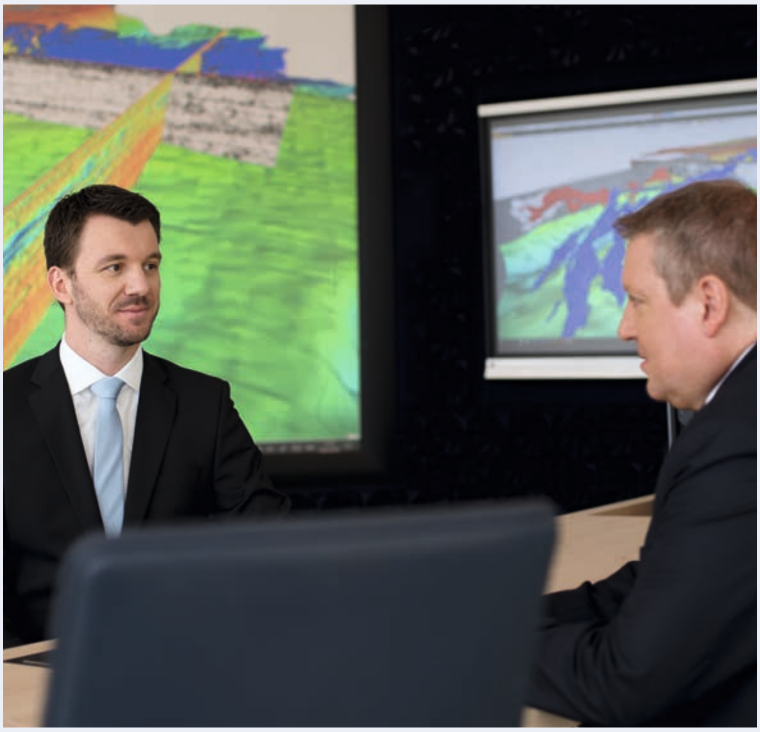


The Schwechat refinery applies this innovative software to efficiently cross-link and coordinate collaboration and workflows between different areas in large projects.

PREDICTIVE MAINTENANCE



Digital networking and interconnectivity support efficient site monitoring. Potential problems can be identified in time, thus effectively preventing downtime.



Markus Berghofer (left) and
Andreas Roth (right) in discussion.

THE FUTURE IS DIGITAL

Already today, digitalization is an integral part of OMV's business. It opens up many opportunities along the entire value chain – in oil and gas exploration, refining and sales and also in administrative processes like finance and procurement. Markus Berghofer (Upstream) and Andreas Roth (Downstream) discuss digital transformation trends in the oil and gas industry.

How will digitalization transform oil and gas exploration?

MARKUS BERGHOFER: Artificial intelligence is becoming a major factor in the evaluation and exploration of oil and gas reservoirs. We are using intelligent algorithms to analyze new fields quickly and efficiently, as well as integrating data from old fields to evaluate chances and risks. The system recognizes and illustrates patterns and potential sources of error, thus efficiently supporting the experts in their decision-making process. Digital tools like Advanced Analytics or Machine Learning help us produce in a faster and more cost-efficient manner.

What is the Drilling Cockpit?

MARKUS BERGHOFER: The Drilling Cockpit enables the central recording and monitoring of drilling sites all over the world. Analysis of real-time data from the sites reveals plan deviations, which allows experts to take immediate action on-site. Establishing a global digital network is a major challenge: Some sites are situated in the middle of the sea; others are deep in the desert. Creating the required infrastructures is the basis for optimum interconnectivity and use of real-time data.

What influence does Data Mining have in the refinery business?

ANDREAS ROTH: At our refineries, we draw on many years of experience and on vast amounts of data. We use both resources to continuously optimize our assets using state-of-the-art data analytics. For many years, thousands of sensors have been measuring variables like temperature, vibration and flow rate in our refineries. Advanced software allows us to examine this data for past patterns and to assess it for potential damage or failure. Thanks to these insights, we can issue preventive countermeasures, with positive across-the-board effects on our site availability and efficiency.

Which additional Downstream areas will be impacted by digitalization?

ANDREAS ROTH: Digitalization will change the way we run our business. The gas sales business in particular will see major benefits. Blockchain is a very important topic here, as is automated trading: Buy-and-sell decisions, which often must be made within seconds in many different market areas, can be recognized and realized better and faster with software support and thus contribute to positive business development. At our filling stations, we analyze the purchasing behavior of our customers in order to continuously improve our product and service portfolio. Digitalization for us is not just an option. It is an absolute necessity for protecting and maintaining our competitive edge in the long run.

» Reliable, precise, always on time – that’s how I do my job. And that’s what I also expect from my air carrier.

Lawyer, waiting at the gate for her flight to London

Ready for Takeoff

While the passengers are sitting at the gate, waiting for their flight to board, their plane is being refueled. It's a fast, clean and safe process: OMV puts a lot of precision as well as production and logistics expertise into these 30 minutes.

By the time jet – as kerosene is called in the industry – is ready to fuel the plane, OMV has completed a vast number of production, transport and quality assurance tasks. For OMV does not only deliver aviation fuel of the highest purity and quality, it also comes with many additional attractive services in exactly the right amount at exactly the required time.

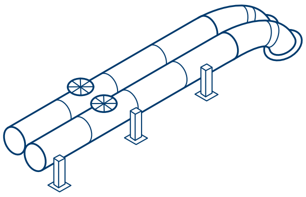
Quality, logistics and service – from well to plane
Munich Airport consumes over 1.6 million tons of jet per year, Vienna Airport more than 700,000 tons, and Bucharest Airport close to 300,000 tons, as Birgitt Leisser, customer service expert at OMV Aviation, explains. OMV covers a major part of the demand of all three airports.

The reasons for this strong market share are quite obvious: OMV's Schwechat refinery, for example, is located only eight kilometers away from Vienna Airport. A pipeline delivers jet directly from the refinery to the airport fuel storage tanks, fast and safe, completely eliminating traffic issues. The situation is similar at Munich Airport, which is connected to OMV's Burghausen refinery by a 123 kilometer pipeline. And at Bucharest Airport, which is supplied from OMV's Petrobrazi refinery by truck and rail, OMV Petrom staff even fuel the airplane.

Regional resources for traveling the world
What many passengers at the gate don't know: The kerosene for their plane is not only produced at OMV's refinery next door – even part of the crude oil from which it is made comes from the region. For more than 60 years, OMV has been

Jet is transported directly from the Schwechat refinery to the airport by pipeline.

An employee tests the delivered jet at the airport. The highest fuel quality, security of supply and premium service are OMV's top priorities.



8 km

long is the pipeline, which brings jet from the Schwechat refinery to Vienna Airport – fast and environmentally friendly.

JET – A GROWTH MARKET

Birgitt Leisser and OMV's international Aviation team coordinate the interfaces between the refinery, airport and airline companies. Jet fuel must always precisely meet all airport and airline requirements.

Why is OMV jet so successful?

BIRGITT LEISSER We know what airports and airlines need, and we help them meet their time and logistics requirements. We monitor jet quality seamlessly from the refinery to the plane. Of the jet we deliver, 70 percent is by pipeline. This is highly efficient, as it gets to the airport avoiding traffic and emissions. Logistic optimizations like these are of great value. They offer major benefits along the complete value chain, right down to the passengers.

How does OMV promote sustainability in the aviation business?

BIRGITT LEISSER Sustainability for us means the highest safety standards and environmental soundness of our processes and products. Transport safety is one of our top priorities. Beyond that, we cooperate with aireg, the Aviation Initiative for Renewable Energy in Germany, on a number of technology topics. For example, we are looking into producing jet from algae oil.

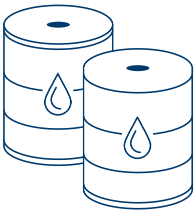
What role will jet play in the product mix of the future?

BIRGITT LEISSER Consumption will increase. Jet will become even more important. At OMV, we get our refineries ready to meet growing demand and to shift from classical gasoline and diesel fuels to more jet. Aviation fuels are one of two high-potential OMV growth topics in refining, the other being petrochemicals.

producing oil and gas in the Weinviertel in Lower Austria. OMV's efficiency here is way above industry standard, thanks to innovative technologies and years of experience. The recovery rate states how much of the oil in a field is actually recovered. The average industry recovery rate is approximately 40 percent. In the Weinviertel, OMV achieves a recovery rate of up to 60 percent. A 60 km pipeline then transports the oil from the field to the Schwechat refinery, directly and in an eco-friendly manner. This seamless, highly efficient integration from well to consumer is hard to beat.

More jet for more mobility
OMV's strong value chain integration is a true competitive edge in a time when jet demand is constantly growing. Global jet consumption is expected to grow at double-digit rates until 2030. Even though plane engines are getting ever more efficient, the increasing number of flights worldwide still requires growing amounts of fuel. Also, in the medium term, there will hardly be any economically attractive alternatives to jet, which already today is a very efficient and powerful fuel.

Short transport routes, premium quality and a reliable supply – there are many good reasons why planes at Europe's gates use jet fuel from OMV. In the end, it's all to meet the never-changing demand of all travelers: to get where they want to go, safely and reliably. ‹



~13,000 bbl/d

was OMV's oil and NGL production in Austria in 2017. This covers approximately 8 percent of the Schwechat refinery's crude supply.

Plane refueling is a job for experts. At Vienna Airport, OMV accompanies jet right to the plane tank. Refueling takes about 30 minutes, at a filling rate of 3,000 liters per minute.

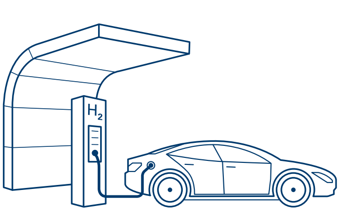
For more than 60 years, OMV has been producing oil and gas in Austria's Weinviertel. The production is delivered directly to the Schwechat refinery via pipeline.

Refueling for the Future

At OMV filling stations, the future has already arrived. While the majority of drivers are still filling their cars with classic gasoline or diesel fuels, drivers of innovative vehicles are coming to OMV for tomorrow's fuels: If you look a little closer at OMV's filling stations, you will observe that more and more vehicles powered by natural gas, electrical power and hydrogen fill up here.

Shaping tomorrow's mobility and preparing the alternative fuels needed for it – this has been an OMV mission from the beginning, as Michael Sattler, responsible for Future Energy at OMV, explains. More than 20 years ago, OMV was the first company in Austria to create filling station infrastructures for natural gas vehicles. Austria's first hydrogen filling stations, too, were built by OMV. The company also plays an instrumental role in the growing success of electromobility: From the start, OMV has established facilities at OMV filling stations to enable fast electric vehicle charging on the go.

OMV's 40 percent participation in SMATRICS is another important contribution to electromobility. SMATRICS is the leading full-service e-mobility provider in Austria; further expansion into Europe is already underway.



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hydrogen filling stations are operated by OMV in Austria and Germany.

» Quality of life – for us, this also includes the flexibility that comes from being mobile. At the same time, we think about the future. That’s why we’re testing a hydrogen car. And why we fuel up at OMV.

Three friends on their way into the weekend

FUTURE FUELS

Michael Sattler, Head of Future Energy, shares insights into tomorrow's mobility.

Natural gas, hydrogen, electromobility – where are we heading?

MICHAEL SATTLER We are dealing with all energy carriers that offer high potential for tomorrow. And we are not waiting for established markets; we are actively building the future. We promote infrastructures and new product developments with selective investments and strategic partnerships. Our participation in SMATRICS and our IONITY cooperation are examples of this as is our collaboration with H2 MOBILITY.

Which alternative fuels do OMV filling stations offer?

MICHAEL SATTLER We operate 56 natural gas filling stations in Austria, ensuring nationwide distribution for this fuel. In Austria and Germany, drivers can get hydrogen for their cars at ten OMV filling stations. 25 OMV filling stations across Europe feature fast charging for electric vehicles, with more to come.

What is the role of hydrogen in mobility?

MICHAEL SATTLER Hydrogen features a high energy density, and it can act as storage for excess power. This makes it an interesting medium- to long-term energy carrier in electromobility. Together with research and industry partners, we are looking into new and economically attractive ways of producing hydrogen. We see attractive applications for heavy traffic and vehicle fleets that cannot afford to have long charging times, like public bus and garbage trucks.

Together for mobile alternatives

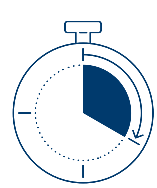
But OMV's alternative fuel commitment does not end there: OMV further enables the development and spread of tomorrow's mobility by contributing expertise, products and Europe-wide infrastructures to international electromobility, hydrogen and natural gas initiatives and partnerships.

OMV is clearly committed to this mission and the associated investment. Without infrastructures for refilling hydrogen, natural gas and electric vehicles, these technologies will not stand a chance in the market. OMV is in close contact with the automotive industry, research organizations and universities to further promote these technologies with the development of innovative fuels and the creation of the required infrastructures.

Gasoline and diesel – still an important part of mobility

You can experience this strong commitment at any OMV filling station. Here you can buy alternative fuels like hydrogen, natural gas or electrical power just as easily and conveniently as traditional OMV gasoline and diesel.

There are good reasons for this extensive portfolio, as Nikolai Schubert, head of fuel development and innovation, explains. OMV does not see the future of mobility in a single energy carrier. Gasoline and diesel will continue to play an important role, and the latest forecasts expect this market to grow. Even if by 2030 a third of newly registered cars in Europe are electric, the share of gasoline and diesel vehicles on the streets will still be at 90 percent. Diesel consumption will grow especially strongly, as increasing heavy traffic calls for higher amounts of this fuel.



20 min

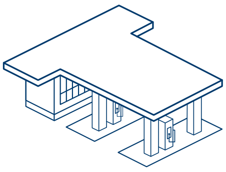
is how fast a full recharge of your electric vehicle will be at an OMV filling station.

Hydrogen is available at selected OMV filling stations. Thanks to its high energy density, hydrogen is an attractive energy carrier in mobility.

With SMATRICS, OMV creates the infrastructures to bring more electric vehicles onto our roads. Time needed for charging can be spent comfortably at OMV's VIVA stations.

OMV filling stations feature a broad portfolio of conventional and alternative fuels.

Gasoline and diesel will continue to play an important role in the market. Therefore OMV is constantly developing these fuels.



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OMV natural gas filling stations ensure nationwide availability of this fuel throughout Austria.

This is why OMV has never stopped its ongoing development of a conventional fuel portfolio in addition to developing and promoting alternative fuels. The clear mission behind all these efforts is to offer high-quality, eco-friendly fuels with attractive economic benefits. OMV gasoline and diesel are made to feature optimum performance – not only in modern engines, but also in older vehicles. OMV performance fuels increase engine efficiency, thus conserving the environment. At the same time, OMV is already developing high-quality fuels for tomorrow's engine generations in close cooperation with car manufactures.

Innovation from refinery to fuel tank

OMV fuel innovation is not limited to the fuel tank. It begins much earlier – in the development of optimized and perfectly adapted formulations. Legislation precisely regulates the amount of biogenic components that are added to the fuels. The art is thus in the optimum composition of fuel components, biogenic components and additives. OMV follows a clear mission here: the higher the quality of biogenic components, the better the performance of the engine and the ecological footprint. To further optimize biofuel quality, Schubert's team is investigating innovative, new production processes in the refinery: In co-processing, they add biogenic components, like rapeseed oil, directly during fuel production and not, as in conventional processes, to the finished fuel. The resulting biofuel is more stable and durable. This is good for any engine but especially beneficial in hybrid vehicles as the combustion engine is needed less often and so fuel will stay in the tank longer.

OMV is also already preparing for the future: Ongoing OMV research looks into new, alternative methods of producing the basic raw materials for fuels. ReOil is an OMV project for recycling used plastics into new raw materials that can be refined into gasoline or diesel just like conventional crude oil.

Independent of where the market will go – OMV filling stations will always be the place where today's and tomorrow's fuels are available and where customers can select from a broad portfolio of conventional and alternative fuels. ‹

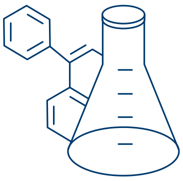
» Our research looks into the maximum efficiency, eco-friendliness and availability of our fuels – alternative as well as conventional.

NIKOLAI SCHUBERT
OMV Head of Product Development & Innovation

Modern high-performance data cables bring high-speed Internet into buildings. The coating of these data cables consists of ethylene and propylene.

2.2 mn t

of petrochemical products were produced in OMV refineries in 2017.



No Plastics, No Connection

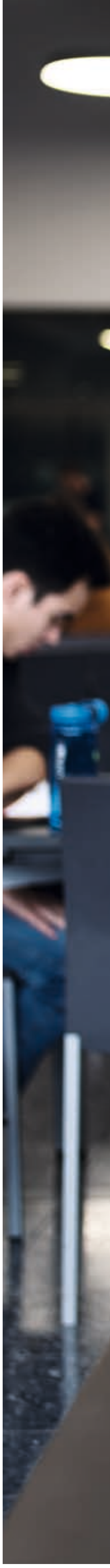
Online anywhere, anytime. Internet, Web services and online communication have become an integral part of people's life quality. Whether at the university library or at home: All you have to do is open your Internet browser, and you are connected with the world. Not many people, however, know how much high tech goes into this everyday commodity. And even fewer people are aware of the important role OMV plays in the process: Petrochemical products from OMV form functional parts of data cables that bring the Internet to its users.

Don't burn it. Refine it!

Petrochemical products are getting ever more important. In recent years, OMV refineries have developed from the pure distillation of crude to the production of petrochemical products such as ethylene, propylene and butadiene. The reason for this is clear to see: Everyday life without plastics is unthinkable, as Josef Rath explains. He is responsible for OMV's petrochemical business and sees a clear trend towards petrochemicals. Already today, OMV refineries produce approximately 2.2 million tons of petrochemicals per year – about eleven percent of OMV's total refined product sales. And this is of increasing significance: Experts expect the market for petrochemicals to grow by two to three percent per year over the next decade.

An additional reason why petrochemicals will continue to grow in OMV's business is the commitment for ever more efficient uses of precious resources: When oil is refined into petrochemicals – instead of using it as fuel – a vast variety of durable, high-value objects can be produced from it: smartphones, computer housings, vehicle parts, medical products and, of course, data cables.

Data cable coatings are made from the base materials ethylene or propylene. OMV produces these feedstocks at the Schwechat and Burghausen refineries. The majority of production goes to the plastic producer Borealis, in which OMV holds a 36 percent stake. Borealis is an international leader in the production of high-tech plastics and an expert in the data cable segment. From ethylene and propylene, the company produces high-performance granulates, specifically developed to precisely meet the cable producers' individual specifications: These granulates already contain functional additives to ensure the long product life required for the produced cable.



» I am researching for my paper here in Leoben while video chatting with my family at home. Thank you, Internet!

Petroleum Engineering student from Romania at Montanuniversität Leoben, Austria

The refinery produces ethylene and propylene – feedstocks from which high-quality plastics are produced.

» From the well to the refinery to the final product – OMV plays an important role along the entire petrochemical value chain. This gives us a decisive competitive edge.

JOSEF RATH
OMV Head of Petrochemicals & Special Product Sales

Integration along the value chain
Integration is a competitive advantage in OMV's petrochemicals business – along the entire value chain: It's not only because almost 30 percent of the crude oil processed in OMV refineries comes from equity production. OMV is also very close to the customers on the sales side.

Josef Rath explains how all involved parties benefit from this proximity: The close collaboration gives OMV the opportunity to benefit from optimum capacity utilization of existing plants, as well as the chance to plan long-term investments.
Borealis in turn profits from fast product availability and maintaining the high quality of the supplied feedstocks. And Borealis's customers – such as cable manufacturers – receive high-value products that perfectly embody the expertise of both companies.

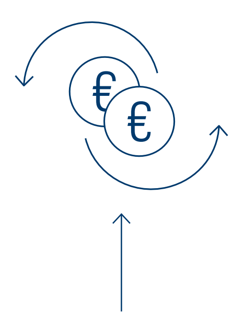
OMV and major customers like Wacker Chemie, Clariant and Vinnolit cooperate very closely. At the Schwechat and Burghausen sites, they are directly connected via product pipelines. Having developed a deep understanding of their respective strategies and markets, both partners can interact and react quickly and efficiently together. These partnerships have grown over many years and are characterized by mutual trust. They form the basis for the development of new value-added products.

Adding value – economic yield and technological edge
OMV takes advantage of innovative technologies to efficiently refine crude oil into products to meet specific customer needs. But OMV's approach goes even further, as Elisabeth Schopf, Borealis participation manager at OMV, explains: At OMV, sustainability must always go hand in hand with profitability. The contribution of Borealis reflects this commitment: Over the last few years, Borealis has become a major contributor to OMV's overall results.

OMV takes advantage of innovative technologies to efficiently refine crude oil into products to meet specific customer needs. But OMV's approach goes even further, as Elisabeth Schopf, Borealis participation manager at OMV, explains: At OMV, sustainability must always go hand in hand with profitability. The contribution of Borealis reflects this commitment: Over the last few years, Borealis has become a major contributor to OMV's overall results.

» The importance of petrochemicals in the OMV portfolio is increasing. By refining our raw materials, we create long-lasting sustainability – for our business and the environment alike.

ELISABETH SCHOPF
OMV Head of Borealis Participation Management

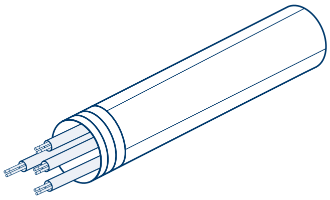


EUR 399 mn

contributed by Borealis to OMV's clean CCS Operating Result in 2017.

Just as important is environmental soundness: The recycling of plastics, state-of-the-art waste water treatment, process and energy efficiencies are just a few of the areas where OMV refineries are leaders in their industry.

But what does all this have to do with video chatting at the university library? This chat would not be possible without high-tech cables transmitting the signals via a Wi-Fi router. On the long way from crude oil to data cable, OMV has made many important contributions. Its commitment to the petrochemical business will continue to provide the basis for exciting developments in this market. ‹



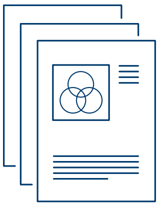
1 mn km

foamed data cables are sold worldwide every year.

Borealis produces polyethylene and polypropylene, primary products for making data cable insulation material.

106

priority patent applications were registered by Borealis in 2017 alone.



THE FASCINATING WORLD OF PETRO-CHEMICALS

Bart Verheule is marketing responsible for the Energy segment at Borealis. Borealis has an excellent market reputation for their high-tech plastics. Many international cable producers purchase their compounds from Borealis.

What role do petrochemicals play in cables?

BART VERHEULE We purchase ethylene and propylene from OMV and produce polyethylene and polypropylene from them. Both materials are used in a multitude of everyday products. Just think of modern lightweight plastics for reducing the weight of cars or airplanes, and their contribution to the reduction of CO_2 emissions. Many medical products are made from specialty plastics – for example, blood bags, syringes and stents. Without high-performance plastics, mobile phones, laptops and tools would not have housings. High-tech plastics are also a prerequisite for ultimate functionality of data cables.

What is the role of Borealis here?

BART VERHEULE Borealis is a global leader in the development and production of high-performance plastics for a multitude of applications. Innovation is one of our core competencies: We registered 106 priority patent applications in 2017 alone. This ranks us among the innovation leaders worldwide.

High-quality specialty plastics products for power and data cables comprise a very important market for us. Mobile antenna cables, fiber optics, phone lines and data cables – they all require special coatings and materials for optimum performance. A data cable usually consists of several smaller cables that must be efficiently separated from each other to ensure maximum performance. The optimum insulator here is air. We at Borealis are experts when it comes to fitting as much air into the plastic as possible.

People increasingly use Wi-Fi. Do we really still need data cables?

BART VERHEULE At Borealis, we say: Wireless bits are bits looking for a data cable. No data cable, no wireless. Wi-Fi only works when the mobile systems can communicate via a database connected to the data network. We still use a data cable to plug our laptop directly into the Internet when we need a really fast connection – for example, to download large volumes of data. Or take hospitals and air traffic control: For them, data transmission must be absolutely failure-free, and this is only possible with data cables. Data cables today are high-tech products. Without them, the Internet could never be fast or wireless.

How will the data cable market develop?

BART VERHEULE It is a very dynamic market with rapidly growing demand. Today, approximately one million kilometers of foamed data cables are sold worldwide every year; in 2020, this will be 1.1 million kilometers. Smart homes will push the demand even further. Today, computers and phones are connected via data cables, perhaps even TVs. But in the future, fridges, heating systems and lights, too, will be part of the data network. Borealis supports these emerging markets with new cable developments, with a special focus on top performance, durability and environmental friendliness.

How does Borealis support data cable sustainability?

BART VERHEULE Cable recycling is very attractive, not only because cables contain a copper core, but also because it makes a lot of economic sense to reuse the plastic materials in the coating. Therefore, we are already developing monopolymer plastic solutions. These cables consist of only one single type of plastic, which makes it easier to recycle.

» In my job, I must be able to rely on my car anytime, anywhere. That is why I never compromise on fuel. I want optimum quality.

Construction manager on his way to a construction site

The Perfect Fuel for Summer and Winter

In our part of the world, winters can get bitterly cold. Despite this, diesel drivers don't have to worry about the weather: With OMV fuel, their engine will start even at the coldest temperatures. And there is more to OMV MaxxMotion. Whether it's gasoline or diesel, summer or winter: The premium fuel delivers maximum performance while protecting the environment at the same time.

Premium fuels are excellent business – demand is high, especially in Eastern Europe. To efficiently serve these markets, OMV MaxxMotion performance fuel is not only produced at the Schwechat refinery – in 2011, it was also introduced at Petrobrazi, the refinery of Romanian subsidiary OMV Petrom.

OMV MaxxMotion – two refineries, one concept
The introduction of a new fuel into a refinery's production processes is complex, as Alexandru Nica explains. He is responsible for production planning at Petrobrazi.

Every refinery uses its own raw materials, processes and production units. Crude oil at Petrobrazi has a different composition than crude oil at Schwechat. The Romanian refinery operates production units other than those in Austria. Therefore, production processes and component composition must be adapted. A lot of experience and expertise is required for fine-tuning a new fuel for existing processes.

For this task, Nica's team received support from Schwechat. This is part of OMV's modern product development process, says Ingrid Stopper who is responsible for OMV's fuel development. The development teams always accompany their fuels all the way from the lab to engine and driving tests and then on to actual production in the refineries. This way, they make sure that the high quality of OMV MaxxMotion gasoline and diesel is identical at filling stations in all nine countries – no matter which refinery produced them.

This adaptation requires extensive additivation expertise – especially with diesel: In close cooperation with the production team, Stopper's team adapted the admixture of special fuel additives to Petrobrazi refinery's conditions step-by-step. After extensive lab tests, they ran the new formulation through the production plants. Petrobrazi now produces OMV MaxxMotion to these specifications, perfectly meeting quality demands.

9

is the number of countries where OMV MaxxMotion is available to customers at over 1,000 OMV filling stations.

» Our fuel developments create added value for drivers: clean combustion, long engine life and more fun behind the wheel.

INGRID STOPPER
OMV Department Manager Product Development

The Petrobrazi refinery has been producing OMV MaxxMotion for the Romanian market since 2011.

OMV MaxxMotion is available as gasoline and diesel at OMV filling stations in nine countries.

In 2017, Asset X Petromar contributed around 18 percent to OMV Petrom's production in Romania.

OMV MaxxMotion performance fuels have been an important part of the OMV portfolio since 2011, providing optimum performance to gasoline and diesel engines. The precisely adapted additivation formulation is not only the secret behind diesel's excellent cold resistance; it also ensures a clean and efficient combustion process, thus lowering emissions and prolonging engine life – which is just as effective in modern vehicles as it is for older engine generations.

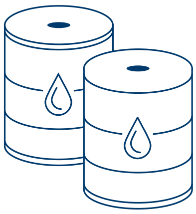
Perfect integration from well to tank

OMV generates additional competitive advantages from the integration of its Upstream and Downstream businesses. Special synergies come from using equity crude oil. Romania is the greatest contributor to the OMV portfolio in terms of equity production and all Romanian equity oil is processed at the Petrobrazi refinery. Cross-segment planning reduces logistics costs and optimizes margins.

OMV MaxxMotion sales have been growing for years. OMV's dedicated commitment from well to filling station enables the long, reliable operation of engines in all OMV markets. ‹

» Our knowledge transfer with the Schwechat team has been great. It enabled us to optimize our processes and launch OMV MaxxMotion, a top product, to our customers here.

ALEXANDRU NICA
OMV Petrom Head of Planning, Crude & Risk Management



~68,000 bbl/d

oil and NGL were produced in Romania by OMV Petrom in 2017.

Secure Supply, Secure Heat

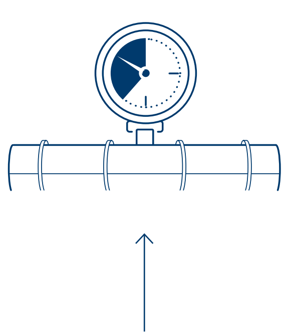
Heating with natural gas is convenient: There is hardly an easier way to bring warmth to your home. No planning ahead for the best time to order, no lengthy supplier comparisons, no storage issues. Natural gas comes to your house as comfortably and easily as tap water and electricity.

To ensure this convenience – today and tomorrow – OMV is active in all steps of the gas value chain. All along the route that natural gas takes from the well to your regional gas provider, OMV ensures efficiency, reliability and continuity with seamless integration of production, logistics and sales.

Where does natural gas come from?
It all begins with production. In 2017, OMV produced approximately 27 million cubic meters of natural gas per day worldwide. Over 80 percent of this came from Romania, Norway and Austria. As natural gas consumption is forever fluctuating, OMV must be prepared to meet demand at any time. Close cooperation between OMV production, pipeline and storage logistics, and sales is therefore crucial for ensuring security of supply.

Production and sales – all from the same source
In 2017, OMV produced approximately 5 million cubic meters of natural gas per day in Norway – most of it from the Gullfaks and Gudrun fields.

This makes Norway the second-largest equity gas producer in the OMV Upstream portfolio after Romania.



27 mn cbm

was OMV's worldwide natural gas production per day in 2017.

» Arrive, relax and spend time with the family. Home for us isn't a place – it's a feeling. It's warmth and security.

A family enjoying a Sunday afternoon together

SYNERGIES FOR ADDED VALUE

Pål Marius Haaland, Head of Commercial & Legal at OMV Norge, explains OMV's integrated business model and the resulting synergies for the natural gas business.

Where in Norway does OMV produce natural gas?

PÅL HAALAND Since 2013 we have been producing natural gas from large offshore fields in the North Sea. In 2017, Gullfaks, Gudrun and Edvard Grieg contributed with production of circa 5 million cubic meters per day. When Aasta Hansteen will start operation end of 2018, it will contribute 3 million cubic meters per day.

How does OMV bring the natural gas to Europe?

PÅL HAALAND Norwegian natural gas is transported to mainland Europe via pipeline by OMV Upstream. There, the OMV sales teams take over. As an integrated supplier, we can plan far ahead and still react flexibly to meet changes in demand. We prepare ahead of time for decreases in production due to plant maintenance as well as for overcapacities.

How do customers benefit from the Upstream/Downstream cooperation?

PÅL HAALAND We plan six months ahead, and then fine-tune for day-to-day business. Our cooperation creates attractive benefits: Capacity booking becomes more efficient, while valuable knowledge is transferred between our teams. OMV Downstream's customer portfolio is a secure sales channel for us, so we here in Norway can concentrate on what we do best: producing natural gas. This is how we at OMV ensure security of supply and predictable prices for the end user.

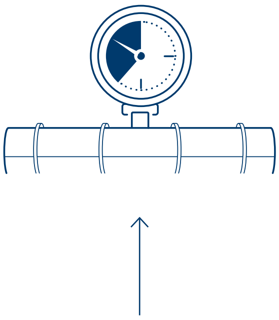
To ensure optimum transport logistics and profitability of natural gas from the Norwegian fields, OMV books transport capacities with the Norwegian pipeline network. OMV's Upstream team under Pål Haaland is always precisely informed of the actual status of equity production. This puts them in a position where they can book pipeline capacities well ahead of time and ensure maximum cost efficiency. To ensure full removal and transportation of all the natural gas produced, they cooperate closely with OMV Downstream sales to optimize delivery, and seamless team integration ensures optimal delivery points and quantities.

In this way, OMV is not only active in the production and transportation of natural gas but also in gas sales. Thanks to OMV's close Upstream/Downstream integration, all business units involved benefit from the best conditions for planning and steering their processes. The result: maximum synergies, captive sales channels, a thorough understanding of all processes and challenges along the entire value chain and – of course – relationships built on long-standing mutual trust.

Proven security of supply

Andreas Gonschor illustrates these advantages from the Downstream perspective. He and his team are responsible for OMV gas sales in Northwest Europe. Long-term supply contracts form the basis for their sales activities. 50 percent represent equity gas, complemented by short-term gas purchases at gas trading hubs. This enables the sales teams to plan their activities well ahead of time while at the same time having flexible options for meeting changing short-term demand.

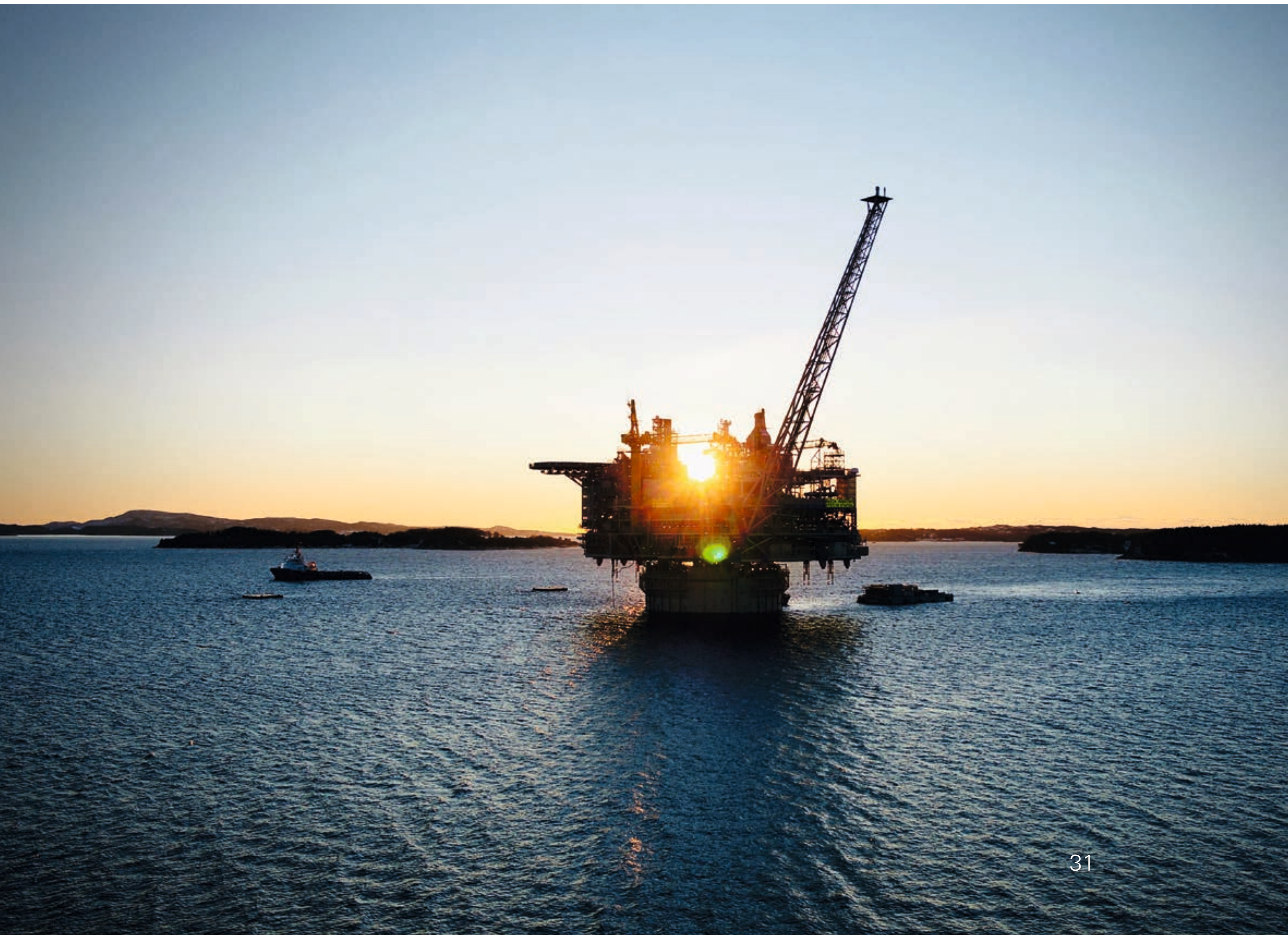
For 50 years, OMV has been a reliable natural gas supplier in Europe. Gas storage – like that here in Schönkirchen – is an important part of OMV's integrated gas business model.



6.7 bcm

of the natural gas supply portfolio 2017 came from equity production – this is more than half.

The Aasta Hansteen offshore platform is getting ready for natural gas production in the Norwegian Sea.



» OMV stands for security of supply. We always deliver exactly the required amount of gas at exactly the required point in time. When the family turns up their heating at home, OMV has done its job.

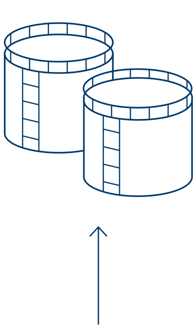
ANDREAS GONSCHOR
OMV Head of Gas Sales

The resulting high security of supply is a major benefit for all end consumers.

Since OMV started in the natural gas business around five decades ago, OMV has been meeting the needs of its customers day after day. Even if at some point a supplier were to drop out or if gas amounts were to go down, OMV would be able to fall back on equity gas. Or use gas from its storages as a substitute. OMV natural gas storages have a capacity of almost 2.7 billion cubic meters, an amount from which around two and a half million households could be supplied for a full year.

Natural gas – energy of the future
Natural gas holds great potential for the future. It is the cleanest of all fossil energy sources, producing only half as much CO_2 compared to coal. Demand for natural gas will continue to grow because natural gas is a secure and affordable energy source. Studies predict that within the next 20 years natural gas will become the most important primary energy source in Europe. Today OMV is already preparing for that time: To ensure the reliable and convenient availability of natural gas, OMV is exploring new wells, developing new technologies and further increasing production efficiency.

Heating with natural gas will remain attractive. And OMV ensures the best conditions at every step in the process – from the well right to your home. ‹



2.7 bcm

is the capacity of OMV's natural gas storages.

Warm and cozy: secure gas supply from the well to your home.

1

TO OUR SHAREHOLDERS

33 —— 48

"OMV is on the road to success"

Dear shareholders, we have asked Rainer Seele, the Chairman of the Executive Board and CEO of OMV, about his thoughts on the Company's performance and future development.

Mr. Seele, how has OMV developed in 2017?

For OMV, 2017 was a year of dynamic development that brought even greater shareholder value and increased competitiveness. Looking back, we performed well in a volatile market environment and were able to keep OMV on a path of profitable growth. We increased our production, lowered our costs and considerably improved our earnings. Share value also saw strong positive development over the course of the past year. The stock price rose by 57% in 2017.

To what extent did positive developments in the price of oil contribute to this success?

The positive business performance of OMV is only partially attributable to the stabilization of the oil price. Although the oil price rose by 18% in the reporting period, the positive development of OMV is the result of hard work and strict cost discipline. In addition to this, our integrated business model makes us one of the strongest and most resilient companies in our industry. And this enables us to compensate for fluctuations in the price of oil. In 2017, we generated a strong operative cash flow amounting to EUR 3.4 bn and we managed to further decrease our cash flow break-even oil price to USD 25 per barrel, which is in our benchmarking the lowest among all our European peers.

What impressed you most in 2017?

How the employees are following the new path of OMV together with us, the Executive Board: At the beginning of 2017, we set out our new principles and, since then, everyone has been working with enthusiasm on the realization of our purpose "The energy for a better life". The enthusiasm of everyone who works for OMV was what impressed me most of all.

2017 was the year that saw a very clear shift in the Upstream focus at OMV …

The focus of the Upstream segment is set on growth through profitable barrels. We achieve this by increasing our engagement in low-cost regions with significant reserves of oil and gas.

… and there was good news from Russia with regard to this.

Yes. On November 30, we completed the acquisition of a 24.99% stake in the Yuzhno Russkoye gas field in Western Siberia – another milestone in the successful implementation of our strategy – as our share of this field increases our production by 100,000 barrels of oil equivalent per day. This makes OMV a company with a production of over 400,000 barrels of oil equivalent per day for the first time in its history. This plays a decisive role in the further reduction of the production costs within our portfolio.

» We increased our production, lowered our costs and considerably improved our earnings.

RAINER SEELE
Chairman of the Executive Board

The increase in daily production is one side of the coin. What does this gas field in Western Siberia mean for OMV reserves in concrete terms?

It is particularly gratifying that this has enabled us to achieve a reserves replacement ratio of 116% on a three-year average. We are also convinced that we will be able to realize our promise of a sustainable reserve base over the course of the coming years.

A lot has also happened again in the Downstream segment in 2017. Could you tell us about one of the highlights?

Downstream also delivered a very good performance in 2017. One of the operative highlights was the successfully completed turnaround at the Schwechat refinery. Schwechat is one of Europe's largest and most modern inland refineries. We have invested EUR 110 mn in modernization and in projects for safeguarding the sustainable and future-oriented operation of the refinery. The work was completed entirely without lost days due to accidents. We are particularly pleased to see that major projects like this can run so smoothly and satisfactorily.

OMV has sold off a major asset in the Downstream segment. Why?

The sale of Petrol Ofisi represents the realization of an important step in the optimization of our Downstream Oil business. We can now invest the released capital in projects that better complement the OMV portfolio.

At the same time, Downstream is preparing itself for the future in other areas. Which areas does this concern?

We are increasing our investments in unmanned filling stations and have acquired a 40% stake in SMATRICS, a provider of comprehensive e-mobility services. We launched a very successful sales offensive with OMV GAS in Germany. Last year saw the acquisition of new major customers in Germany and the growth of our market share to 2%.

In March 2018, you presented the Strategy 2025 at the Capital Market Day. How do you envisage the future of OMV?

We will build on the successful, integrated business model and the excellent expertise of our employees and press ahead with our process of internationalization. Our goal is to make OMV bigger and even better. Here we will deploy a four-pronged approach: firstly, we will leverage on our proven concept of integration to generate growth. Secondly, we will make the production, processing and marketing of oil and gas substantially more international. Thirdly, we will build a strong gas market presence in Europe. Fourthly, we will expedite the optimization of our processes and continue to improve our performance.

How and where do you intend to generate growth in the Upstream segment?

Our focus will be on the further expansion of our oil and gas production with new acquisitions and investments in our core regions and constant optimization of our portfolio. In concrete terms, we see attractive opportunities for growth in Russia and the Middle East, regions with significant reserves of oil and gas. Our strategic partnerships will also support us in the realization of these plans.

» We will grow internationally, profitably and responsibly along an integrated strategy.

The stake in the Yuzhno Russkoye gas field was an important step in this direction. Generally speaking, will OMV be tightening its focus on natural gas as an energy source?

Natural gas plays an eminently important role in the European energy mix. Particularly in terms of affordability, availability and the environment. In this respect, we are not relying exclusively on Russia as a strategic region. Our development projects, for example Aasta Hansteen in Norway and Neptun in Romania, will make an important contribution to natural gas production in our portfolio.

Where do you see opportunities for growth in the Downstream segment?

We expect to see growing demand for refinery and petrochemical products in the Middle East and, in particular, in Asia. This is why we are evaluating projects in petrochemicals-oriented refineries in these regions. In Europe, our long-term plans foresee the expansion of petrochemicals and the development of growth markets such as aviation.

What are your plans for natural gas sales?

We will be significantly expanding our activities in the natural gas sales segment and intensifying our focus on the sales of natural gas from our own production. In addition to this, we have also successfully extended our supply portfolio with LNG (Liquefied Natural Gas). We see outstanding gas sales potential in the areas of power generation, industry and transportation, and are convinced that these will make an important contribution to the direct improvement of Europe's CO_2 balance.

The Nord Stream 2 gas pipeline is intended to provide a direct link between Russian gas reserves and gas customers in Europe. How is the project progressing?

All current forecasts predict that, by the year 2030, the EU will have to import around 80% of its natural gas needs. This is why we are assisting our partner Gazprom wherever we can to assure the success of Nord Stream 2. Last year, we signed financing agreements for this strategically important project. We are expecting construction permission to be granted in 2018 and, after that, pipe laying will begin. The project is proceeding according to plan.

Based on the projected growth, will OMV shareholders be able to look forward to an increased dividend?

We are adhering to our progressive dividend policy. For 2017, we will again be proposing an increased dividend of EUR 1.50 per share to the Annual General Meeting.

What can we expect from OMV for 2018?

We will be working with enthusiasm and determination on the realization of our Strategy 2025. Important milestones for 2018 are the conclusion of the asset swap with Gazprom and projects with our strategic partners in Abu Dhabi. We will be further strengthening our competitiveness with strict cost and capital discipline. We will be addressing the challenges of the global energy market with agility and innovative ideas.

On behalf of the entire Executive Board, I would like to take this opportunity to express our thanks to all employees for their excellent work and outstanding commitment. I am looking forward to the realization of our ambitious plans for the future together with a highly motivated OMV team and, with this, the creation of sustainable added value for our customers and shareholders. Dear shareholders, I would also like to express my thanks for the trust and confidence you have placed in us.

Vienna, March 2018

Rainer Seele m.p.

OMV Executive Board

From left to right:

Manfred Leitner
Executive Board member Downstream

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

Rainer Seele
Chairman of the Executive Board
Chief Executive Officer

Reinhard Florey
Chief Financial Officer

Dear Shareholders,

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

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

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

Composition of the Executive Board and Supervisory Board

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

Supervisory Board activities

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

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

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

PETER LÖSCHER
Chairman of the Supervisory Board

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

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

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

Activities of Supervisory Board committees

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

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

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

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

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

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

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

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

Annual financial statement and dividends

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

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

Vienna, March 14, 2018

On behalf of the Supervisory Board

Peter Löscher m.p.

OMV on the Capital Markets

While in 2016 equity markets were greatly influenced by geopolitical events, in 2017, the focus shifted back to fundamentals with economic data and company earnings driving share prices. The successful strategy execution and operational momentum led to strong performance of OMV's share price. At the end of 2017, the share price closed 57% up, significantly outperforming both important benchmark indices as well as industry peers.

Financial markets

2017 provided a good environment for investments in equities. The European economy gained momentum and staged a recovery after a period of uncertainty. Throughout 2017, a series of headwinds that had dragged development and optimism eased. Most notably, in terms of the political environment, the elections in France and the Netherlands, with unpredictable consequences for the rest of the European economy, were monitored closely by investors. Furthermore, in global terms, stock markets were hitting new peaks throughout 2017 as a result of strong economic data and corporate earnings. The robust global economy supported a strong demand for oil. Together with that, the decision of the OPEC and major non-OPEC producers to extend oil production cuts and the overall compliance with the agreed cuts led to a substantial recovery of the global oil prices over the second half 2017. The Brent oil price increased by 18% compared to last year's end figure and closed the year 2017 at USD 66.87/bbl.

At a glance

		2017	2016	2015	2014[1]	2013[2]
Number of outstanding shares[3]	in mn	326.50	326.45	326.36	326.26	326.23
Market capitalization[3]	in EUR bn	17.29	10.96	8.53	7.18	11.35
Volume traded on the Vienna Stock Exchange	in EUR bn	8.84	6.04	7.13	5.21	4.82
Year's high	in EUR	54.14	34.78	30.46	36.06	39.69
Year's low	in EUR	32.37	21.45	20.70	20.07	27.85
Year end	in EUR	52.83	33.56	26.13	22.01	34.79
Earnings Per Share (EPS)	in EUR	1.33	(1.24)	(3.37)	0.85	3.56
Book value per share[3]	in EUR	34.35	33.44	35.76	35.53	35.60
Cash flow per share[4]	in EUR	10.56	8.82	8.68	11.24	12.64
Dividend Per Share (DPS)[5]	in EUR	1.50	1.20	1.00	1.25	1.25
Payout ratio	in %	113	n.m.	n.m.	147	35
Dividend yield[3]	in %	2.84	3.58	3.83	5.68	3.59
Total Shareholder Return (TSR)[6]	in %	61	34	24	(34)	31

[1] As of 2015, figures for 2014 were adjusted according to IAS 8
[2] As of 2014, figures for 2013 were adjusted due to the implementation of IFRS 11 "Joint Arrangements"
[3] As of December 31
[4] Cash flow from operating activities
[5] 2017: As proposed by the Executive Board and confirmed by the Supervisory Board; subject to confirmation by the Annual General Meeting 2018
[6] Assuming reinvestment of the dividend

OMV share price performance and volume

With an increase of 57%, OMV shares have shown very strong performance in 2017. Assuming a reinvestment of the dividend, the total shareholder return amounted to 61%. OMV's share price started the year at EUR 33.56 and reached its yearly low on January 31 at EUR 32.37. Subsequently, the share price developed a sharp upward trend, reaching a high of EUR 54.14 on December 22 and closing the year at EUR 52.83. The daily trading volume of OMV shares in 2017 averaged 407,689 (2016: 471,359). OMV's total market capitalization increased by EUR 6.3 bn to EUR 17.3 bn at the end of 2017 (At end of 2016: EUR 11.0 bn).

OMV share price increased by 57% in 2017

OMV share price performance 2017 (based on 100)

OMV significantly outperformed important international benchmark indices. The Austrian ATX gained 31% over 2017. Over the same period, the global industry benchmark FTSEurofirst E300 Oil & Gas was basically flat, while FTSEurotop 100 increased by 6%.

Measured over a five-year period, the return of OMV shares outperformed the returns of the indices. The value of the assets of an investor who acquired OMV stock worth EUR 100 at the end of 2012 and reinvested dividends in additional shares has increased to EUR 232 by the end of 2017. This represents an average annual return of 18%.

OMV share long-term performance compared with indexes
Average annual increase with dividends reinvested[1]

	10 years (December 31, 2007, to December 31, 2017)	5 years (December 31, 2012, to December 31, 2017)
OMV	3.3%	18.4%
ATX	0.1%	10.1%
FTSEurotop 100	3.3%	9.0%
FTSEurofirst E300 Oil & Gas	2.5%	6.2%

[1] The data basis is the Total Return Index (RI) from DataStream; the calculation method of the average annual increase with dividends reinvested is the compound annual growth rate method

Proposed dividend for 2017 of EUR 1.50 per share

On May 24, 2017, OMV's Annual General Meeting approved a dividend of EUR 1.20 per share for 2016 as well as all other agenda items including the elections to the Supervisory Board, the Long-Term Incentive Plan 2017 and the Matching Share Plan 2017.

Dividend of EUR 1.50 per share proposed

For 2017, the Executive Board will propose a dividend of EUR 1.50 per share at the next ordinary Annual General Meeting on May 22, 2018. The dividend yield, based on the closing price on the last trading day of 2017, amounts to 2.84%.

Dividend policy

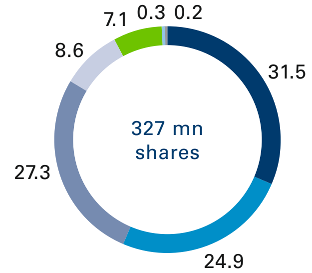
OMV is committed to delivering an attractive and predictable shareholder return through the business cycle. Under its amended dividend policy, OMV aims to increase dividends annually in line with financial performance – especially the development of free cash flow and the Group's net income – or to at least maintain the level of the previous year.

OMV shareholder structure

OMV's shareholder structure remained relatively unchanged in 2017 and comprised the following at year-end: 43.0% free float, 31.5% Österreichische Bundes und Industriebeteiligungen GmbH (ÖBIB, representing the Austrian government), 24.9% International Petroleum Investment Company (IPIC), 0.3% employee share programs and 0.2% treasury shares.

Shareholder structure

In %

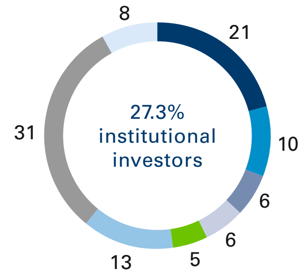


ÖBIB	31.5
IPIC/Abu Dhabi	24.9
Institutional investors	27.3
Unidentified free float	8.6
Identified retail ownership/ brokerage & trading accounts	7.1
Employee share programs	0.3
Treasury shares	0.2

An analysis of our shareholder structure carried out at the end of 2017 showed that institutional investors held 27.3% of OMV's shares. With 31%, investors from the United States made up the largest regional group of institutional investors. The proportion of investors from the United Kingdom amounted to 21%, while shareholders from France held 10%, and Norwegian and Austrian ownership accounted each for 6%. Shareholders from Germany accounted for 5%.

Geographical distribution of institutional investors

In %



United Kingdom	21
France	10
Norway	6
Austria	6
Germany	5
Rest of Europe	13
United States	31
Rest of world	8

The capital stock of OMV Aktiengesellschaft amounts to EUR 327,272,727 and consists of 327,272,727 no par value bearer shares. At year end 2017, OMV held a total of 772,230 treasury shares. The number of shares in circulation was therefore 326,500,497. The capital stock consists entirely of common shares, and due to the application of the one share, one vote principle, there are no classes of shares that bear special rights. A consortium agreement between the two major shareholders, IPIC and ÖBIB, contains established arrangements for coordinated action and restrictions on the transfer of shareholdings.

Environmental, Social and Governance (ESG) performance

OMV places great importance in working with ESG rating agencies. OMV aims to act responsibly towards the environment and society and has maintained during 2017 its inclusion in several ESG indexes confirming strong environmental, social and governance performance.

OMV has been reconfirmed in the MSCI ACWI ESG Leaders Index and included for the first time in the MSCI ACWI SRI Index. OMV received a score of AAA from MSCI for the fifth successive time in a row for its ESG performance. Furthermore, OMV has been reconfirmed as a member of the FTSE4Good Index Series. OMV has also been retained in the Euronext Vigeo index – Eurozone 120. This index distinguishes those companies that achieve the most advanced environmental, social and governance performance. In 2017, OMV once again achieved an outstanding CPD score of A- (leadership) both for Climate Change and Water. With these results, OMV is rated among the top 13 companies in the global energy sector. Furthermore, OMV was included in the Ethibel Sustainability Index Excellence Europe, STOXX® Global ESG Leaders and ECPI Indexes. OMV has been assessed for the second time by EcoVadis and placed in the top 30% of performers.

Good credit ratings

OMV was rated Baa1, outlook stable, by the rating agency Moody's and A–, outlook stable, by the rating agency Fitch. This underscores the creditworthiness of OMV and is in line with the target to maintain a strong investment-grade credit rating.

Analyst coverage

OMV is covered by 18 financial analysts who regularly publish research reports on OMV. This ensures good visibility of OMV in the financial community. At the end of 2017, 39% of analysts recommended buying OMV shares (end of 2016: 6%) and 33% recommended holding the shares (end of 2016: 39%), while 28% had a sell rating (end of 2016: 55%). On December 31, 2017, the average target share price, according to analyst consensus estimates, was EUR 51.90.

Investor Relations activities

Ensuring a close and trustful dialogue with the capital market is given a top priority at OMV. Investor Relations places great importance on providing a comprehensive insight into OMV's strategy and business operations to all capital market participants, guaranteeing equal treatment to all stakeholders. Throughout 2017, OMV was in constant dialogue with investors and analysts. The Executive Board and the Investor Relations department has strengthened and deepened relationships with analysts and investors through numerous road shows and conferences across Europe and North America.

In September 2017, OMV published the first issue of the OMV Factbook. It provides a five-year overview and a comprehensive picture of OMV Group while giving deeper insights into its different businesses and the drivers behind them.

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DIRECTORS' REPORT

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About OMV

OMV's market capitalization increased to EUR 17 bn

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

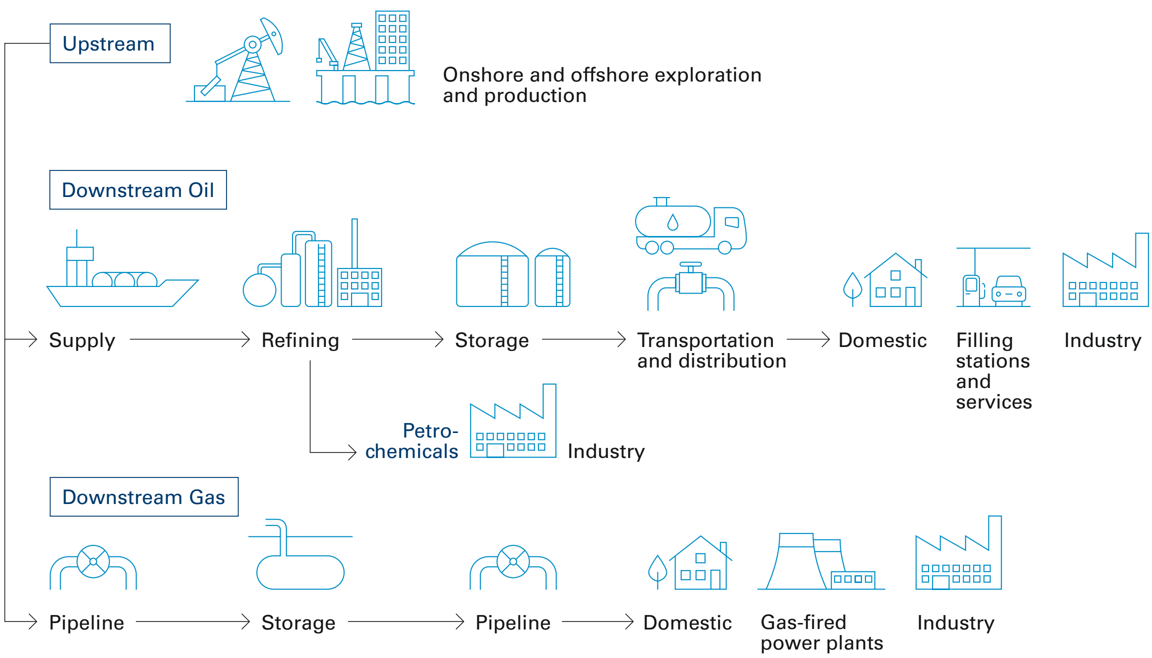
In the Upstream Business Segment, OMV focuses on the exploration, development and production of oil and gas in four core regions: (1) Central and Eastern Europe, (2) the North Sea, (3) the Middle East and Africa and (4) Russia. At the end of 2017, OMV Upstream was active in 15 countries across the globe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

OMV Aktiengesellschaft is Austria's largest listed industrial company

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

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

Our value chain



Strategy

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

Strategic achievements

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

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

Upstream – value over volume growth

- Improvement of the cost structure compared to 2015: Investment expenses[1], reduction of E&A expenses and production costs by a total of 42%
- Reduction of production costs from USD 13.2/boe in 2015 to USD 8.8/boe[2] in 2017
- Significant increase in value creation: clean Operating Result of EUR 1,225 bn
- Increase in production to 348 kboe/d in 2017
- Optimization of the portfolio through divestments (for example, OMV UK) and acquisitions (for example, in Russia)
- Achievement of a three-year average reserve replacement rate of 116%
- Expansion and strengthening of strategic partnerships

Downstream Oil – strong cash generation

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

Downstream Gas – restructuring and increase in sales

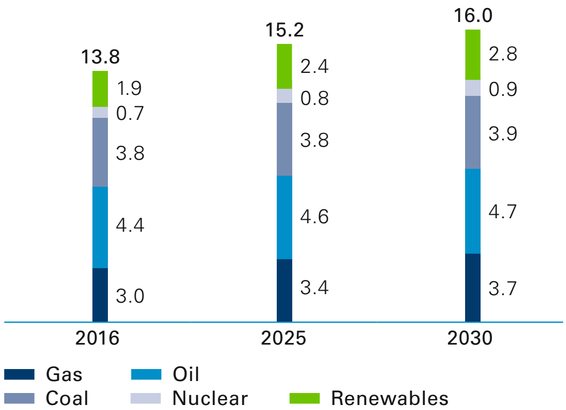
- Integration of OMV Trading and EconGas to OMV Gas Marketing & Trading GmbH
- Divestment of 49% share in Gas Connect Austria
- Sales activities continually expanded
- Financing partner in Nord Stream 2 pipeline project

Strategic goals successfully implemented

Future market environment

World energy demand by primary energy sources

In bn toe



Source: IEA New Policies Scenario, World Energy Outlook 2017

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

Natural gas will be the strongest-growing primary energy source

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

[1] Excluding acquisition costs and divestment proceeds
[2] New definition since 2016 in accordance with the industry standard

Global growth in demand will come from the emerging markets

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

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

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

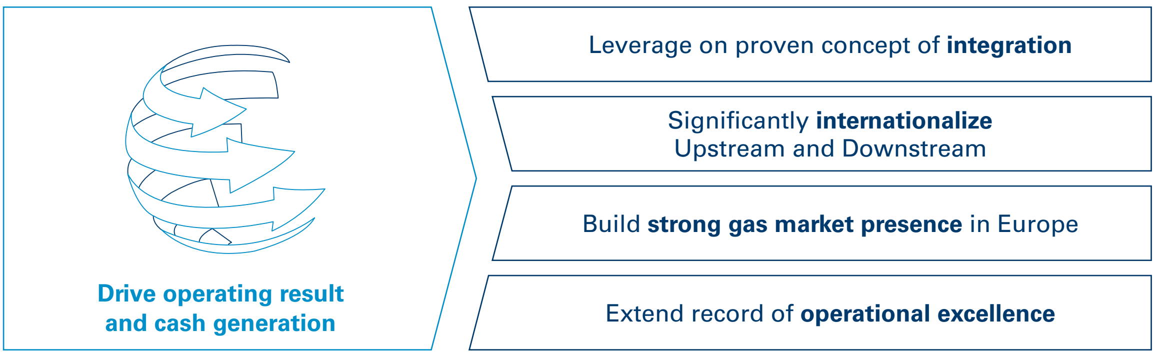
The growth in global demand for petrochemical products is tied to the general development of the economy (GDP). More than two-thirds of the increasing demand for hydrocarbons are expected to stem from the emerging Asian markets by 2030, which have the largest share of global population growth and corresponding potential for an increase in the standard of living. In these markets, demand is anticipated to increase disproportionately to GDP. The developed markets in Europe, North America and Japan are expected to show stable growth in the demand for petrochemical products in line with GDP. Expansions in petrochemical capacity with ethanol and gas condensate are expected in regions with access to cheap, gas-based feedstocks, such as North America (shale gas), the Middle East (associated gas) and Russia.

Strategic cornerstones

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

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

OMV – Strategy 2025



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

Value growth in Upstream

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

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

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

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

Increase production to roughly 600 kboe/d by 2025

Optimization of Downstream in Europe

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

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

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

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

Increase total sales volume of natural gas

Value creation, financial stability, competitiveness and compliance

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

International Downstream growth

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

Financial steering

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

OMV's goals for financial management are

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

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

Functional strategies

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

Health, safety, security and environment (HSSE) remains the top priority for our operational business and are an essential part of our sustainability definition: "We create long-term value for our customers and our shareholders by being innovative and an employer of choice. We conduct our business in a responsible way, respecting the environment and adding value to the societies in which we operate." Key issues for successfully implementing the Group strategy have been identified as HSSE, carbon efficiency, employees, business principles and social responsibility.

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

OMV strategy at a glance

Sustainability

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

OMV's approach to sustainability

Sustainability strategy reviewed and integrated in the Group strategy

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

What sustainability means for us

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

Where we concentrate our efforts

Materiality analysis performed in 2017

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

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

- **Health, Safety, Security and Environment (HSSE):** Health, safety, security and the protection of the environment are key values at OMV. The integrity of OMV operating facilities, loss prevention and proactive risk management are essential to reaching OMV's HSSE vision of "ZERO harm – NO losses."

Further details can be found in the HSSE chapter on page 58.

- **Carbon Efficiency:** OMV focuses on improving the carbon efficiency of its operations and product portfolio. OMV is fully committed to acting on climate change mitigation and responsible resource management and has consequently set targets to manage and reduce the carbon footprint of its operations and product portfolio.

Further details can be found in the HSSE (page 58) and Strategy chapters (page 51).

- **Innovation:** OMV's innovation mission also focuses on developing solutions that improve the carbon efficiency of our products and services. Investment and partnerships in innovation, research and development are indispensable for long-term value creation.

Further details can be found in the Strategy (page 51), Upstream (page 71) and Downstream (page 76) chapters.

- **Employees:** Building and retaining a talented, diverse and competent team for international and integrated growth is a key enabler of the Group strategy.

Further details can be found in the Employees chapter on page 60.

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

Business Principles and Social Responsibility Performance

Business ethics and compliance

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

Supplier compliance

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

Human rights

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

Community relations and development

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

205 social initiatives in 17 countries

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

Management approaches and performance details for all material topics will be reported in the stand-alone OMV Sustainability Report 2017. This report is also the separate consolidated non-financial report according to Austrian law § 267a UGB.

Health, Safety, Security and Environment

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

HSSE Strategy

HSSE Strategy 2020 launched

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

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

Health, Safety and Security

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

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

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

In Downstream, the focus was on leadership engagement and the quality and effectiveness of activities like safety walks, incident investigation and contractor HSSE audits. The LTIR was 0.40 (2016: 0.50). We are deeply saddened to have lost two contract employees during 2017. In September, an employee at an OMV filling station in Hungary died when the driver of a passenger car lost control of a vehicle and crashed into the station. In December, a sudden gas release at the Baumgarten gas distribution station operated by Gas Connect Austria resulted in an explosion and subsequent fires. One contract employee died as a result of this incident and 21 people were injured. Incident investigation is currently ongoing and recommendations will be implemented to prevent any such recurrence.

OMV Group Safety Performance

In mn hours worked

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

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

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

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

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

Environmental management

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

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

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

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

OMV achieved leadership status for CDP Climate Change and Water

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

Key environmental actions in 2017:

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

Employees

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

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

Our Principles within the organization

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

Leadership Development as key pillar of our People Strategy

OMV's People Strategy

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

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

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

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

Highlights of 2017

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

Leadership Development has been approached from different angles in 2017:

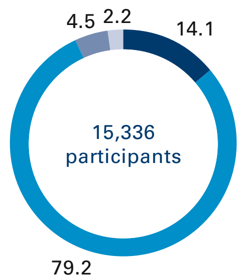
- Building a shared understanding through leaders based on Our Principles by a newly defined leadership and development framework
- Our senior leaders participated in 360° feedback to gain insights on how they live Our Principles. This leadership tool has been established to foster a culture of open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

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

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

Number of training participants 2017[1,2]

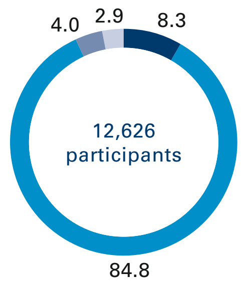
In %



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

Number of training participants 2016[1,2]

In %



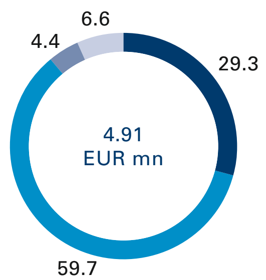
Austria[3]	1,054
Romania/rest of Europe	10,706
Middle East/Africa	503
Rest of world	363

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

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

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

In %

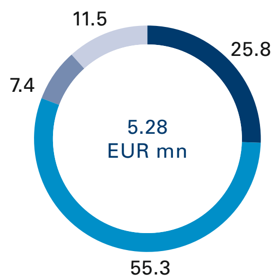


In EUR

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

Money spent on training per region 2016[1,2]

In %



In EUR

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

[1] Excluding conferences and training for external employees
[2] The graphs may contain rounding differences
[3] Excluding Gas Connect Austria GmbH, FE Trading GmbH

Diversity

OMV Group diversity strategy focus areas: gender and internationality

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

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

Employee key figures

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

Key figures[1]

		2017	2016
Employees by region			
Austria		3,482	3,431
Romania/rest of Europe		15,722	17,606
Middle East and Africa		1,093	1,103
Rest of world		424	404
Total number of employees		**20,721**	**22,544**
Diversity			
Female	in %	25	25
Male	in %	75	75
Female Senior Vice Presidents	in %	18	23
Number of nationalities[2]		**74**	**69**

[1] As of year-end
[2] Excluding Gas Connect Austria GmbH, FE Trading GmbH

OMV Group Business Year

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

Business environment

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

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

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

Global oil demand on new record in 2017

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

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

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

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

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

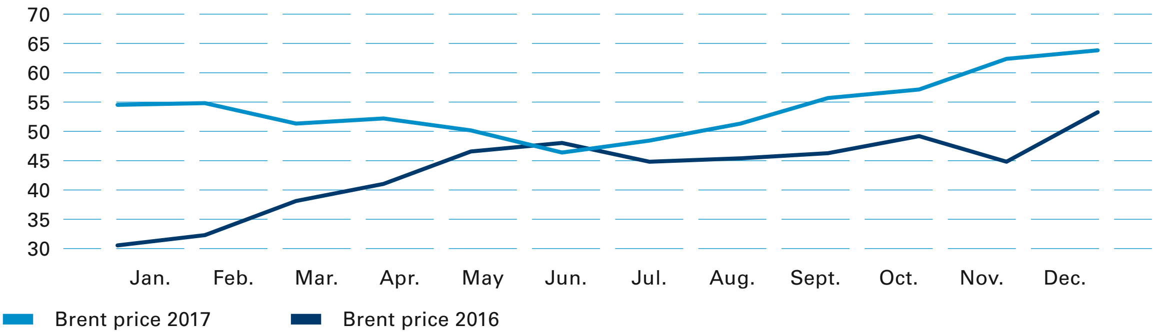
Austrian natural gas market increased by 9%

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

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

Crude price (Brent) – monthly average

In USD/bbl



Financial review of the year

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

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

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

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

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

Key financials

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

[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

Clean CCS Earnings Per Share rose to EUR 4.97

Special items and CCS effect

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

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

Special items and CCS effect

In EUR mn

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

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

Notes to the income statement

Sales revenues increased by 5%

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

Sales to external customers are split up by **geographical areas** on the basis of where the delivery of goods or services is effective. Austria retained its position as the Group's most important geographical market with sales of EUR 6,416 mn or 32% of the Group's total (2016: EUR 4,884 mn or 25%). Sales revenues in Germany slightly increased to EUR 3,065 mn, representing a revenue contribution of 15% (2016: EUR 2,777 mn or 14%). In Romania, the sales revenues amounted to EUR 3,449 mn or 17% of total sales revenues (2016: EUR 3,006 mn or 16%). Sales revenues in Turkey decreased significantly to EUR 2,595 mn or 13% of OMV Group's total sales in 2017 (2016: EUR 4,817 mn or 25%) following the divestment of OMV Petrol Ofisi in June 2017. Sales revenues in Russia amounted to EUR 137 mn or 1% of OMV Group's total sales in 2017 (2016: EUR 79 mn or 0%). The increase is mainly attributable to the acquisition of a stake in the natural gas field Yuzhno Russkoye. Sales in the rest of Central and Eastern Europe (CEE) were EUR 2,765 mn or 14% of Group sales revenues (2016: EUR 2,398 mn or 12%). The rest of Europe accounted for EUR 963 mn or 5% (2016: EUR 931 mn or 5%). Sales revenues in the rest of the world increased to EUR 831 mn following the restart of production in Libya and represent 4% of total sales revenues (2016: EUR 369 mn or 2%).

Other operating income decreased to EUR 488 mn in 2017 (2016: EUR 646 mn), as 2016 was impacted by the write-up related to the reclassification of Asthart field in Tunisia to "held for sale" and by a gain from the divestment of the Aliağa terminal in Turkey. Other operating income in 2017 was impacted by a gain of EUR 137 mn upon the disposal of OMV (U.K.) Limited, which is mainly attributable to the reclassification ("recycling") of FX gains from other comprehensive income to the income statement. **Income from equity-accounted investments** amounted to EUR 510 mn (2016: EUR 425 mn) and mainly reflected the 36% share of the result from the Borealis group amounting to EUR 394 mn (2016: EUR 399 mn). The increase compared to 2016 was predominantly attributable to Pearl following the positive outcome over a dispute concerning certain matters under the Heads of Agreement at the Khor Mor and Chemchemal fields, which led to an income of EUR 90 mn. **Purchases (net of inventory variation),** which include the cost of goods and materials that are used for conversion into finished or intermediary products as well as goods purchased for reselling, inventory changes and write-offs, totaled EUR (12,331) mn (2016: EUR (12,297) mn). **Selling, distribution and administrative expenses** amounted to EUR (1,636) mn (2016: EUR (1,721) mn). **Exploration expenses** amounting to EUR (221) mn (2016: EUR (790) mn) decreased by 72% mainly due to write-offs in 2016, which were linked to an impairment of the Rosebank asset in the United Kingdom. **Research and development (R&D) expenses,** which are included in Other operating expenses, amounted to EUR (33) mn (2016: EUR (28) mn). **Other operating expenses** of EUR (1,491) mn (2016: EUR (344) mn) were affected by a loss of EUR (1,209) mn linked to the divestment of OMV Petrol Ofisi disposal group, which was mainly related to the reclassification ("recycling") of FX losses from other comprehensive income to the income statement.

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

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

Summarized income statement

In EUR mn

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

Operating Result rose to EUR 1,732 mn

Cash flow performance

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

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

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

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

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

Capital Expenditure (CAPEX)

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

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

Capital expenditure[1]

In EUR mn

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

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

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

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

Statement of financial position

Total assets decreased by EUR 537 mn to EUR 31,576 mn. The **non-current assets** were impacted by the acquisition of a 24.99% share in the Yuzhno Russkoye gas field in Russia, for which more details are provided in Note 3 of the Consolidated Financial Statements. **Equity-accounted investments** increased by EUR 53 mn and included to a large extent the contribution of Borealis as well as the proportional results from other equity-accounted investments, currency translation of foreign operations and other changes including dividends received amounting to EUR 369 mn. Drawdowns under the financing agreements for the Nord Stream 2 pipeline project and a contingent consideration receivable related to the divestment of OMV (U.K.) Limited were additional drivers for the increase in **other non-current assets.** **Deferred tax assets** decreased to EUR 744 mn (2016: EUR 839 mn). **Current assets** increased by EUR 1,752 mn and amounted to EUR 9,398 mn as of December 31, 2017. **Assets held for sale** decreased by EUR 3,199 mn mainly due to the divestments of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

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

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

Summarized statement of financial position

In EUR mn

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

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

Trade payables decreased by EUR 469 mn, impacted by terminated supplies to the OMV Petrol Ofisi group. **Current and non-current other provisions and other liabilities** decreased by EUR 142 mn. **Deferred tax liabilities** increased to EUR 437 mn (2016: EUR 122 mn), impacted by the acquisition of a stake in the natural gas field Yuzhno Russkoye. **Liabilities associated with assets held for sale** decreased by EUR 1,043 mn mainly due to the divestments of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

Gearing ratio

Gearing ratio significantly improved

Gearing ratio

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

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

Upstream

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

At a glance

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

Notes: The net result from the equity-accounted investment in Pearl is reflected in the Operating Result in all presented periods. Following the closing of the acquisition of a 24.99% interest in the Yuzhno 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 an economic stake of 99.99% has been fully consolidated.

1 Exploration expenses include administrative costs in 2016 and exclude them in 2017
2 OMV aligned the production cost definition with its industry peers; since Q1/17, administrative expenses and selling and distribution costs are excluded; for comparison only, 2016 figures presented in the table were re-calculated
3 Including the contribution from the equity-accounted investment in Pearl as of Q1/17
4 Including OMV's interest in the Yuzhno Russkoye gas field, starting with December 1, 2017

Financial performance

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

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

Strong clean Operating Result at EUR 1,225 mn

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

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

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

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

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

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

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

Production

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

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

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

Portfolio developments

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

Russia

Establishment of Russia as a new core region

In 2017, Russia was set up as a new core area for OMV Upstream. On November 30, 2017, OMV completed the acquisition of a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The purchase price amounted to EUR 1,719 mn and included customary closing adjustments. The transaction was retroactively effective as of January 1, 2017. OMV's share in Yuzhno Russkoye adds approximately 100,000 boe/d to OMV's daily production.

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

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

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

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

Following the first-time recognition of reserves of the 10% at-equity investment in Pearl Petroleum Company Limited[1] (Pearl) at the end of last year, starting with 2017 its contribution is included in OMV's key performance indicators. In August 2017, the Kurdistan Regional Government of Iraq and Pearl reached a full and final settlement of a dispute concerning the Khor Mor and Chemchemal fields under the Heads of Agreement. OMV's Upstream clean Operating Result was positively impacted by about EUR 90 mn. As a result of the settlement, OMV received EUR 50 mn in the form of a dividend from Pearl, while the remainder was put into a dedicated account for future investments in Khor Mor.

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

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

In 2017, drilling activities were ramped up resulting in 14 drilling rigs being active in December among OMV Petrom's operated licenses. A total of 69 new wells and sidetracks were drilled by the end of 2017, a significant increase in line with OMV Petrom's[2] strategy to support the reserves replacement rate target of 100% by 2021. These activities included, amongst others the initiation of a drilling campaign in the OMV Petrom-operated Istria Block in the shallow waters of the Black Sea. The campaign consists of four wells, of which one is an exploration well to be drilled by mid-2018.

Portfolio restructuring with selected divestments continued

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

Key projects

Gullfaks (Norway, OMV 19%)
At the Statoil-operated Gullfaks field, with 136 wells available for production, eight new platform wells were drilled and completed in 2017. In addition, the Gullfaks Subsea Compression project was successfully put on stream during the year. The completed Cat J rig arrived in Norway, received Norwegian compliance approval and will head to the fields in 2018. The Cat J rig is specially designed to perform efficient drilling operations on subsea development solutions in addition to conventional surface drilling from fixed platforms.

Gudrun (Norway, OMV 24%)
The Statoil-operated Gudrun field continued with a good level of production from the existing platform wells, mainly as a consequence of delayed field decline and increased in-place volumes. During 2017, the operator also initiated projects to investigate potential new wells in the field as well as a potential change in drainage strategy, which will be further matured in 2018.

Edvard Grieg (Norway, OMV 20%)
The Edvard Grieg offshore oil field operated by Lundin produced significantly above expectations due to de-bottlenecking and high facility uptime. Ten wells were completed in 2017 and the field development plan includes the completion of four more wells in 2018.

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

Aasta Hansteen (Norway, OMV 15%) including Polarled

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

Nawara (Tunisia, OMV 50%)

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

Neptun (Romania, OMV 50%)

Neptun project heading towards final investment decision

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

Other major projects (Romania, OMV 100%)

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

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

Exploration and appraisal highlights

In 2017, OMV completed the drilling of 13 exploration and appraisal wells[1] in five different countries, of which five were successful. The drilling of three other wells was ongoing at year-end, with one high-impact well in Norway.

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

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

[1] Of which eight were operated by OMV

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

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

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

Reserves development

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

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

Innovation and new technologies

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

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

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

2017 Reserve Replacement Rate rose to 191%

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

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

[1] OMV Petrom covers Romania and Kazakhstan

Downstream

OMV was awarded as Downstream Company of the Year

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

At a glance

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

[1] Current Cost of Supply (CCS): Clean CCS figures exclude special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi
[2] Actual refining margins realized by OMV may vary from the OMV indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions
[3] Calculated based on West European Contract Prices (WECP)

Financial performance

Clean CCS Operating Result grew substantially in 2017

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

The Downstream Oil clean CCS Operating Result increased in 2017 by EUR 213 mn to EUR 1,554 mn. This was mainly driven by increased refining and petrochemical margins and good performance in the retail business, which more than compensated for the negative impact of the planned turnaround at the Schwechat refinery. The OMV indicator refining margin significantly increased from USD 4.75/bbl to USD 6.05/bbl. This was largely attributable to stronger middle distillates, naphtha and fuel oil margins. The utilization rate of the refineries came in at 90% in 2017 (2016: 89%). At 23.82 mn t, total refined product sales decreased by 23%, which was attributed to the divestment of OMV Petrol Ofisi in Q2/17. Excluding OMV Petrol Ofisi, total refined product sales marginally declined mainly caused by slightly lower petrochemical sales following the planned turnaround activities at the Schwechat refinery. The clean CCS Operating Result of OMV Petrol Ofisi amounted to EUR 98 mn. The lower depreciation coming from the reclassification of OMV Petrol Ofisi to assets held for sale had a positive impact of EUR 67 mn.

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

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

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

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

Downstream Oil

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

Refining including product supply and sales

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

High refinery utilization rate at 90%

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

In the petrochemical business, sales volumes were below the level of 2016 mainly due to turnaround activities at the Schwechat refinery. Average petrochemical margins have been higher than the levels achieved in 2016 due to both better ethylene and better propylene margins. The petrochemicals result was also supported by better butadiene margins, being particularly high in the first half of 2017 due to increased demand in East Asia along with unplanned production outages in Europe. On the crude supply side, a continuous focus on high-value crude oils resulted in higher profitability, which was also supported by regular availability of Libyan crude qualities.

Annual refining capacities

In mn t

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

Record net profit contribution from Borealis repeated in 2017

Retail

The Retail business continued its strong performance in 2017 and proved to be a stable outlet for refinery products as well as a strong cash generator. Due to the impact of the OMV Petrol Ofisi divestment in Q2/17, total sales volume dropped by 22% to 8.13 mn t (2016: 10.40 mn t). Nevertheless, the average throughput could again be increased by 3% through further efficiency gains and strong performance in all key markets. At the end of the year, the network included 2,039 filling stations (2016: 3,777). OMV continues to focus on its successful multi-brand strategy with a planned expansion into Germany based on a signed agreement with Aldi Süd. The OMV brand is positioned as a premium brand with VIVA representing a strong shop, gastronomy and service offer. The unmanned Avanti/FE filling station brand stands for discount, and the Petrom brand represents value for money. This strategy continued to deliver good results. OMV's premium brand MaxxMotion demonstrated top performance, reflecting its premium quality focus, as well as its perceived affordability due to moderate product price increases. Non-oil business, such as the VIVA convenience stores and car wash, continued its sustainable development with an increased contribution compared to 2016. A focus on the highest-quality products and services in the premium filling station network remains one of the key differentiators.

Strong Retail performance surpasses market in core refinery orbit

Borealis

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

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

Downstream Gas

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

Supply, marketing and trading

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

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

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

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

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

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

Gas logistics

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

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

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

EUR 324 mn funding for Nord Stream 2 project in 2017

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

Innovation and new technologies

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

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

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

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

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

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

Outlook

Market environment

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

Group

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

Upstream

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

Downstream

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

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

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

Risk Management

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

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

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

Enterprise Wide Risk Management

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

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

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

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

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

OMV operates and has financial investments in countries that are subject to political uncertainties – in particular, Libya, Kazakhstan, Yemen, Pakistan, Russia, Tunisia and Turkey. Possible political changes may lead to disruptions and limitations in production as well as an increased tax burden, restrictions on foreign ownership or even nationalization of property. However, OMV has extensive experience in the political environment in Central, Eastern and Southeastern Europe, and political developments in all markets where OMV operates are kept under constant observation. Country-specific risks are assessed before entering new countries. OMV evaluates the risk of potential US or EU sanctions and their impact on planned or existing operations with the aim to stay in full compliance with all applicable sanctions. Risks related to the EU Emission Trading Scheme are separately recorded and aggregated for the Group as a whole. Furthermore, OMV is monitoring emerging regulations related to climate change and decarbonization in all operating countries. Through systematic staff succession and development planning, Corporate Human Resources plans for suitable managerial staff to meet future growth requirements in order to mitigate personnel risks. The OMV Group is exposed to a wide range of health, safety, security and environmental risks that could result in significant losses.

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

Financial Risk Management

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

Analysis and management of financial risks arising from foreign currencies, interest rates, commodity prices, counterparties, liquidity and insurable risks are undertaken in a consolidated way at the corporate level. Market price risk is monitored and analyzed centrally in respect of the potential cash flow impact using a specific risk analysis model that considers portfolio effects. The impact of financial risks (e.g. market prices, currencies) on the OMV Group's cash flow and liquidity are reviewed quarterly by the Financial Risk Committee, which is chaired by the CFO and comprised of senior management of the Business Segments and corporate functions. The Financial Risk Committee is also responsible for reviewing the risk governance framework of the OMV Group and proposing changes to the OMV Executive Board.

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

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

To balance the Group's interest rate portfolio, loans can be converted from fixed to floating rates and vice versa according to predefined rules. OMV regularly analyzes the impact of interest rate changes on interest income and expense from floating rate deposits and borrowings. Currently the effects of changes in interest rates are not considered to be a material risk.

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

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

Other Information

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

1. The capital stock amounts to EUR 327,272,727 and is divided into 327,272,727 bearer shares of no par value. There is only one class of shares.

2. There is a consortium agreement between the two core shareholders, Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) and International Petroleum Investment Company (IPIC), which provides for coordinated behavior and certain limitations to transfers of stockholdings.

3. ÖBIB holds 31.5% and IPIC holds 24.9% of the capital stock.

4. All shares have the same control rights.

5. Employees who are shareholders directly exercise their voting rights at the Annual General Meeting.

6. The Company's Executive Board must consist of two to six members. The Company's Supervisory Board must consist of at least six members elected by the Annual General Meeting and of the members nominated under section 110 (1) of the Arbeitsverfassungsgesetz (Austrian Labor Constitution Act). Resolutions concerning the dismissal of members of the Supervisory Board pursuant to section 87 (8) of the Aktiengesetz (Austrian Stock Corporation Act) require a simple majority of the votes cast. To approve capital increases pursuant to section 149 of the Austrian Stock Corporation Act and alterations of the Articles of Association (except those concerning the Company's objects), simple majorities of the votes and capital represented in adopting the resolution are sufficient.

7. a) With regard to the expiration on May 13, 2014 of the authorized capital decided upon by the Annual General Meeting on May 13, 2009, the Annual General Meeting authorized the Executive Board on May 14, 2014, subject to the approval of the Supervisory Board, to increase by May 14, 2019, at once or in several tranches, also by way of indirect offer for subscription after taking over by one or several credit institutions according to section 153 (6) of the Stock Corporation Act, against cash contributions, the share capital by not more than EUR 32,727,272 by issuing up to 32,727,272 new no-par value common voting shares in bearer form. Subject to the approval of the Supervisory Board, the Executive Board has been authorized to exclude in this connection the subscription right of the shareholders

   (i) to adjust fractional amounts or

   (ii) to satisfy stock options or long-term incentive plans including matching share plans for employees, senior employees and members of the Executive Board/management boards of the Company or one of its affiliates, or other employees' stock ownership plans and subject to the approval of the Supervisory Board, to set the issue price and conditions of issuance (authorized capital).

   The Supervisory Board has been authorized to adopt amendments to the Articles of Association resulting from the issuance of shares according to the authorized capital.

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

8. a) A hybrid bond with a size of EUR 750 mn was placed on the market on May 25, 2011. As the repayment of the principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid bond (less costs of issuance) were fully treated as equity. The hybrid bears a fixed interest rate of 6.75% until, but excluding, April 26, 2018, thereafter a reset fixed rate (to be determined) until April 26, 2023, and thereafter a floating interest rate with a 100-basis-point step-up. The hybrid bond has no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has, in particular, the right to repay the hybrid bond at certain call dates. In the case of a change of control, OMV may call the hybrid bond for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid bond.

   b) On December 7, 2015, OMV issued hybrid notes with an aggregate size of EUR 1.5 bn in two tranches of EUR 750 mn each. As the repayment of the principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid notes (less costs of issuance) are fully treated as equity. Tranche 1 bears a fixed interest coupon of 5.250% until, but excluding, December 9, 2021, which is the first call date of tranche 1, and tranche 2 bears a fixed interest coupon of 6.250% until, but excluding, December 9, 2025, which is the first call date of tranche 2. From December 9, 2021, until, but excluding, December 9, 2025, hybrid notes of tranche 1 will bear interest according to a fixed reset interest rate to be determined according to the relevant five-year swap rate and an additional margin of 4.942% and, from December 9, 2025, with an additional step-up of 100 basis points. From December 9, 2025, hybrid notes of tranche 2 will bear interest according to a fixed reset interest rate to be determined according to the relevant five-year swap rate and an additional margin of 5.409%, with an additional step-up of 100 basis points. The hybrid notes have no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has, in particular, the right to repay the hybrid notes at certain call dates. In the case of a change of control, OMV may call the hybrid notes for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid notes.

9. The material financing agreements to which OMV is a party and bonds issued by OMV contain typical change of control clauses.

10. There are no agreements between the Company and members of the Executive Board and Supervisory Board or employees regarding the payment of compensation in the event of a public takeover bid.

11. The most important elements of the internal control and risk management system regarding the accounting process are the following: Governance for the internal control system is defined by internal corporate regulations (ICS Directive and its Annexes). Corporate Internal Audit controls the compliance with these principles and requirements through regular audits, based on the annual audit plan approved by the Audit Committee of the Supervisory Board, or through ad hoc audits. The results of those audits are presented to the Audit Committee of the Supervisory Board. The establishment of Group-wide standards for the preparation of annual and interim financial statements by means of the corporate IFRS Accounting Manual is also regulated by an internal corporate

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

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

Subsequent events

Please refer to Note 38 in the Consolidated Financial Statements.

Vienna, March 14, 2018

The Executive Board

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

3

CONSOLIDATED CORPORATE GOVERNANCE REPORT

Consolidated Corporate Governance Report

OMV, as a publicly listed company with its headquarters in Austria, is dedicated to the principles of sound corporate governance and has always sought to comply with best practice in corporate governance to ensure responsible management and control of the OMV Group, a high level of transparency for every stakeholder and, ultimately, the sustainable and longterm creation of value.

Austrian law, the Articles of Association, the Internal Rules for the corporate bodies and the Austrian Code of Corporate Governance (ACCG) provide the core legal framework for OMV's corporate governance. OMV adheres to the ACCG issued by the Austrian Working Group for Corporate Governance. The code is publicly accessible at www.corporate-governance.at. OMV's compliance with the ACCG in 2017 was evaluated externally by independent advisors. The report on the evaluation is available at www.omv.com and confirms that OMV conformed to all the compulsory "comply or explain" rules (the "C-rules") and also all of the recommended rules (the "R-rules"). As for C-rules 27 and 28, explanations concerning the variable remuneration plans are provided in the remuneration report.

For OMV Petrom SA, a company consolidated within the OMV Group and the shares of which are publicly listed on the Bucharest Stock Exchange as well as on the London Stock Exchange, the relevant Corporate Governance Report can be found at www.omvpetrom.com > OMV Petrom > Investor Relations.

Executive Board

Rainer Seele, * 1960
Date of initial appointment: July 1, 2015
End of the current period of tenure: June 30, 2020
Chairman of the Executive Board and Chief Executive Officer

Responsible for the overall management and coordination of the Group

Rainer Seele received his PhD in chemistry at the University of Göttingen and subsequently had senior appointments at the BASF Group where in 2000 he first became a member of the executive board and then later chairman of the executive board at WINGAS GmbH. From 2009 until 2015, he was chairman of the board of directors of Wintershall Holding GmbH.

Functions in major subsidiaries of the OMV Group

Company	Function
OMV Petrom SA	President of the Supervisory Board
Borealis AG	Deputy Chairman of the Supervisory Board
OMV Exploration & Production GmbH	Chairman of the Supervisory Board
OMV Refining & Marketing GmbH	Chairman of the Supervisory Board
OMV Gas & Power GmbH	Chairman of the Supervisory Board
OMV Solutions GmbH	Chairman of the Supervisory Board (until January 31, 2018)

Johann Pleininger, * 1962
Date of initial appointment: September 1, 2015
End of the current period of tenure: August 31, 2020
Deputy Chairman of the Executive Board

Responsible for the Business Segment Upstream

Johann Pleininger started his professional career at OMV in 1977 and later studied mechanical and economic engineering. During his time at OMV, he held various senior positions. From 2007 to 2013, he was an Executive Board member of OMV Petrom in Bucharest, responsible for Exploration and Production. Prior to his appointment as Executive Board member of OMV, he was the Senior Vice President responsible for the Upstream countries Romania and Austria as well as for the development of the Black Sea region.

Member of the supervisory board of FK Austria Wien AG

Functions in major subsidiaries of the OMV Group

Company	Function
OMV Petrom SA	Member of the Supervisory Board
OMV Petrom Global Solutions SRL	Member of the Supervisory Board
OMV PETROM GAS SRL	Member of the Supervisory Board
OMV Exploration & Production GmbH	Managing Director
OMV Austria Exploration & Production GmbH	Chairman of the Supervisory Board
OMV Gas & Power GmbH	Deputy Chairman of the Supervisory Board
OMV Refining & Marketing GmbH	Deputy Chairman of the Supervisory Board
OMV Solutions GmbH	Member of the Supervisory Board (until January 31, 2018)

Reinhard Florey, * 1965
Date of initial appointment: July 1, 2016
End of the current period of tenure: June 30, 2019
Chief Financial Officer

Responsible for Finance

Reinhard Florey graduated with a degree in mechanical engineering and economics from the Graz University of Technology while also completing his music studies at the University of Fine Arts. He started his career in corporate consulting and strategy consulting. From 2002 to 2012, he worked in different positions worldwide for Thyssen Krupp AG. Until June 2016, he was CFO and Deputy CEO of Outokumpu Oy.

Member of the supervisory boards of Wiener Börse AG and CEESEG Aktiengesellschaft (both since June 30, 2017)

Functions in major subsidiaries of the OMV Group

Company	Function
OMV Petrom SA	Member of the Supervisory Board
OMV Petrom Global Solutions SRL	President of the Supervisory Board
OMV Petrol Ofisi A.S.	Deputy Chairman of the Supervisory Board (until June 13, 2017)
OMV Petrol Ofisi Holding A.S.	Deputy Chairman of the Supervisory Board (until June 13, 2017)
OMV Gaz ve Enerji Holding A.S.	Deputy Chairman of the Supervisory Board (until July 28, 2017)
Central European Gas Hub AG	Deputy Chairman of the Supervisory Board
OMV Solutions GmbH	Managing Director (until January 31, 2018)
OMV Exploration & Production GmbH	Deputy Chairman of the Supervisory Board
OMV Gas & Power GmbH	Deputy Chairman of the Supervisory Board
OMV Refining & Marketing GmbH	Deputy Chairman of the Supervisory Board
OMV Trading GmbH	Deputy Chairman of the Supervisory Board (until May 31, 2017)

Manfred Leitner, * 1960

Date of initial appointment: April 1, 2011
End of the current period of tenure: December 31, 2019

Responsible for the Business Segment Downstream and the OMV Group's plastic and chemical interests

After receiving a degree in commerce from the Vienna University of Economics and Business Administration, Manfred Leitner joined OMV in 1985. After working for two years in the Finance Department of the Exploration and Production business unit, he became Head of Finance at OMV's branch in Tripoli, Libya. Following his return to Austria, he was in charge of the Controlling Department within Exploration and Production until 1997. He then moved to the Refining and Marketing Business Segment, where he led the Planning & Controlling Department until 2002, and he was Senior Vice President for Downstream Optimization and Supply from 2003 until 2011.

Functions in major subsidiaries of the OMV Group

Company	Function
OMV Petrom SA	Member of the Supervisory Board
OMV Petrol Ofisi A. S.	Deputy Chairman of the Supervisory Board (until June 13, 2017)
OMV Petrol Ofisi Holding A.S.	Deputy Chairman of the Supervisory Board (until June 13, 2017)
OMV Gaz ve Enerji Holding A.S.	Deputy Chairman of the Supervisory Board (until July 28, 2017)
Borealis AG	Member of the Supervisory Board
OMV Supply & Trading Limited	Chairman of the Supervisory Board
OMV Gas & Power GmbH	Managing Director
OMV Refining & Marketing GmbH	Managing Director
OMV Exploration & Production GmbH	Deputy Chairman of the Supervisory Board
OMV Solutions GmbH	Deputy Chairman of the Supervisory Board (until January 31, 2018)
Central European Gas Hub AG	Chairman of the Supervisory Board
GAS CONNECT AUSTRIA GmbH	Chairman of the Supervisory Board
OMV Gas Storage GmbH	Chairman of the Supervisory Board
OMV Trading GmbH	Chairman of the Supervisory Board (until May 31, 2017)
OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.S.	Chairman of the Board of Directors (since August 14, 2017)
OMV Gaz Iletim A.S.	Chairman of the Board of Directors (since August 14, 2017)
OMV Enerji Ticaret A.S.	Chairman of the Board of Directors (since August 14, 2017)

Working practices of the Executive Board

The approval requirements, responsibilities of individual Executive Board members, decision-making procedures and the approach to conflicts of interest are governed by the Internal Rules of the Executive Board. The Executive Board holds at least bi-weekly meetings to exchange information and take decisions on all matters requiring plenary approval.

Remuneration report

The remuneration report provides an overview of the remuneration package for the Executive Board members. It outlines the principles of the remuneration policy and details of the different elements of remuneration, including incentives and other benefits.

Executive Board remuneration policy

Compensation Element	Functionality	Purpose & Link to Strategy	Shareholder Alignment
Base Salary	Salary levels take into account the responsibilities and performance of each member of the Executive Board, the situation of OMV, and common levels of remuneration in European Oil & Gas companies of comparable size as well as comparable Austrian companies. Compensation is set at a competitive level.	Provide a fixed level of earnings reflecting the scale and complexity of the business and the roles and responsibilities of each Executive Board member, ensuring competitiveness with the market.	Competitive compensation to attract and retain the most qualified Oil & Gas managers who lead the company in the shareholders' best interest.
Benefits	Executive Board members receive a company car and are eligible for accident insurance. No additional health coverage aside from the Austrian public health system.	Provide benefits comparable to those for other employees within OMV to attract and retain Executive Board members.	Part of a competitive compensation package to attract and retain the most qualified Executive Board members, aligned with internal rules & procedures for the whole workforce.
Retirement Benefits	Defined contribution pension schemes are granted using a pension fund. Available capital in the pension fund determines the level of pension. Retirement age is the Austrian statutory retirement age.	Retirement benefits are in line with those offered to other OMV employees, ensuring that compensation packages are aligned with common market practice in Austria and in the Oil & Gas industry.	A pension fund is used to limit the risks borne by OMV. Pension benefits depend solely on the available capital in the pension fund. Any annuitization into a life-long pension is made in accordance with the pension fund's approved business plan.
Annual Bonus (Cash Component and Equity Deferral previously designated as the Matching Share Plan respectively Share Part of the Bonus)	Performance is measured based on annual metrics. 50% of annual bonus is paid in cash and 50% is mandatory deferred to be held in shares for three years. Award is capped at 200% of Base Salary.	Provide variable compensation based on annual financial and non-financial metrics that are relevant to OMV's strategy and the Oil & Gas industry. Metrics are determined by the Supervisory Board resp. the Remuneration Committee and ensure a balance of financial, efficiency and sustainability measures, including health, safety and environment measures.	Performance metrics are aligned with OMV's strategy, ensure pay for performance and foster an equity culture. Details on the performance metrics are reported in the annual report. Grants are subject to malus and clawback provisions.

Executive Board remuneration policy

Compensation Element	Functionality	Purpose & Link to Strategy	Shareholder Alignment
Long-Term Incentive Plan	A Performance Share Plan is employed. The number of shares that vest depends on financial and non-financial metrics as well as relative total shareholder return. Awards are capped at 175% of base salary for the Chairman of the Executive Board, 150% for the Deputy Chairman of the Executive Board, and 125% for other Executive Board members.	Promote mid- and long-term value creation at OMV. Performance is measured against key metrics linked to OMV's strategy and shareholder return.	Align interests of Executive Board and shareholders, ensure pay for performance and foster an equity culture by granting OMV shares subject to metrics focusing on financial and non-financial performance (weighting: 40%) and an increase in value compared to other European Oil & Gas companies (weighting: 60%). Details on the metrics are reported in the annual report. Grants are subject to malus and clawback provisions.
Shareholding requirements	Shares equal to 200% of the base salary for the CEO, 175% for the Deputy Chairman, 150% for other Executive Board members, which must be accumulated within five years.	Provide long-term alignment of interests by putting Executive Board members' personal assets at stake.	Alignment of interests by turning the Executive Board into shareholders. Potential impact on Executive Board members' personal assets creates an effect comparable to malus and clawback.

The Executive Board members of OMV are employed under local Austrian terms and conditions, and the salaries are therefore set in euros (gross). Their employment contracts are concluded with OMV Aktiengesellschaft and governed by Austrian law.

The remuneration of OMV's Executive Board members is aimed to be at competitive levels and includes a strong performance-related component. Competitive pay levels are ensured through regular external benchmarking against peer groups, such as European oil and gas companies and relevant Austrian and European industrial companies. PricewaterhouseCoopers LLP (PwC) acted as advisor to the Remuneration Committee throughout the year 2017.

Long-term shareholder and stakeholder interests are reflected in performance-related pay, which includes both long- and short-term elements. The Executive Board's performance is assessed against financial and non-financial metrics. Specific projects related to the implementation of OMV's strategy are also taken into account.

Pursuant to C-rules 27 and 28 of the ACCG, measurable performance criteria are fixed in advance for the variable remuneration components. Given the industry-inherent volatility of commodity prices and market conditions, political country risks as well as an increased safety exposure, the variable remuneration plans give the Supervisory Board and the Remuneration Committee, respectively, in line with the general practice in the oil and gas industry, certain room for adjustments to amend individual components in case of significant changes of major external factors (e.g. oil price) as well as to determine the achievement of individual criteria. Any adjustments are always in line with relevant factors and within disclosed maximum limits.

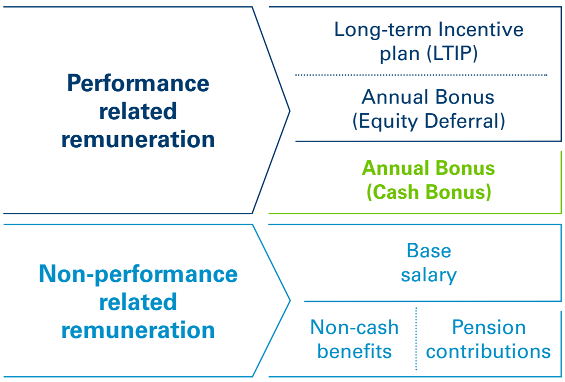
Structure of Executive Board Remuneration

The members of the Executive Board of OMV receive remuneration in the form of base salary, non-cash benefits, an annual bonus (a portion of which is deferred for three years and paid out in OMV shares), a Long-Term Incentive Plan (LTIP) and pension contributions.

The majority of Executive Board members' target compensation is granted in the form of variable compensation elements. For the financial year 2017, variable elements comprised between 66% and 68% of Executive Board members' target compensation (variance is due to higher target LTIP levels for the Chairman and Deputy Chairman). In line with Austrian law and requirements set forth by the ACCG, a majority of variable compensation is based on multiyear performance. For financial year 2017, between 64% and 67% of the target variable compensation is oriented toward long-term performance, either through the LTIP or the deferred portion of the annual bonus.

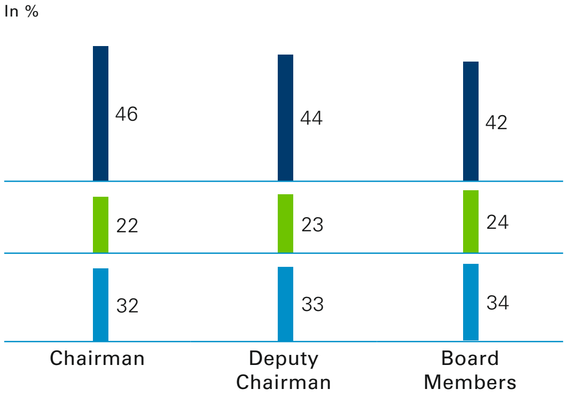
Overview of the Executive Board's compensation

Remuneration Component



Approximate Share of Total Target Remuneration

In %



Non-performance-related remuneration

Base salary
The fixed base remuneration of Executive Board members is paid monthly as a salary. The employment contracts stipulate the fixed remuneration to be paid in 14 payments on the last banking day of a month.

Non-cash benefits
Executive Board members receive a company car and are eligible for an accident insurance. Health coverage is only provided under the Austrian public social insurance system.

Pension contributions
All members of the Executive Board are entitled to defined contribution pension payments, thus limiting the risks borne by OMV. The Company pays the contributions into a pension fund (APK-Pensionskasse AG). The amount of the company pension depends on the amount of available capital in the pension fund. The annuitization is made in accordance with the pension fund's approved business plan. The retirement age for all Executive Board members is the Austrian statutory retirement age.

Performance-related remuneration

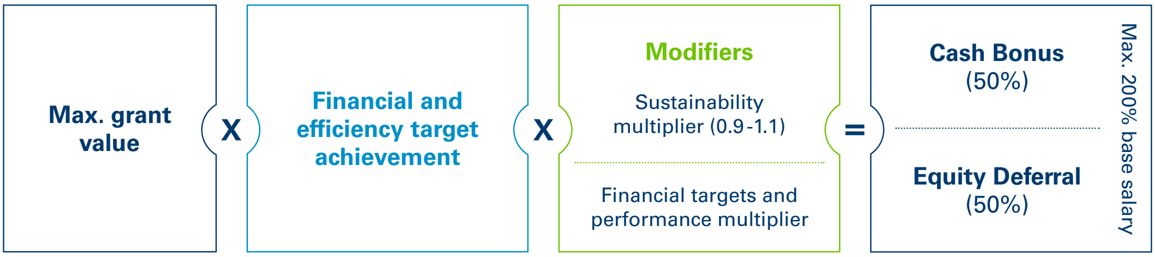
Annual bonus
The annual bonus rewards operational excellence, financial performance and sustainable corporate development at OMV. For each financial year, the Supervisory Board and the members of the Executive Board agree on a set of performance criteria. At maximum, the payout can amount to 200% of annual gross base salary.

The payout is determined based on financial and operational targets and can be adjusted by the Supervisory Board to account for developments in the field of sustainability as well as major changes in external factors (e.g. oil price) and the Executive Board's overall performance. Performance criteria applied in the financial year 2017 are described in detail below.

The payout from the annual bonus is split evenly between a **Cash Bonus** (50%), which is paid in the following financial year, and an **Equity Deferral**[1] (50%), which is awarded in OMV shares to be held for a period of three years (holding period). The shares are awarded net of taxes in the following financial year and are to be transferred to a trustee deposit, managed by OMV, for the duration of the holding period. The Equity Deferral serves as a further long-term compensation vehicle for the members of the Executive Board, promoting retention and shareholder alignment at OMV.

[1] Until 2016 "Matching Share Plan" (MSP) and in 2017 "Share Part of the Annual Bonus"

Annual bonus 2017



Performance criteria are agreed at the outset of the performance year and then assessed after the close of that year. The performance criteria for the financial year 2017 are made up of the areas and adjustments set out in the table below.

Performance criteria – 2017 annual bonus (Cash Bonus and Equity Deferral)

Area	Criteria	Weighting
Financial	Clean CCS NOPAT	20%
	Free cash flow before dividends and excl. Divestments and Acquisitions	30%
	Reported ROACE	10%
Efficiency	Includes, for example, execution of capital projects in time and budget and cost savings	40%
Sustainability	General progress	+/– 10% multiplier
Financial targets and performance multiplier	Allows certain room for the Supervisory Board and Remuneration Committee to adjust individual components in case of major changes in external factors (e.g. oil price) and to assess the Executive's Board overall performance within disclosed maximum limits	discretionary

The payout is based on the **level of vesting,** which is in turn determined by comparing agreed targets with achieved results and expressed as a percentage of the maximum annual bonus grant value. The actual achievements are validated by Ernst & Young. Vesting occurs on a straight-line basis between the performance levels.

Level of vesting

Criteria	Performance	Vesting
All criteria	Stretch	100%
	Target	70%
	Threshold	25%
	Below threshold	0%

Assuming vesting levels of 70%, target annual bonus amounts for each Executive Board member are as follows:

Target variable remuneration – annual bonus 2017

In EUR

	Seele	Florey	Pleininger	Leitner
Cash Bonus	630,000	420,000	402,500	490,000
Equity Deferral	630,000	420,000	402,500	490,000

The actual **achievements in 2017** result in a total annual bonus equal to 100% of the maximum grant value. The Cash Bonus component, 50% of the total, is to be paid in 2018. Under the Equity Deferral, the remaining 50% is to be awarded in the form of Company shares and deferred for a period of three years.

Performance scorecard – 2017 annual bonus (Cash Bonus and Equity Deferral)

Criteria		Threshold	Target	Stretch	Actual	Weighting	Vesting (% max. grant value)
Clean CCS NOPAT	in EUR mn	1,150	1,350	1,550	2,169	20%	20%
Free cash flow	in EUR mn	450	650	850	1,863	30%	30%
Reported ROACE		8.4%	9.6%	10.8%	14.1%	10%	10%
Major capital projects 1 – schedule/cost deviance		"Orange"	"Yellow"	"Green"	"Green", "Yellow" and "Orange"	10%	9%
Major capital projects 2 – non-market NPV change	in EUR mn	(15)	No change	15	57	10%	10%
Cost reduction	in EUR mn	20	70	120	131	20%	20%
Target achievement, financial and efficiency						**100%**	**99%**
Sustainability multiplier/ Financial targets and performance multiplier						+/– 10%/ discretionary	1%
Total vesting percentage							**100%**

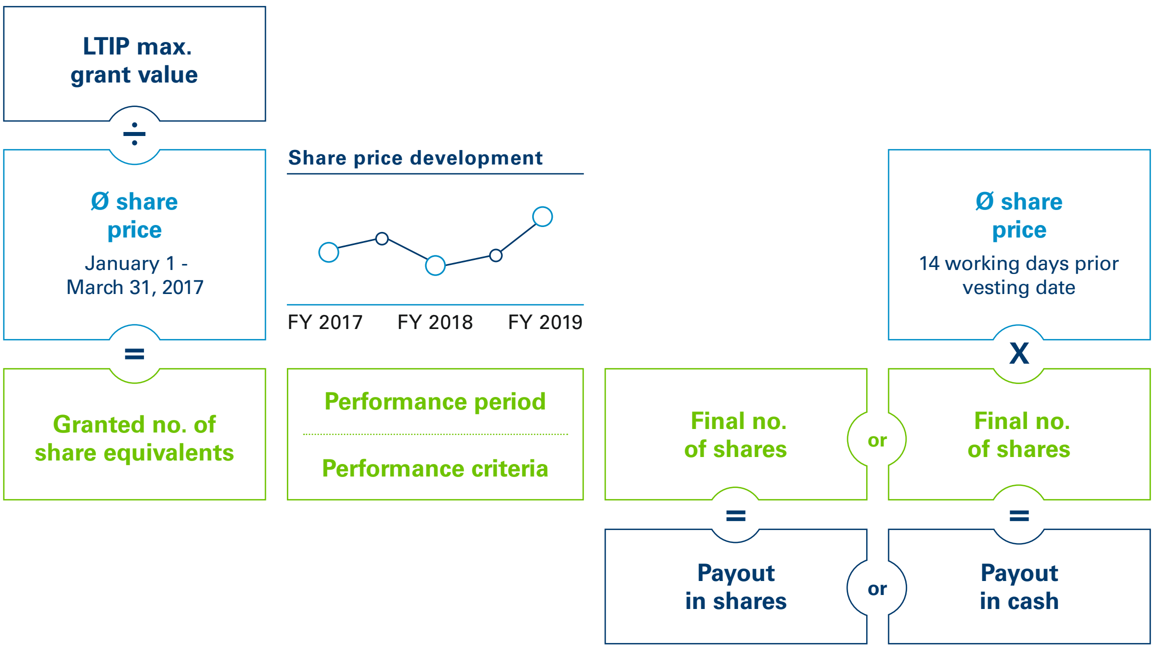
Although the market environment remained challenging, the targets for Clean CCS NOPAT, Free cash flow and Reported ROACE were fully achieved. The target achievement of 99% was supported by a good performance of project targets, as well as the successful completion of the cost savings program. The Remuneration Committee made use of its discretionary powers and lifted the target achievement from 99% to the maximum level of 100%. In its decision, the Remuneration Committee thoroughly considered OMV's safety and sustainability performance based on information provided by the Executive Board and reviewed by Ernst & Young. For the evaluation of the performance multiplier the Executive Board's achievements in 2017 were taken into account, in particular OMV's strategic progress and portfolio transformation, which translated into increased competitiveness and value of OMV. This resulted in a combined net effect of the sustainability multiplier and the performance multiplier of +1%.

Long Term Incentive Plan

The Long-Term Incentive Plan (LTIP) is a long-term compensation instrument for the members of the Executive Board that promotes mid- and long-term value creation at OMV. The plan seeks to align the interests of management and shareholders by granting OMV shares to management, subject to performance against key measures linked to the medium-term strategy and shareholder return. The plan also seeks to prevent inappropriate risk-taking. The maximum grant value is equal to 175% of annual gross base salary for the Chairman of the Executive Board, 150% for the Deputy Chairman of the Executive Board, and 125% for other Executive Board members.

Executive Board members have received an annual grant since the plan's introduction in 2009. The LTIP 2017 was approved by the Annual General Meeting 2017.

Long-Term Incentive Plan (LTIP) 2017



Performance criteria are agreed at the beginning of the three-year performance period and assessed after the close of this period. Weightings for the respective criteria are also established at the outset of the performance period. For the LTIP 2017 (performance period: January 1, 2017, until December 31, 2019), the following performance criteria apply:

Performance criteria – LTIP 2017

Criteria	Weighting
Relative Total Shareholder Return (TSR)	60%
Free cash flow before dividends and excl. Divestments and Acquisitions over three years	10%
Sustainability element	10%
Performance in Divestments and Acquisitions	10%
Reserve Replacement Rate (RRR) over three years	10%

The payout is based on the **level of vesting,** which is in turn determined by comparing agreed targets with achieved results and expressed as a percentage of the maximum LTIP grant value. The actual achievements are validated by Ernst & Young. Payments will vest on a straight-line basis between the performance levels/quartiles. The LTIP 2017 vests on March 31, 2020. The vesting levels for each of the performance criteria are shown in the table.

Relative TSR is measured against a well-balanced Upstream/Downstream peer group of twelve oil and gas companies (Shell, BP, Total, Eni, Statoil, Lundin Petroleum, Repsol, Galp Energia, MOL, Tupras, Neste Oil and PKN Orlen).

Level of vesting

Criteria	Performance	Vesting
Free cash flow, RRR, performance in Divestments and Acquisitions and Sustainability	Stretch	100%
	Target	70%
	Threshold	25%
	Below threshold	0%
Relative TSR	Stretch: at or above 3rd quartile (≥75th percentile)	100%
	Target: at median (=50th percentile)	25%
	Threshold: at or below 1st quartile (≤25th percentile)	0%

Assuming vesting levels of 43%[1], target LTIP amounts for each Executive Board member are as follows:

Target variable remuneration – LTIP 2017

In EUR

	Seele	Florey	Pleininger	Leitner
LTIP 2017	677,250	322,500	325,188	376,250

The **total vesting percentage for the LTIP 2015** is 100%, and the corresponding transfer of shares or cash payment will be made in 2018. The actual achievements are reviewed by an independent expert.

Note 32 provides additional information on the Long-Term Incentive Plan and the Equity Deferral (MSP).

Performance scorecard – LTIP 2015

Criteria		Threshold	Target	Stretch	Actual	Weighting	Vesting (% of max. grant value)
Relative TSR vs. peers	in EUR mn	1st quartile	Median	3rd quartile	3rd quartile	70%	70%
FCF after dividends incl. divestments (average over three years)	in EUR mn	(300)	0	300	454	20%	20%
Action Item Response Rate/Action Closure Rate: Incidents & Near Misses; Finding & Hazards (average over three years)		84%	88%	93%	94%	5%	5%
Contractor Management (average over three years)		75%	85%	95%	92%	5%	5%
Total vesting percentage						**100%**	**100%**

Shareholding requirements for members of the Executive Board

Executive Board members are required to accumulate an appropriate shareholding in OMV and hold these shares until retirement or departure from the Company. The shareholding requirement is defined as a percentage of the annual gross base salary: 200% for the Chairman of the Executive Board, 175% for the Deputy Chairman of the Executive Board and 150% for other Executive Board members. The shareholding must be accumulated and achieved within five years after the respective initial appointment as an Executive Board member. All Executive Board members have already fulfilled at least a part of their minimum shareholding requirement.

To the extent the shareholding requirement is not fulfilled, payment from the LTIP will be automatically made in the form of shares (net after tax deduction). If the shareholding requirement is already fulfilled, the payout can be made either in cash or shares. The base for the calculation of the respective number of shares is the average closing price on the Vienna Stock Exchange of the OMV share over the three-month period from January 1, 2017, to March 31, 2017 (EUR 34.99).

[1] TSR target (25% vesting × 60% weighting) + other criteria target (70% vesting × 40% weighting) = 43%

Shareholding requirement and fulfillment

	Shareholding requirement		Fulfillment	
	In shares	As % salary	In shares[1]	As % requirement
Seele	75,790	200	48,435	63.91
Florey	37,626	150	8,335	22.15
Pleininger	37,895	150	19,333	51.02
Leitner	44,211	150	59,335	134.21

[1] on Company trustee deposits

Clawback

Both the Equity Deferral and the LTIP are subject to **clawback** regulations that, under certain circumstances, allow the adjustment of outstanding remuneration and/or recovery of remuneration already paid out. In the case of a clawback event, cash or Company shares granted as part of the Equity Deferral or the LTIP will be reduced or may be clawed back upon request from the Supervisory Board. The following reasons are considered clawback events: adjustment of approved financial statements due to a mistake, material failure of risk management that leads to significant damages and serious misconduct of individual Executive Board members that violates Austrian law. Furthermore, if the shares or cash equivalent were based on incorrect calculations of the bonus, the Executive Board members are obliged to return or pay back benefits obtained due to such wrong figures.

Remuneration levels in 2017

Executive Board remuneration[1]

In EUR

Remuneration 2017	Seele	Florey	Pleininger	Leitner	Total
Fixed (base salary)	900,000	600,000	575,000	700,000	**2,775,000**
Variable (Cash Bonus 2016)	738,000	246,000	451,000	574,000	**2,009,000**
Benefits in kind (company car, accident insurance and reimbursed expenses)	12,842	56,425[2]	12,420	12,724	**94,411**
Total	**1,650,842**	**902,425**	**1,038,420**	**1,286,724**	**4,878,411**
Variable (Equity Deferral 2016; in gross shares)[3]	23,105	7,701	14,120	17,971	**62,897**
Fixed/variable ratio[4]	36/64	55/45	38/62	35/65	**39/61**
LTIP 2014 (cash)[5]	0	0	0[6]	69,159	**69,159**

[1] There are discrepancies between individual items and totals due to rounding differences. The variable components relate to target achievement in 2016, for which bonuses were paid in 2017

[2] Including schooling costs and related taxes

[3] The Equity Deferral from the annual bonus was at the time of grant referred to as the “Matching Share Plan” (MSP). The designation of the plan has since been amended for clarity. Corresponding EUR values as of March 31, 2017: Seele: EUR 852,228, Florey: EUR 284,051, Pleininger: EUR 520,816, Leitner: EUR 662,860

[4] Share of total compensation. Fixed includes base salary and benefits in kind; variable includes Cash Bonus, Equity Deferral (MSP) and LTIP 2014

[5] In 2017, no shares have been vested for LTIP 2014

[6] Johann Pleininger received a cash payment in the amount of EUR 42,307 based on the senior manager LTIP 2014

Pension fund contributions

In EUR

Seele	225,000
Davies	54,000
Florey	150,000
Pleininger	144,000
Leitner	175,000
Total	**748, 000**

Termination related benefits

Gerhard Roiss resigned as member of the Executive Board effective June 30, 2015 with his contract in force until March 31, 2017. David C. Davies resigned as member of the Executive Board effective July 31, 2016, while his contract continued until March 31, 2017. David C. Davies received payments (including benefits in kind) under his employment contracts during this period.

Based on their former employment contracts as Executive Board Members, Gerhard Roiss, David C. Davies, Hans-Peter Floren and Jaap Huijskes received payments in 2017. David C. Davies and Jaap Huijskes received bonus and LTIP payments in April 2017. Gerhard Roiss and Hans-Peter Floren received LTIP payments in 2017.

Payments to former Executive Board members

In EUR

	Davies[1]	Huijskes	Roiss	Floren
Remuneration entitlements for 2017 (bonus and LTIP)[2]	1,404,791	419,097	176,753	82,991
Payments for contractual obligations[3]	222,540	0	0	0
Total	**1,627,331**	**419,097**	**176,753**	**82,991**

[1] Applicable period: January–March 2017
[2] Cash Bonus and Equity Deferral (MSP) related to target achievement in 2016 and LTIP related to target achievement in 2014–2016
[3] Base salary and benefits in kind

In accordance with C-rule 27a of the ACCG, the employment contracts with members of the Executive Board provide that settlement payments in the event of premature termination of such contracts without a material breach shall not exceed the amount set forth in the ACCG (maximum of two years annual pay). For contracts concluded after July 2015, settlement payments in the event of termination within the contract period have been reduced to 18 months' pay and have been limited to fixed salary only. No settlement payment is made if the Executive Board member terminates the contract prematurely.

Directors' and Officers' (D&O) insurance

OMV has concluded a Directors' and Officers' liability insurance (D&O insurance) on a Group-wide basis. The expenses are borne by the Company. This insurance covers Executive Board members, Supervisory Board members and other OMV employees (officers). Coverage is provided for the personal legal liability of insured persons for financial losses resulting from wrongful acts committed while acting within the scope of their function. For the actual insurance period, the yearly premium (including taxes) for the entire OMV Group D&O insurance amounts to approximately EUR 550,000.

Indemnity

The Executive Board and officers of direct and indirect subsidiaries of OMV Aktiengesellschaft, to the extent legally possible, are also indemnified against claims by third parties with respect to their actions exercised within the scope of their duties, except in cases of willful intent or gross negligence.

Policy principles for remuneration within the OMV Group

OMV aims to ensure competitive compensation and benefits packages that best spur on and support the strategy. OMV continuously monitors market trends and international best practices in order to attract, motivate and retain the best-qualified talent from around the world. OMV strives for long-lasting employment relationships. The basic salaries of such employees are set in accordance with internationally accepted methods for determining market levels of remuneration and with the relevant legal regulations and collective agreements. The principles applicable to the Executive Board are applied to these employees in adapted form. Also, the remuneration for the Executive Board of OMV Petrom is subject to OMV compensation standards. In general, OMV's compensation is designed to be highly competitive within relevant labor markets in the oil and gas business. This is ensured by conducting yearly salary reviews. Furthermore, the packages include a balanced and transparent mixture of fixed and variable, monetary and non-monetary components. The base salaries are market oriented, fair and based on the position and know-how of the employee. In addition, OMV uses a variety of compensation elements to strengthen the position as an attractive employer in the oil and gas business, for example:

- performance bonuses
- long-term incentive plans
- employee stock ownership plan
- company cars

Beyond that, the benefits portfolio is customized for each of the countries OMV operates in to meet the needs of the local employees. As an example, depending on local circumstances additional incentives may include the following:

- retirement plans
- subsidized canteen
- health centers
- kindergarten
- anniversary payments

Some employees at senior management levels of the Group (91 people) are eligible for membership in the Long-Term Incentive Plan. They are also eligible for bonus agreements, as discussed below. In addition, some employees at senior management levels of the Group are eligible for a Transformation Bonus, which is dependent on the fulfillment of predefined KPIs with a potential payout in 2018 and 2021.

In 2017, a total of some 3,600 managers and experts participated in a graduated Management by Objectives (MbO) program entitling them to bonuses for fulfilling objectives. There are also bonus schemes for other employees, which vary from country to country. Employee representatives are involved in designing these incentive schemes. In all these systems, payments are conditional on the attainment of financial and non-financial corporate targets, as well as individually agreed objectives. Participants in MbO programs can inspect their goal-setting agreements using the Group-wide Performance and Development System (PDS), which will be replaced with a new system (My Success Factors) in 2018. This enables them to take account of each other's targets.

Supervisory Board

OMV's Supervisory Board consists of ten members elected by the General Meeting (shareholders' representatives) and five members delegated by the Group works council. Five of the current shareholders' representatives were elected at the 2014 Annual General Meeting (AGM), one was elected at the 2015 AGM and four were elected at the 2016 AGM. The members of OMV's Supervisory Board in 2017 and their appointments to supervisory boards of other domestic or foreign listed companies as well as any management functions held are shown below.

Peter Löscher, * 1957
Chairman
Seats: Deutsche Bank AG (until May 18, 2017), Sulzer AG (Chairman), and Telefonica, S. A.

Gertrude Tumpel-Gugerell, * 1952
Deputy Chairwoman
Seats: Commerzbank AG, Vienna Insurance Group AG

Murtadha Al Hashmi, * 1966
Deputy Chairman
(Chief Financial Officer, International Petroleum Investment Company (IPIC) (until February 11, 2017); Chief Financial Officer (no formal board member), Abu Dhabi National Oil Company (from February 12, 2017 to December 31, 2017);
Senior Advisor, Mubadala Investment Company (from January 2, 2018))
Seats: Banvit Bandirma Vitaminli Yem Sanayii A. Ş. (until May 25, 2017)

Wolfgang C. Berndt, * 1942
Seats: no seats in domestic or foreign listed companies

Helmut Draxler, * 1950
Seats: RHI AG (Deputy Chairman) (until October 27, 2017)

Marc H. Hall, * 1958
(Managing Director, R&EM – Restructuring & Energy Management e.U. (since November 2, 2017); Senior Manager, Wagner, Elbling & Company GmbH (since August 1, 2017))
Seats: no seats in domestic or foreign listed companies

Ahmed Matar Al Mazrouei, * 1972
(CEO, Emirates Liquefied Natural Gas L. L. C.)
Seats: no seats in domestic or foreign listed companies

Karl Rose, * 1961
(Managing Partner, Strategy Lab GmbH;
Managing Partner, PV-Photovoltaics Styria GmbH (until November 3, 2017);
Managing Partner, PDM GmbH (until February 17, 2017),
Group Chief Strategist, Abu Dhabi National Oil Company (since February 26, 2017))
Seats: no seats in domestic or foreign listed companies

Herbert Werner, * 1948
(Managing Partner, HCW Verkehrsbetriebe GmbH;
Managing Partner, HCW Vermögensverwaltungs GmbH)
Seats: Ottakringer Getränke AG (Deputy Chairman)

Elif Bilgi Zapparoli, * 1967
(Co-Head of Asia Pacific Global Investment and Corporate Banking, Bank of America Merrill Lynch)
Seats: no seats in domestic or foreign listed companies

Delegated by the Group works council (employee representatives)

Christine Asperger, * 1964
Wolfgang Baumann, * 1958
Herbert Lindner, * 1961
Alfred Redlich, * 1966
Gerhard Singer, * 1960

More detailed information about all members of OMV's Supervisory Board, including their professional careers, can be downloaded from OMV's website at www.omv.com > About OMV > Corporate Governance & Organization > Supervisory Board.

Diversity

The main considerations in selecting the members of the Supervisory Board are relevant knowledge, personal integrity and experience in executive positions. Furthermore, aspects of diversity of the Supervisory Board with respect to the internationality of the members, the representation of both genders and the age structure are taken into account.

The Supervisory Board includes three women and three non-Austrian nationals. The members of the Supervisory Board are aged between 46 and 75.

Independence

The Supervisory Board has defined the criteria that constitute independence (resolutions dated March 21, 2006, and March 25, 2009). In addition to the guidelines set out in Annex 1 of the ACCG, the Supervisory Board has established the following criteria with regard to its members elected by the General Meeting:

- A Supervisory Board member shall not serve on the Executive Board of an OMV Group company.
- A Supervisory Board member shall not hold stock options issued by the Company or any affiliated company, or receive any other performance-related remuneration from an OMV Group company.
- A Supervisory Board member shall not be a shareholder with a controlling interest in the meaning of EU Directive 83/349/EEC (i.e. a shareholder's interest of 50% or a dominant influence, e.g. through the right to appoint Board members) or represent such a shareholder.

All of the members elected by the General Meeting except Helmut Draxler and Herbert Werner, regarding the duration of their terms, have declared their independence from the Company and its Executive Board during the 2017 financial year and up to the time of making such declarations (C-rule 53 of the ACCG). Under C-rule 54 of the ACCG, Peter Löscher, Wolfgang Berndt, Elif Bilgi Zapparoli, Helmut Draxler, Karl Rose, Marc H. Hall, Gertrude Tumpel-Gugerell and Herbert Werner have made declarations to the effect that they were not shareholders with a stake of more than 10% or represented such shareholders' interests during the financial year 2017 and up to the time of making such declarations. Peter Löscher, Gertrude Tumpel-Gugerell, Marc H. Hall and Karl Rose were nominated for the election as Supervisory Board members by the nomination committee of the Österreichische Bundes- und Industriebeteiligungen GmbH ("ÖBIB") and, subsequently (after being so proposed by the Presidential and Nomination Committee and the Supervisory Board), they were elected as Supervisory Board members.

Working practices of the Supervisory Board

The Supervisory Board fulfills its duties – in particular supervising the Executive Board and advising it on strategy – by discussing the Company's situation and objectives during board meetings. Decisions are also taken at these meetings, except in cases of urgency where decisions can be taken by circular vote. The set-up of four committees ensures that best possible use is made of the Supervisory Board members' expertise. Brief descriptions of these committees are given below (see also the Report of the Supervisory Board for an overview of the individual committees' main activities in 2017).

In 2017, seven meetings of the Supervisory Board and 22 Committee meetings were held. In several of these meetings, the Executive Board and the Supervisory Board discussed strategic matters of OMV. In addition, the strategic orientation of the Company was also intensively discussed in an off-site workshop of the Executive Board and the Supervisory Board. No member of the Supervisory Board attended fewer than half of the meetings.

Attendance of Supervisory Board and Committee meetings in 2017 was as follows:

Attendance of Supervisory Board and Committee Meetings in 2017[1]

Name	SB	PNC	PPC	AC	RC
Peter Löscher	7/7	5/5	6/6	6/6	5/5
Gertrude Tumpel-Gugerell	6/7	4/5	3/6	6/6	–
Murtadha Al Hashmi	7/7	5/5	5/6	6/6	5/5
Wolfgang C. Berndt	6/7	–	–	5/6	5/5
Helmut Draxler	6/7	–	–	6/6	4/5
Marc H. Hall	7/7	–	6/6	–	–
Ahmed Matar Al Mazrouei	7/7	5/5	6/6	–	–
Karl Rose	4/7	–	6/6	–	–
Herbert Werner	7/7	–	–	6/6	–
Elif Bilgi Zapparoli	4/7	–	–	–	–
Christine Asperger	7/7	–	4/6	–	–
Wolfgang Baumann	7/7	5/5	–	6/6	–
Herbert Lindner	7/7	–	6/6	6/6	–
Alfred Redlich	7/7	5/5	–	–	–
Gerhard Singer	7/7	–	6/6	6/6	–

[1] Abbreviations: SB = Supervisory Board, PNC = Presidential and Nomination Committee, PPC = Portfolio and Project Committee, AC = Audit Committee, RC = Remuneration Committee.

Position and committee memberships

Name	Supervisory Board and Committees 2017[1]					Remuneration 2016[2]	Remuneration 2017[3]	Term of office
	SB	PNC	PPC	AC	RC	in EUR	in EUR	
Peter Löscher	C	C	DC	M	C	49,836	80,000	May 18, 2016, to 2020 AGM
Gertrude Tumpel-Gugerell	DC	DC	M	C	–	50,820	61,000	May 19, 2015, to 2020 AGM
Murtadha Al Hashmi	DC	DC	DC	DC	DC	73,000	73,000	May 10, 2012, to 2019 AGM
Wolfgang C. Berndt	M	–	–	DC	DC	54,935	44,000	May 26, 2010, to 2019 AGM
Helmut Draxler	M	–	–	M	M	40,000	40,000	Oct. 16, 1990, to 2019 AGM
Marc H. Hall	M	–	M	–	–	18,689	30,000	May 18, 2016, to 2019 AGM
Ahmed Matar Al Mazrouei	M	M	M	–	–	24,919	40,000	May 18, 2016, to 2019 AGM
Karl Rose	M	–	C	–	–	21,180	34,000	May 18, 2016, to 2019 AGM
Herbert Werner	M	–	–	M	–	30,000	30,000	June 4, 1996, to 2019 AGM
Elif Bilgi Zapparoli	M	–	–	–	–	20,000	20,000	May 13, 2009, to 2019 AGM
Christine Asperger	M	–	M	–	–	–[4]	–[4]	Since Jan. 1, 2013[5]
Wolfgang Baumann	M	M	–	M	–	–[4]	–[4]	Dec. 16, 1998, to Apr. 1, 1999, and again since Nov. 11, 2004[5]
Herbert Lindner	M	–	M	M	–	–[4]	–[4]	Since June 1, 2013[5]
Alfred Redlich	M	M	–	–	–	–[4]	–[4]	Since June 1, 2013[5]
Gerhard Singer	M	–	M	M	–	–[4]	–[4]	Since Sept. 26, 2016[5]

[1] Abbreviations: SB = Supervisory Board, PNC = Presidential and Nomination Committee, PPC = Portfolio and Project Committee, AC = Audit Committee, RC = Remuneration Committee. C = Chairman/Chairwoman; DC = Deputy Chairman/Chairwoman; M = Member; AGM = Annual General Meeting; Members of the Supervisory Board whose term ended in the business year 2016 are not listed herein
[2] Meeting fees in the amount of EUR 400/meeting, as well as any applicable reimbursement of withholding tax, are not included therein
[3] Based on remuneration as adopted by the AGM 2017; subject to approval by the AGM 2018
[4] Members delegated to the Supervisory Board by the Group works council do not receive remuneration but just attendance expenses
[5] Delegation by the Group works council is for an indefinite period of time; however, the employee representatives may be recalled at any time by the delegating body

Pursuant to C-rule 36, the Supervisory Board shall discuss the efficiency of its activities annually, in particular its organization and work procedures (self-evaluation). In the 2016 business year, the Supervisory Board initiated a thorough self-evaluation of its activities with external support, the results of which were extensively discussed within the Supervisory Board in the first quarter of 2017 and followed up throughout the year.

Presidential and Nomination Committee

This committee is empowered to take decisions on matters of urgency. The Supervisory Board may transfer other duties and powers of approval to the Presidential and Nomination Committee on an ad hoc or permanent basis. In its capacity as the Nomination Committee, this body makes proposals to the Supervisory Board for the appointment or replacement of Executive Board members and deals with succession planning. It also makes recommendations to the General Meeting for appointments to the Supervisory Board. There were five meetings of the Presidential and Nomination Committee in 2017, in which discussions focused on Executive and Supervisory Board matters.

Audit Committee

This committee performs the duties established by section 92 (4a) Stock Corporation Act. The committee held six meetings during the year. It predominantly dealt with preparations for the audit of the annual financial statements, assessment of the auditors' activities, internal audit, internal control and risk management systems, as well as the presentation of the annual financial statements. Gertrude Tumpel-Gugerell is the financial expert within the Audit Committee in the meaning of section 92 (4a) (1) Stock Corporation Act.

Auditors

The Supervisory Board monitors auditors' independence and reviews a breakdown of the audit fees and fees for additional services besides auditing activities. In 2017, the auditors Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (including their network in the meaning of section 271b Code of Commerce) received EUR 2.48 mn for the annual audit, EUR 1.07 mn for other assurance services, EUR 0.18 mn for tax advisory services and EUR 0.03 mn for other engagements.

Portfolio and Project Committee

This committee supports the Executive Board in preparing complex decisions on key issues where necessary and reports on these decisions and any recommendations to the Supervisory Board. In 2017, six meetings of the Portfolio and Project Committee were held.

Remuneration Committee

This committee deals with all aspects of the remuneration of Executive Board members and with their employment contracts. The committee's membership does not include employee representatives. The committee is empowered to conclude, amend and terminate Executive Board members' employment contracts and to take decisions on the awarding of bonuses (variable remuneration components) and other such benefits to them. The Remuneration Committee met five times during 2017. Executive Board members were invited to attend parts of some of the meetings of the Remuneration Committee.

PwC provided remuneration advice to the Committee, which included market information drawn from published data, advice on the appropriate structure of short-term and long-term incentives, and information on peer group performance and remuneration systems.

They were appointed by the Remuneration Committee and did not advise the OMV Executive Board, ensuring independence with respect to the Austrian Code of Corporate Governance. Besides this, PwC provided tax and reporting advice in 2017.

Conflicts of interest and dealings by members of the Supervisory Board requiring approval

There were no transactions requiring approval in accordance with section 95 (5) (12) Stock Corporation Act. The Internal Rules of the Supervisory Board contain detailed procedures for the treatment of conflicts of interest on the part of Supervisory Board members.

Remuneration

In accordance with the Articles of Association, the AGM resolves the remuneration of the Supervisory Board members elected by the General Meeting for the previous financial year. The 2017 AGM adopted the remuneration scale for the 2016 financial year as shown in the table below.

Remuneration for Supervisory Board members

In EUR[1]

Chairman/Chairwoman	30,000
Deputy Chairman/Chairwoman	25,000
Ordinary member	20,000
Committee Chairman/Chairwoman	14,000
Committee Deputy Chairman/Chairwoman	12,000
Ordinary Committee member	10,000

[1] Meeting fees in the amount of EUR 400/meeting, as well as any applicable reimbursement of withholding tax, are not included therein

The amounts for the 2016 financial year were disbursed to the Supervisory Board members concerned in 2017; these were exclusive of expenses (travel and attendance expenses).

In 2017, the Supervisory Board members' remuneration (for the 2016 financial year and including reimbursement for withholding tax as applicable) accounted for EUR 0.50 mn, attendance expenses for EUR 0.10 mn and travel expenses for EUR 0.66 mn.

Employee participation

The Group works council holds regular meetings with the Executive Board in order to exchange information on developments affecting employees. Furthermore, the Group works council has made use of its right to delegate members to the Supervisory Board (one employee representative for every two members elected by the General Meeting). Therefore, out of the 15 Supervisory Board members, five members are employee representatives.

Rights of minority shareholders

- General Meeting: An Extraordinary General Meeting must be convened at the request of shareholders holding not less than 5% of the shares.
- Agenda items must be included at the request of shareholders holding not less than 5% of the shares.
- Shareholders holding not less than 1% of the shares may submit resolution proposals on all agenda items. Such resolution proposals must be posted on the website upon request of the respective shareholders.
- Shareholders holding not less than 10% of the shares may require an extraordinary audit in the event of grounds for suspicion of irregularities, or gross violations of the law or the Articles of Association.
- All shareholders having duly provided evidence of their shareholding are entitled to attend General Meetings, ask questions and vote.
- Election of the Supervisory Board: If elections for two or more positions to the Supervisory Board are held at the same General Meeting, separate votes must be held for each position. If elections for three or more seats on the Supervisory Board are held at the same General Meeting, and if prior to the vote on the last position to be assigned it is found that at least one-third of all the votes have been cast in favor of the same person but he or she has not been elected, then this person must be declared as Supervisory Board member.

Women's Advancement and Diversity Concept

Diversity is of high importance within OMV. The OMV Group diversity strategy comprises two major focus areas: gender and internationality. Being active in an industry with a strong technical focus, it is particularly challenging for the Company to achieve a satisfactory gender balance in all fields of business activity. OMV is committed to supporting women's advancement to managerial positions. The strategic objective is to achieve the best diversity mix at senior management level, with a current share of 18%, and continuously improve within the next years.

The proportion of women in the Group as a whole is about 25%. Within OMV's leadership development programs in 2017 the proportion of women was 22%. In the newly designed 'First Time Leaders' program for new people leaders we reached a remarkable rate of 37.5% of female participants. Within OMV's Upstream integrated graduate development program for technical skill pools, the proportion of women was 22% in 2017.

So far, a variety of measures to foster diversity at OMV have been initiated and implemented successfully. A Group-wide educational program – the diversity e-learning program – is in place to improve organizational capabilities and raise awareness. In addition, the topic of diversity is incorporated in all Leadership Development Programs and embedded in the OMV People Strategy since 2016.

OMV promotes talents from different backgrounds, thus ensuring the best mix in diverse teams. OMV especially supports the recruitment and development of women in technical positions.

Through using gender-neutral language in OMV's job advertisements and through publishing all job advertisements internally, OMV is contributing to equal opportunities among men and women. Furthermore, OMV participated in Vienna's Girls' Day again to spark girls' interest in technical careers early on in their lives.

Female employees initiated a Diversity Network to raise awareness for diversity issues and to boost female careers in the technical area through a collaboration site and joint activities. The OMV head office in Vienna has two company kindergartens attended by children of OMV employees. OMV constantly monitors gender, age, employee background, seniority as well as salary equality to ensure fair treatment and equal opportunities at all career stages.

The Executive Board and Supervisory Board consider the described measures and programs to foster the variety of the workforce as a key element to strengthen the diversity of the internal pool of Executive Board succession candidates. The Presidential and Nomination Committee concerns itself at least once a year with the identification and development of internal potentials. In addition to internal succession planning, the Supervisory Board also makes use of external recruitments in order to best fill open Executive Board positions. In the selection of Executive Board members – be it internally or externally – special attention is given to balance gender, age, and international experience in addition to professional skills.

Currently, no woman is part of the Executive Board of OMV. Therefore, the Presidential and Nomination Committee especially focused on discussing female potentials in this year's succession planning. With regard to age and internationality, the Executive Board shows a balanced distribution: The Executive Board members of OMV are between 52 and 57 years old, comprise two different nationalities, and have acquired comprehensive international management experience.

The Supervisory Board members to be elected by the Annual General Meeting upon proposal by ÖBIB are nominated by the Nomination Committee of the Austrian Federal Government. The selection of candidates is based on various criteria, particularly the candidates' professional skills, personal integrity, independence, and impartiality. In addition, diversity aspects such as the representation of both genders, a balanced age distribution, and internationality of members is taken into consideration.

At present, the Supervisory Board of OMV includes three women, corresponding to a share of 20%. In line with the Equality Act for Women and Men in Supervisory Boards, which was passed in 2017, this share shall be increased to a minimum of 30% in the course of the next regular elections at the Annual General Meeting in 2019 at the latest. Particular focus will be given to a further strengthening of industry-specific competencies and the internationality of Supervisory Board members in line with the company's strategic orientation. With members aged between 46 and 75 years, the Supervisory Board shows a balanced age structure.

External evaluation of Corporate Governance

An external evaluation of OMV's compliance with the provisions of the ACCG is performed each year. Regarding the evaluation for 2017, OMV engaged Mathias Ettel of the law firm Berger Ettel Rechtsanwälte. The official questionnaire of the Austrian Working Group for Corporate Governance was used for the evaluation, and the result was that OMV is in full compliance with the Austrian Corporate Governance Code including all non-compulsory recommendations. The report of the evaluation is available for download on OMV's website (www.omv.com).

Vienna, March 14, 2018

The Executive Board

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

4

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Auditor's Report[1]

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

OMV Aktiengesellschaft, Vienna,

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

Key Audit Matter	How our audit addressed the key audit matter
Estimation of oil and gas reserves Oil and gas reserves are an indicator of the future potential of the group's performance. Furthermore, they have an impact on the financial statements as they are the basis for production profiles in future cash flow estimates and basis for depreciation & amortization. The estimation of oil and gas reserves requires judgement and assumptions made by management and engineers. The principal risk is the impact of the oil and gas reserves estimate on the financial statements through impairment testing, depreciation & amortization and decommissioning provision estimate. OMV Group's disclosures about oil and gas reserves and related impairment testing are included in Note 2 (Estimates and Assumptions), Note 8 (Depreciation, amortization and impairment charges) and Note 23 (Provisions).	Our procedures have focused on management's estimation process in the determination of oil and gas reserves. Specifically our work included, but was not limited to, the following procedures: ▶ Walkthrough and understand the Group's process and controls associated with the oil and gas reserves estimation process; ▶ Test controls of the oil and gas reserves review process; ▶ Analysis of the internal certification process for technical and commercial specialists who are responsible for oil and gas reserves estimation; ▶ Assess the competence of internal specialists, to consider whether they were appropriately qualified to carry out the estimation of oil and gas reserves; ▶ Test whether significant additions or reductions in oil and gas reserves were made in the period in which the new information became available and in compliance with Group's Reserves and Resources Guidelines; and ▶ Test that the updated oil and gas reserve estimates were included appropriately in the Group's consideration of impairment and in accounting for depreciation & amortization.

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of receivable from Romanian State As part of the privatization agreement regarding OMV Petrom SA, the Group is entitled to the reimbursement by the Romanian State of part of wells abandonment (decommissioning) and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, the Group has recorded a receivable from the Romanian State amounting to € 434 mn at 31 December 2017. The assessment of the recoverability of the receivables from the Romanian State, requires management to make judgements and estimates to assess the uncertainty regarding the expenditure recoverable from Romanian State. The assessment process is considering inter alia history of amounts claimed, documentation process and requirements, potential litigation or arbitration proceedings. OMV Group's disclosures about Environmental and Decommissioning State Receivables are included in Note 2 (Estimates and assumptions) and Note 18 (Other financial assets).	We assessed management's estimate regarding recoverability of the receivables from the Romanian State. Our work included, but was not limited to, the following procedures: ▶ Read the stipulations of the Annex P of the privatization agreement dated 23 July 2004, related to the acquisition by OMV Aktiengesellschaft of shares in the National Petroleum Company Petrom SA, as approved by Law no. 555/2004. Annex P includes stipulations related to the obligation of the seller (i.e. Ministry of Economy and Commerce) to reimburse the Company for historical environmental losses and abandonment costs, provided certain conditions are met; ▶ Review management's assessment of the recoverability of the receivables from the Romanian State, including the history of amounts claimed vs. amounts accepted and reimbursed, and discuss with management about the status of the notices of claims submitted by the Group and of the Arbitration process; ▶ Trace the receivables for which notices of claim have been submitted to the respective notices of claims; ▶ Trace the receivables for which decommissioning was performed but the notices of claim have not yet been submitted to the respective decommissioning costs; ▶ Trace the receivables for which decommissioning has not yet been performed against the respective decommissioning provisions; ▶ Discuss with management the estimates of timing of collection; and ▶ Test the mathematical accuracy of the calculation of the net present value of the receivables recorded.

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

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

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

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

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

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

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

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

We also:

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Directors' Report for the Group

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

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

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

Opinion

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

Statement

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

Other Information

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

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

Additional information in accordance with article 10 EU regulation

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

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

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

Responsible Austrian Certified Public Accountant

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

Vienna, March 14, 2018

Ernst & Young
Wirtschaftsprüfungsgesellschaft m. b. H.

Alexander Wlasto m.p.
Wirtschaftsprüfer/Certified Public Accountant

Katharina Schrenk m.p.
Wirtschaftsprüferin/Certified Public Accountant

Consolidated Income Statement for 2017

Consolidated income statement

EUR mn

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

Consolidated Statement of Comprehensive Income for 2017

Consolidated statement of comprehensive income

EUR mn

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

Consolidated Statement of Financial Position as of December 31, 2017

Assets

EUR mn

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

Equity and liabilities

EUR mn

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

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

Consolidated Statement of Changes in Equity for 2017

Consolidated statement of changes in equity in 2017 [1]

EUR mn

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

Consolidated statement of changes in equity in 2016 [1]

EUR mn

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

[1] See Note 21

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

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

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

Consolidated Statement of Cash Flows for 2017

Consolidated statement of cash flows [1]

EUR mn

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

[1] See Note 26

Notes: Accounting Principles and Policies

1 Legal principles and general accounting policies

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

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

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

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

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

2 Estimates and assumptions

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

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

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

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

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

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

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

2017

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

2016

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

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

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

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

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

3 Consolidation

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

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

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

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

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

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

Number of consolidated companies

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

Consolidated group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

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

Fair values acquired

EUR mn

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

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

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

Changes in ownership of subsidiaries with gain/loss of control

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

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

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

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

Joint arrangements

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

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

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

The table below includes a list of material joint operations:

Material joint operations (IFRS 11)

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

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

Other significant arrangements

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

Other significant arrangements

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

[1] The percentage disclosed represents the Second Party Share. The state owned Libyan national oil corporation is entitled to 88% to 90% of the production ("primary split")

[2] OMV does not have control nor joint control over the Maari fields as there is more than one combination of parties which ensures the necessary majority (75%) for relevant decisions

[3] Part of OMV (U.K.) Limited divestment

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

Interests in unconsolidated structured entities

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

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

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

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

4 Accounting and valuation principles

1) First-time adoption of revised standards

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

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

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

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

2) New structure of the consolidated income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3) New or revised standards and interpretations not yet mandatory

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

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

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

b) IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

c) IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

d) IFRS 16 Leases

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

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

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

e) Other new or revised standards and interpretations not yet mandatory
In addition, the following standards, interpretations and amendments were issued which are not expected to have any material effects on the Group's financial statements:

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

4) Summary of accounting and valuation principles

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

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

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

b) Revenue recognition

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

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

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

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

c) Exploration expenses

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

d) Research and development

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

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

e) Exploration and production sharing agreements

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

f) Intangible assets and property, plant and equipment

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

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

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

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

g) Oil and gas assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

m) Derivative financial instruments

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

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

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

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

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

n) Borrowing costs

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

o) Government grants

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

p) Inventories

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

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

q) Cash and cash equivalents

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

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

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

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

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

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

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

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

t) Taxes on income including deferred taxes
In addition to corporate income taxes and trade earnings taxes, typical upstream taxes from oil and gas production like the country's/national oil company's profit share for certain EPSAs (see Note 4.4e) are disclosed as income taxes.

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

Deferred tax is not recognized for

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

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

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

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

5 Foreign currency translation

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

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

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

Foreign currency translation

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

Notes to the Income Statement

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

Other operating income and net income from equity-accounted investments

EUR mn

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

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

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

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

7 Personnel expenses

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

Personnel expenses

EUR mn

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

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

8 Depreciation, amortization and impairment charges

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

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

EUR mn

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

Total impairments (including exploration and appraisal)

EUR mn

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

Impairments in Upstream

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

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

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

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

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

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

Impairments in Downstream

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

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

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

9 Other operating expenses

Other operating expenses

EUR mn

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

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

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

10 Net financial result

Interest income

EUR mn

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

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

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

Interest expenses

EUR mn

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

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

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

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

Other financial income and expense

EUR mn

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

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

11 Taxes on income

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

The reconciliation of deferred taxes was as follows:

Changes in deferred taxes

EUR mn

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

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

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

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

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

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

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

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

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

Tax rates

%

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

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

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

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

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

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

12 Earnings Per Share

Earnings Per Share (EPS)

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

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

Notes to the Statement of Financial Position

13 Intangible assets

Intangible assets

EUR mn

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

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

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

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

Exploration for and evaluation of oil and natural gas resources

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

Exploration for and evaluation of mineral resources

EUR mn

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

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

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

Goodwill allocation

EUR mn

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

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

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

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

14 Property, plant and equipment

Property, plant and equipment

EUR mn

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

Property, plant and equipment

EUR mn

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

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

For details on impairments see Note 8.

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

Finance leases

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

Lease and rental agreements

EUR mn

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

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

Commitments under existing finance leases as of December 31

EUR mn

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

Operating leases

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

Future minimum lease payments under non-cancellable operating leases

EUR mn

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

15 Equity-accounted investments

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

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

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

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

Material associates

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

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

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

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

Statement of comprehensive income

EUR mn

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

Statement of financial position

EUR mn

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

Carrying amount reconciliation

EUR mn

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

Contingent liabilities

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

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

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

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

Individually immaterial associates and joint ventures

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

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

EUR mn

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

Carrying amount reconciliation for individually immaterial associates and joint ventures

EUR mn

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

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

16 Inventories

Inventories at December 31 were as follows:

Inventories

EUR mn

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

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

17 Trade receivables

Trade receivables (carrying amounts)

EUR mn

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

The carrying amounts of trade receivables approximate their fair values.

Valuation allowances for trade receivables [1]

EUR mn

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

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

Carrying amount of impaired trade receivables [1]

EUR mn

	2017	2016
Before impairments	78	117
Net of impairments	2	18

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

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

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

EUR mn

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

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

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

18 Other financial assets

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

Other financial assets

EUR mn

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

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

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

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

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

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

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

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

Amortized costs of securities

EUR mn

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

Valuation allowances for other financial receivables [1]

EUR mn

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

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

Carrying amount of impaired other financial receivables [1]

EUR mn

	2017	2016
Before impairments	323	338
Net of impairments	31	40

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

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

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

EUR mn

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

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

19 Other assets

Other assets

EUR mn

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

20 Assets and liabilities held for sale

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

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

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

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

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

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

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

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

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

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

Assets and liabilities held for sale

EUR mn

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

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

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

21 OMV equity of the parent

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

With regard to the expiration on May 13, 2014 of the authorized capital decided upon by the Annual General Meeting on May 13, 2009, the Annual General Meeting authorized the Executive Board on May 14, 2014, subject to the approval of the Supervisory Board, to increase by May 14, 2019, at once or in several tranches, also by way of indirect offer for subscription after taking over by one or several credit institutions according to Section 153 Paragraph 6 Stock Corporation Act, against cash contributions, the share capital by not more than EUR 32,727,272 by issuing up to 32,727,272 new no-par value common voting shares in bearer form. Subject to the approval of the Supervisory Board, the Executive Board has been authorized to exclude in this connection the subscription right of the shareholders (i) to adjust fractional amounts or (ii) to satisfy stock options or long term incentive plans including matching share plans for employees, senior employees and members of the Executive Board/- management boards of the Company or one of its affiliates, or other employees' stock ownership plans and subject to the approval of the Supervisory Board, to set the issue price and conditions of issuance (authorized capital). The Supervisory Board has been authorized to adopt amendments to the Articles of Association resulting from the issuance of shares according to the authorized capital.

A hybrid bond issue at a nominal amount of EUR 750 mn was completed on May 25, 2011. As the repayment of principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid bond (less costs of issuance) were fully treated as equity. The hybrid bears a fixed interest rate of 6.75% until, but excluding, April 26, 2018, which is the first call date, thereafter a reset fixed rate (to be determined) until April 26, 2023 and thereafter a floating interest rate with a 100 basis points step up. The hybrid notes have no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has in particular the right to repay the hybrid notes at certain call dates. In the case of a change of control OMV may call the hybrid notes for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid bond.

On December 7, 2015, OMV issued hybrid notes with an aggregate size of EUR 1.5 bn, in two tranches of EUR 750 mn each. As the repayment of principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid notes (less costs of issuance) were fully treated as equity. Tranche 1 bears a fixed interest coupon of 5.25% until but excluding December 9, 2021, which is the first call date of tranche 1, and tranche 2 bears a fixed interest coupon of 6.25% until but excluding December 9, 2025, which is the first call date of tranche 2. From December 9, 2021, until but excluding December 9, 2025, hybrid notes of tranche 1 will bear interest according to a fixed reset interest rate to be determined according to the relevant 5-year swap rate and an additional margin of 4.942% and, from December 9, 2025, with an additional step-up of 100 basis points. From December 9, 2025, hybrid notes of tranche 2 will bear interest according to a fixed reset interest rate to be determined according to the relevant 5-year swap rate and an additional margin of 5.409%, with an additional step-up of 100 basis points. The hybrid notes have no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has in particular the right to repay the hybrid notes at certain call dates. In the case of a change of control, OMV may call the hybrid notes for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid notes.

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

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

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

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

Tax effects relating to each component of other comprehensive income

EUR mn

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

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

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

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

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

Treasury shares

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

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

Number of shares in issue

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

22 Non-controlling interests

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

Subsidiaries with material NCI

EUR mn

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

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

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

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

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

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

Statement of comprehensive income

EUR mn

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

Statement of financial position

EUR mn

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

Statement of cash flows

EUR mn

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

23 Provisions

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

Provisions

EUR mn

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

Provisions for pensions and similar obligations

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

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

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

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

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

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

Defined benefit pension plans and obligations for severance payments

EUR mn

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

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

Jubilee payments, personnel reduction schemes and other employee benefits

EUR mn

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

Present value of obligations

EUR mn

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

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

Market value of plan assets

EUR mn

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

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

Provisions and expenses

EUR mn

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

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

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

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

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

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

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

Sensitivities

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

Duration profiles and average durations were as follows:

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

EUR mn

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

Cash duration profiles and average duration as of December 31

EUR mn

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

Allocation of plan assets as of December 31

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

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

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

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

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

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

Provisions for decommissioning and restoration obligations

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

Provisions for decommissioning and restoration obligations

EUR mn

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

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

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

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

Other provisions

EUR mn

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

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

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

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

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

Emissions certificates

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

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

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

Emissions certificates

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

[1] Purchases are valued at their acquisition cost

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

24 Liabilities

Liabilities

EUR mn

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

Bonds

Bonds issued

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

Bonds and other interest-bearing debts

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

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

Bonds and other interest-bearing debts

EUR mn

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

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

EUR mn

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

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

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

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

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

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

Other financial liabilities

Other financial liabilities

EUR mn

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

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

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

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

Financial liabilities

EUR mn

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

Other liabilities

Other liabilities

EUR mn

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

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

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

25 Deferred tax

Deferred taxes

EUR mn

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

Deferred taxes

EUR mn

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

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

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

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

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

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

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

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

Losses for carryforward

EUR mn

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

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

Supplementary Information on the Financial Position

26 Statement of cash flows

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

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

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

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

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

Net cash outflows related to the acquisition of subsidiaries and businesses

EUR mn

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

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

Net cash inflows from disposal of subsidiaries and businesses in 2017

EUR mn

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

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

Net assets of disposed subsidiaries and businesses

EUR mn

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

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

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

Changes in liabilities arising from financing activities

EUR mn

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

[1] Mainly related to new lease agreements

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

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

27 Contingent liabilities

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

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

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

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

28 Risk management

Capital risk

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

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

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

Capital Management - key performance measures

EUR mn

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

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

Liquidity risk

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

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

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

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

Political Risk

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

Market risk

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

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

Commodity price risk - Upstream

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

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

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

Commodity price risk – Downstream

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

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

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

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

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

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

Open commodity contracts as of December 31 were as follows:

Nominal and fair value of open contracts

EUR mn

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

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

Fair values

EUR mn

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

Cashflow hedging for commodities

Cash flow hedging for commodities

EUR mn

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

In the Downstream Oil Business, OMV is especially exposed to volatile refining margins and inventory risks. In order to mitigate those risks corresponding hedging activities are taken. Those include margin hedges as well as stock hedges.

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

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

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

Sensitivity analysis

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

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

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

Sensitivity analysis for open derivatives affecting profit before tax

EUR mn

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

Sensitivity analysis for open derivatives affecting equity

EUR mn

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

Foreign exchange risk management

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

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

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

Currency derivatives

EUR mn

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

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

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

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

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

EUR mn

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

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

Translation risk

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

Interest rate management

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

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

Interest sensitivities

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

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

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

Credit risk management

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

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

29 Fair value hierarchy

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

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

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

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

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

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

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

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

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

Fair value hierarchy 2017

EUR mn

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

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

Fair value hierarchy 2017

EUR mn

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

Fair value hierarchy 2016

EUR mn

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

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

Fair value hierarchy 2016

EUR mn

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

30 Offsetting of financial assets and financial liabilities

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

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

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

Offsetting of financial assets 2017

EUR mn

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

Offsetting of financial liabilities 2017

EUR mn

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

Offsetting of financial assets 2016

EUR mn

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

Offsetting of financial liabilities 2016

EUR mn

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

31 Result on financial instruments

Result on financial instruments

EUR mn

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

Result on financial instruments

EUR mn

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

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

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

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

32 Share based payments

Long Term Incentive (LTI) plans

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

Provision is made for the expected future costs of the LTI plans at statement of financial position date based on fair values. Fair values are determined using a model considering the expected target achievement and the expected share price. Expected dividends were incorporated into the measurement according to the Company's mid-term planning. The expense is spread over the three-year vesting period. As of December 31, 2017, the provision amounted to EUR 57 mn (2016: EUR 19 mn), and the net increase was EUR 38 mn (2016: EUR 4 mn).

Main conditions

	2017 plan	2016 plan	2015 plan	2014 plan
Start of plan	1/1/2017	1/1/2016	1/1/2015	1/1/2014
End of performance period	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Vesting date	3/31/2020	3/31/2019	3/31/2018	3/31/2017
Share holding requirement				
Executive Board Chairman	200% of gross base salary	200% of gross base salary	200% of gross base salary	200% of gross base salary
Executive Board Deputy Chairman	175% of gross base salary	175% of gross base salary	175% of gross base salary	175% of gross base salary
Executive Board members	150% of gross base salary	150% of gross base salary	150% of gross base salary	150% of gross base salary
Senior executives	max. 75% of gross base salary	75% of gross base salary	75% of gross base salary	75% of gross base salary
Expected bonus shares as of December 31, 2017	**395,559 shares**	**798,408 shares**	**1,081,703 shares**	**–**
Maximum bonus shares as of December 31, 2017	**439,562 shares**	**892,428 shares**	**1,085,769 shares**	**–**
Fair value of plan (EUR mn) as of December 31, 2017	**20**	**41**	**56**	**–**

Personal investment held in shares

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Active executive Board members				
Seele	48,435 shares	38,038 shares	32,200 shares	—
Florey	8,335 shares	—	—	—
Pleininger [1]	19,333 shares	12,979 shares	8,462 shares	—
Leitner	59,335 shares	51,249 shares	37,163 shares	28,207 shares
Former executive Board members [2]				
Davies	—	—	54,626 shares	46,070 shares
Floren	—	—	31,929 shares	22,725 shares
Huijskes	—	—	38,419 shares	28,095 shares
Roiss	—	81,831 shares	80,600 shares	60,173 shares
Total — Executive Board	**135,438 shares**	**184,097 shares**	**283,399 shares**	**185,270 shares**
Other senior executives [2]	256,202 shares	317,840 shares	287,397 shares	263,809 shares
Total personal investment	**391,640 shares**	**501,937 shares**	**570,796 shares**	**449,079 shares**

[1] Johann Pleininger also takes part in the 2015 plan in his position as senior executive
[2] Personal investment of former executive Board members and other senior executives are only included if shares are held in the OMV trustee deposit

OMV Share Part of the Annual Bonus

The OMV Share Part of the Annual Bonus (previously Matching Share Plan) serves as a long-term compensation vehicle for the members of the Executive Board that promotes retention and shareholder alignment in OMV, combining the interests of management and shareholders via a long-term investment in restricted shares. The plan also seeks to prevent inadequate risk-taking. For Executive Board members, an award of shares will be made to match 100% of their realized gross annual cash bonus. The performance measures defined for the annual bonus may not be amended during the term of the OMV Share Part of the Annual Bonus. On determination of the annual cash bonus by the Remuneration Committee of the Supervisory Board, the share grant will be made net (after deduction of taxes) in Company shares which shall be transferred to a trustee deposit, managed by the Company, to be held for three years.

As of December 31, 2017, an amount of EUR 3 mn was recorded in equity (2016: provision of EUR 2 mn).

Total expense

In 2017, total expense of EUR 56 mn (2016: EUR 16 mn) has been recognized arising from share-based payment transactions, thereof EUR 12 mn (2016: EUR 10 mn) from transactions accounted for as equity-settled share-based payment transactions.

Segment Reporting

33 Business operations and key markets

For business management purposes, OMV is divided into two operating Business Segments: Upstream and Downstream, as well as the segment Corporate and Other (Co&O). Each segment represents a strategic unit with different products and markets. Each Business Segment is managed independently. Strategic business decisions are made by the Executive Board of OMV. With the exception of Co&O, the reportable segments of OMV are the same as the operating segments.

Upstream (U/S) engages in the business of oil and gas exploration, development and production and focuses on the regions CEE (Romania, Austria and Kazakhstan), North Sea, Middle East and Africa as well as Russia and selected development areas. The produced oil and gas is primarily sold within the OMV Group.

The Downstream Oil (D/S Oil) part of the **Downstream** (D/S) Business Segment operates the refineries Schwechat (Austria), Burghausen (Germany) and Petrobrazi (Romania). In these refineries, crude oil is processed into petroleum products, which are sold to commercial and private customers. Distribution is partially effected via an own operated filling station network in Central and Southeastern Europe. Downstream Gas (D/S Gas) engages in gas transit through and transport within Austria, as well as in gas storage, marketing and trading. OMV is an operator of long-distance gas transmission pipelines in Austria. The power business extends the gas value chain into gas-fired power plants.

Group management, financing and insurance activities and certain service functions are concentrated in the **Co&O** segment.

The key measure of operating performance for the Group is Operating Result according to IFRS. Total assets include intangible assets as well as property, plant and equipment. Sales to external customers are split up by geographical areas on the basis of where the delivery of goods or services is effective. Accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Intra-group sales and cost allocations by the parent company are determined in accordance with internal OMV policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices. Business transactions not attributable to operating segments are included in the results of the Co&O segment.

34 Segment reporting

Segment reporting

EUR mn

	U/S	D/S	thereof D/S Oil	thereof D/S Gas	thereof intraseg-mental elim. D/S	Co&O	Total	Consoli-dation	Consoli-dated total
					2017				
Sales [1]	4,168	18,967	14,099	4,983	(116)	355	**23,490**	(3,267)	**20,222**
Intra-group sales	(2,839)	(79)	(34)	(161)	116	(349)	**(3,267)**	3,267	—
External sales	1,329	18,887	14,065	4,822	—	6	**20,222**	—	**20,222**
Net income from equity-accounted investments	107	403	395	8	—	—	**510**	—	**510**
Segment assets [2]	11,322	4,839	3,704	1,135	—	140	**16,301**	—	**16,301**
Additions in PPE/IA[3]	1,274	474	409	64	—	15	**1,762**	—	**1,762**
Depreciation and amortization	1,264	471	396	75	—	26	**1,761**	—	**1,761**
Impairment losses	209	17	2	14	—	0	**226**	—	**226**
					2016				
Sales [1]	3,285	18,316	14,630	3,779	(93)	370	**21,971**	(2,711)	**19,260**
Intra-group sales	(2,272)	(73)	(28)	(139)	93	(366)	**(2,711)**	2,711	—
External sales	1,013	18,243	14,603	3,640	—	4	**19,260**	—	**19,260**
Net income from equity-accounted investments	14	411	400	11	—	—	**425**	—	**425**
Segment assets [2]	11,250	4,915	3,710	1,205	—	161	**16,326**	—	**16,326**
Additions in PPE/IA[3]	1,602	435	434	1	—	10	**2,047**	—	**2,047**
Depreciation and amortization	1,382	641	552	89	—	34	**2,057**	—	**2,057**
Impairment losses	1,323	512	336	176	—	1	**1,836**	—	**1,836**

[1] Including intra-group sales
[2] Property, plant and equipment (PPE), intangible assets (IA), not including assets reclassified to held for sales
[3] Excluding additions in assets reclassified to held for sale

Segment and Group profit

EUR mn

	2017	2016
Operating Result Upstream	1,218	(1,046)
Operating Result Downstream	584	1,106
thereof Operating Result Downstream Oil	412	1,145
thereof Operating Result Downstream Gas	171	(38)
Operating Result Corporate and Other	(48)	(56)
Operating Result segment total	**1,753**	**4**
Consolidation: Elimination of intersegmental profits	(21)	(36)
OMV Group Operating Result	**1,732**	**(32)**
Net financial result	(246)	(198)
OMV Group profit before tax	**1,486**	**(230)**

Information on geographical areas

EUR mn

	Austria	Germany	Romania	Russia	Turkey	Rest of CEE	Rest of Europe	Rest of world [2]	Total
					2017				
External sales	6,416	3,065	3,449	137	2,595	2,765	963	831	**20,222**
Allocated assets [1]	3,002	985	6,159	1,093	154	465	2,395	2,008	**16,261**
Not allocated assets									**40**
Segment assets									**16,301**
					2016				
External sales	4,884	2,777	3,006	79	4,817	2,398	931	369	**19,260**
Allocated assets [1]	2,962	1,027	6,542	–	175	433	2,818	2,319	**16,275**
Not allocated assets									**51**
Segment assets									**16,326**

[1] Property, plant and equipment (PPE), intangible assets (IA), not including assets reclassified to held for sales
[2] Rest of world: principally Kazakhstan, Libya, Madagascar, New Zealand, Pakistan, Tunisia, Yemen and United Arab Emirates

Not allocated assets contained goodwill in amount of EUR 40 mn (2016: EUR 51 mn) related to the cash-generating unit 'Refining West' as this CGU is operating in more than one geographical area.

Other Information

35 Average number of employees

Average number of employees [1]

	2017	2016
OMV Group excluding Petrom group [2]	7,206	7,883
OMV Petrom group	14,210	15,288
Total Group	**21,416**	**23,171**

[1] Calculated as the average of the month's end numbers of employees during the year
[2] The decrease in the average number of employees compared to 2016 is mainly related to the divestments of OMV Petrol Ofisi and OMV (U.K.) Limited. The impact of OMV Petrol Ofisi divestment will also be visible when comparing 2018 with 2017, as OMV Petrol Ofisi was deconsolidated in June 2017 and until then contributed to the average number of employees in 2017

36 Expenses Group auditor

Expenses for services rendered by the Group auditor (including the international network in terms of section 271b UGB) comprise the following:

Expenses for services rendered by the Group auditor (including the international network)

EUR mn

	2017	2016
Audit of Group accounts and year-end audit	2.48	2.64
Other assurance services	1.07	0.99
Tax advisory services	0.18	0.00
Other services	0.03	0.22
Total	**3.76**	**3.85**

In 2017, the following expenses have been incurred for the Group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.: For the year-end audit EUR 0.89 mn (2016: EUR 0.89 mn), for other assurance services EUR 0.95 mn (2016: EUR 0.73 mn), for tax advisory services EUR nil (2016: EUR nil) and for other services EUR 0.03 mn (2016: EUR 0.12 mn).

37 Related parties

Under IAS 24, details of relationships with related parties and related enterprises not included in consolidation must be disclosed. Enterprises and individuals are considered to be related if one party is able to control or exercise significant influence over the business of the other. Österreichische Bundes- und Industriebeteiligungen GmbH, Vienna, holds an interest of 31.5% and International Petroleum Investment Company, Abu Dhabi, holds an interest of 24.9% in OMV Aktiengesellschaft; both are related parties under IAS 24.

In 2017, there were arm's-length supplies of goods and services between the Group and equity-accounted companies, except for gas purchases from OJSC Severneftegazprom which are not based on market prices but on cost plus defined margin.

Transactions with related parties – Sales and Receivables

EUR mn

	2017		2016	
	Sales and other income	Trade receivables	Sales and other income	Trade receivables
Borealis	1,126	101	1,015	10
GENOL Gesellschaft m.b.H. & Co KG	164	20	137	20
Enerco Enerji Sanayi Ve Ticaret A.Ş.	3	1	2	—
Erdöl-Lagergesellschaft m.b.H.	38	0	46	0
PEGAS CEGH Gas Exchange Services GmbH	1	0	8	—
Trans Austria Gasleitung GmbH	29	1	36	8
Total	**1,360**	**123**	**1,244**	**39**

Transactions with related parties – Purchases and Payables

EUR mn

	2017		2016	
	Purchases and services received	Trade payables	Purchases and services received	Trade payables
Borealis	44	5	35	10
GENOL Gesellschaft m.b.H. & Co KG	2	0	2	0
Deutsche Transalpine Oelleitung GmbH	28	1	26	2
Enerco Enerji Sanayi Ve Ticaret A.Ş.	171	16	157	16
Erdöl-Lagergesellschaft m.b.H.	77	56	62	34
OJSC Severneftegazprom	16	18	—	—
Trans Austria Gasleitung GmbH	21	2	11	1
Total	**359**	**100**	**294**	**63**

In 2017, OMV received dividend income of EUR 270 mn (2016: EUR 153 mn) from Borealis AG, EUR 5 mn (2016: EUR 14 mn) from Enerco Enerji Sanayi ve Ticaret A.Ş, EUR 11 mn (2016: EUR 9 mn) from Trans Austria Gasleitung GmbH, EUR 67 mn (2016: EUR nil) from Pearl Petroleum Company Limited, EUR 0 mn (2016: EUR 1 mn) from Freya Bunde-Etzel GmbH & Co. KG and EUR 15 mn (2016: EUR nil) from OJSC Severneftegazprom.

As of balance sheet date, other financial receivables in an amount of EUR 6 mn (2016: EUR 5 mn) were outstanding from Freya Bunde-Etzel GmbH & Co. KG.

As per December 31, 2017 there were other financial liabilities in an amount of EUR 4 mn (2016: EUR 0 mn) from Trans Austria Gasleitung GmbH.

At December 31, 2017 there was no outstanding loan to Pearl Petroleum Company Limited (2016: EUR 2 mn).

The balance of prepayments received from Erdöl-Lagergesellschaft m.b.H. amounted to EUR 153 mn at December 31, 2017 and is related to a long-term contract for the rendering of services (2016: EUR 157 mn).

The **remuneration received** by the Executive Board and former members of the Executive Board was made up as follows:

Remuneration received by the Executive Board

EUR mn

	2017								
	active members of the Executive Board as of December 31, 2017				former members of the Executive Board				
	Seele	Florey	Pleininger	Leitner	Davies [3,4]	Floren [5]	Huijskes [6]	Roiss [7]	**Total**
Short term benefits	**1.65**	**0.90**	**1.04**	**1.29**	**0.82**	**—**	**0.15**	**—**	**5.85**
Fixed (base salary)	0.90	0.60	0.57	0.70	0.22	—	—	—	**3.00**
Variable (cash bonus)	0.74	0.25	0.45	0.57	0.60	—	0.15	—	**2.76**
Benefits in kind	0.01	0.06 [1]	0.01	0.01	0.00	—	—	—	**0.10**
Post employment benefits	**0.23**	**0.15**	**0.14**	**0.18**	**0.05**	**—**	**—**	**—**	**0.75**
Pension fund contributions	0.23	0.15	0.14	0.18	0.05	—	—	—	**0.75**
Share based payments	**0.85**	**0.28**	**0.52**	**0.73**	**0.81**	**0.08**	**0.27**	**0.18**	**3.73**
Variable (Matching Share Plan)	0.85	0.28	0.52	0.66	0.69	—	0.17	—	**3.18**
Variable (LTIP)	—	—	— [2]	0.07	0.12	0.08	0.10	0.18	**0.54**
Total	**2.73**	**1.34**	**1.70**	**2.19**	**1.68**	**0.08**	**0.42**	**0.18**	**10.32**

1 Including schooling costs and related taxes
2 Johann Pleininger was entitled to EUR 0.04 mn based on the senior manager LTIP 2014 (paid out in cash)
3 David C. Davies resigned from the Executive Board effectively July 31, 2016
4 David C. Davies received payments under his employment contract in force until March 31, 2017 as well as bonus and LTIP payments in April 2017
5 Hans-Peter Floren resigned from the Executive Board effectively December 31, 2014
6 Jaap Huijskes resigned from the Executive Board effectively August 31, 2015
7 Gerhard Roiss resigned from the Executive Board effectively June 30, 2015

Remuneration received by the Executive Board

EUR mn

	2016								
	active members of the Executive Board as of December 31, 2016				former members of the Executive Board				
	Seele	Florey	Pleininger	Leitner	Davies [4,5]	Floren [6]	Huijskes [7]	Roiss [8,9]	**Total**
Short term benefits	**1.24**	**0.64**	**0.69**	**1.22**	**1.50**	—	**0.70**	**1.09**	**7.08**
Fixed (base salary)	0.90	0.56 [1]	0.55	0.70	0.89	—	0.18	—	**3.78**
Variable (cash bonus)	0.32	—	0.13	0.50	0.60	—	0.52	1.09 [10]	**3.17**
Benefits in kind	0.01	0.08 [2]	0.01	0.01	0.01	—	0.00	—	**0.13**
Post employment benefits	**0.23**	**0.08**	**0.14**	**0.18**	**0.32**	—	**0.04**	—	**0.97**
Pension fund contributions	0.23	0.08	0.14	0.18	0.32	—	0.04	—	**0.97**
Share based payments	**0.33**	**—**	**0.13**	**0.68**	**0.89**	**0.20**	**0.73**	**1.47**	**4.43**
Variable (Matching Share Plan)	0.33	—	0.13	0.51	0.61	—	0.53	1.09 [10]	**3.19**
Variable (LTIP)	—	—	— [3]	0.17	0.28	0.20	0.20	0.38	**1.24**
Total	**1.79**	**0.71**	**0.97**	**2.07**	**2.72**	**0.20**	**1.47**	**2.55**	**12.48**

1 Including EUR 0.26 mn linked to an obligation to buy OMV shares for the LTIP shareholding requirements
2 Including rent, home flights, relocation costs, schooling costs and related taxes
3 Johann Pleininger was entitled to EUR 0.10 mn based on the senior manager LTIP 2013 (paid out in cash)
4 David C. Davies resigned from the Executive Board effectively July 31, 2016
5 David C. Davies was entitled to bonus payments and payments under the Long Term Incentive Plans until March 31, 2017 which have been agreed as a lump-sum payment
6 Hans-Peter Floren resigned from the Executive Board effectively December 31, 2014
7 Jaap Huijskes resigned from the Executive Board effectively August 31, 2015
8 Gerhard Roiss resigned from the Executive Board effectively June 30, 2015
9 In addition to the remuneration received in 2016, Gerhard Roiss is entitled to bonus payments under the Long Term Incentive Plans based on target achievement
10 Including upfront bonus payments for the period January 2016 to March 2017

The members of the Executive Board and the members of the Supervisory Board are covered by directors and officers liability insurance (D&O) and legal costs insurance. A large number of other OMV employees also benefit from these two forms of insurance, and the insurers levy lump-sum premiums, which are not specifically attributed to the Board members.

In 2017, the total remuneration including share-based compensations of 42 top executives, excluding the Executive Board (2016: 47) amounted to EUR 24.8 mn (2016: EUR 29.9 mn), of which basic remuneration such as salaries and bonuses was EUR 17.9 mn (2016: EUR 21.4 mn) and EUR 1.3 mn (2016: EUR 1.5 mn) was related to pension fund contributions. Severance benefits amounted to EUR 1.8 mn (2016: EUR 4.0 mn), and other long-term benefits to EUR 0.1 mn (2016: EUR 0.1 mn).

See Note 32 for details on Long Term Incentive Plans and OMV Share Part of the Annual Bonus.

In 2017, remuneration expenses for the Supervisory Board amounted to EUR 0.7 mn (2016: EUR 0.5 mn).

38 Subsequent events

On February 28, 2018, OMV has agreed to sell its Upstream Business in Pakistan to Dragon Prime Hong Kong Limited, Hong Kong. The agreed sale price is EUR 157 mn, whereas in case of a dividend payment to OMV or capital increase by OMV the purchase price will be adjusted. The transaction is subject to conditions, including the relevant regulatory approvals. Closing is expected by end of 2018.

On March 14, 2018, the Supervisory Board approved that OMV exercises its right to call the EUR 750 mn hybrid bond issued on May 25, 2011.
The redemption will be made at par and OMV will repay the hybrid bond on April 26, 2018, which is the first call date.

39 Direct and indirect investments of OMV Aktiengesellschaft

Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31

	Parent company	Type of consoli-dation [1]	Equity interest in % as of December 31, 2017	Equity interest in % as of December 31, 2016
Upstream				
ENERGY PRODUCTION ENHANCEMENT SRL, Bucharest	PETROM	NC	99.99	99.99
	ROMAN		0.01	0.01
JSC GAZPROM YRGM Development, Salekhard [2]	OMVEP	C	0.00	
KOM MUNAI LLP, Aktau	PETROM	C	95.00	95.00
OJSC SEVERNEFTEGAZPROM, Krasnoselkup	OMVEP	AE	24.99	
OMV Abu Dhabi E&P GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Abu Dhabi Offshore GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Abu Dhabi Production GmbH, Vienna [3]	OMVEP	NC	100.00	
OMV (AFRICA) Exploration & Production GmbH in Liqu., Vienna (OAFR) [4]	OWEAFR	C	100.00	100.00
OMV AUSTRALIA PTY LTD, Perth (OAUST)	OMV AG	C	100.00	100.00
OMV Austria Exploration & Production GmbH, Vienna (OEPA)	OMVEP	C	100.00	100.00
OMV Barrow Pty Ltd, Perth	OAUST	NC	100.00	100.00
OMV Beagle Pty Ltd, Perth	OAUST	NC	100.00	100.00
OMV (Berenty) Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Bina Bawi GmbH, Vienna	PETEX	C	100.00	100.00
OMV Block 70 Upstream GmbH, Vienna	OMVEP	C	100.00	100.00
OMV East Abu Dhabi Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV (EGYPT) Exploration GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV Exploration & Production GmbH, Vienna (OMVEP)	OMV AG	C	100.00	100.00
OMV EXPLORATION & PRODUCTION LIMITED, Douglas	OMVEP	NC	100.00	100.00
OMV (FAROE ISLANDS) Exploration GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV (Gnondo) Exploration GmbH in Liqu., Vienna [4]	OAFR	C	100.00	100.00
OMV (Gnondo) Exploration S.A., Libreville [4]	OWEAFR	C	100.00	100.00
OMV (IRAN) onshore Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Jardan Block 3 Upstream GmbH, Vienna	OMVEP	C	100.00	100.00
OMV (Mandabe) Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV (Manga) Exploration GmbH in Liqu., Vienna [4]	OAFR	C	100.00	100.00
OMV (Manga) Exploration S.A., Libreville [4]	OWEAFR	C	100.00	100.00
OMV Maurice Energy GmbH, Vienna (MAURI)	OMVEP	C	100.00	100.00
OMV Maurice Energy Limited, Port Louis	MAURI	C	100.00	100.00

Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31

	Parent company	Type of consoli-dation [1]	Equity interest in % as of December 31, 2017	Equity interest in % as of December 31, 2016
OMV (Mbeli) Exploration GmbH in Liqu., Vienna [4]	OAFR	C	100.00	100.00
OMV (Mbeli) Exploration S.A., Libreville [4]	OWEAFR	C	100.00	100.00
OMV Middle East & Africa GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Myrre Block 86 Upstream GmbH, Vienna	OMVEP	C	100.00	100.00
OMV (Namibia) Exploration GmbH, Vienna	ONAFRU	C	100.00	100.00
OMV New Zealand Limited, Wellington (NZEA)	OMVEP	C	100.00	100.00
OMV (NORGE) AS, Stavanger	OMVEP	C	100.00	100.00
OMV (Ntsina) Exploration GmbH in Liqu., Vienna [4]	OAFR	C	100.00	100.00
OMV (Ntsina) Exploration S.A., Libreville [4]	OWEAFR	C	100.00	100.00
OMV OF LIBYA LIMITED, Douglas	OMVEP	C	100.00	100.00
OMV Offshore (Namibia) GmbH, Vienna (ONAFRU)	OMVEP	C	100.00	100.00
OMV Offshore Bulgaria GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Offshore Morondava GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Offshore Silistar Bulgaria GmbH in Liqu., Vienna [5]	OMVEP			100.00
OMV Oil and Gas Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Oil Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Oil Production GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Orient Hydrocarbon GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV Orient Upstream GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV Oystercatcher Exploration GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV (PAKISTAN) Exploration Gesellschaft m.b.H., Vienna	OMVEP	C	100.00	100.00
OMV Petroleum Exploration GmbH, Vienna (PETEX)	OMVEP	C	100.00	100.00
OMV Petroleum Pty Ltd, Perth	NZEA	NC	100.00	100.00
OMV Proterra GmbH, Vienna	OEPA	NC	100.00	100.00
OMV Russia Upstream GmbH, Vienna	OMV	C	100.00	
OMV Tellal Hydrocarbons GmbH in Liqu., Vienna [5]	OMVEP			100.00
OMV (Tunesien) Production GmbH, Vienna (OTNPRO)	OMVEP	C	100.00	100.00
OMV (TUNESIEN) Sidi Mansour GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV Tunisia Upstream GmbH, Vienna	OMVEP	C	100.00	
OMV (U.K.) Limited, London [6]	OMVEP			100.00
OMV Upstream International GmbH, Vienna (OUPI)	OMVEP	C	100.00	100.00
OMV (West Africa) Exploration & Production GmbH, Vienna (OWEAFR)	OMVEP	C	100.00	100.00
OMV (YEMEN) Al Mabar Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV (Yemen Block S 2) Exploration GmbH, Vienna	OMVEP	C	100.00	100.00
OMV (YEMEN) South Sanau Exploration GmbH, Vienna	OMVEP	NC	100.00	100.00
Pearl Petroleum Company Limited, Road Town	OUPI	AE	10.00	10.00
PEI Venezuela Gesellschaft mit beschränkter Haftung, Burghausen	OMVEP	NC	100.00	100.00
Petroleum Infrastructure Limited, Wellington	NZEA	C	100.00	100.00
PETROM EXPLORATION & PRODUCTION LIMITED, Douglas	PETROM	C	99.99	99.99
Preussag Energie International GmbH, Burghausen	OMVEP	C	100.00	100.00
Société de Recherches et d'Exploitation des Pétroles en Tunisie, Tunis [6]	OTNPRO			50.00
Tasbulat Oil Corporation BVI, Saint Helier [5]	PETROM			100.00
TASBULAT OIL CORPORATION LLP, Aktau	PETROM	C	100.00	100.00
Thyna Petroleum Services S.A., Sfax	OTNPRO	NAE	50.00	50.00

Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31

	Parent company	Type of consoli-dation [1]	Equity interest in % as of December 31, 2017	Equity interest in % as of December 31, 2016
Downstream Oil				
Abu Dhabi Petroleum Investments LLC, Abu Dhabi	OMVRM	NAE	25.00	25.00
Aircraft Refuelling Company GmbH, Vienna	OMVRM	NAE	33.33	33.33
Autobahn – Betriebe Gesellschaft m.b.H., Vienna	OMVRM	NAE	47.19	47.19
Borealis AG, Vienna	OMVRM	AE	32.67	32.67
	OMV AG		3.33	3.33
BRAZI OIL & ANGHELESCU PROD COM SRL, Brazi [4]	PETROM	NAE	37.70	37.70
BSP Bratislava-Schwechat Pipeline GmbH, Vienna	OMVRM	NAE	26.00	26.00
BTF Industriepark Schwechat GmbH, Vienna	OMVRM	NAE	50.00	50.00
Deutsche Transalpine Oelleitung GmbH, Munich	OMVD	AE	25.00	25.00
DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft., Budapest	OHUN	NAE	48.28	48.28
E-Mobility Provider Austria GmbH, Vienna	OMVRM	AE2	40.00	
EPS Ethylen-Pipeline-Süd GmbH & Co KG, Munich	OMVD	AE	20.66	20.66
Erdöl-Lagergesellschaft m.b.H., Lannach	OMVRM	AE1	55.60	55.60
Erk Petrol Yatırımları A.Ş., Istanbul (ERK) [6]	POAS			100.00
FE-Trading Deutschland GmbH, Berchtesgaden	FETRAT	C	100.00	
FE-Trading GmbH, Anif (FETRAT)	OMVRM	C	100.00	100.00
FE-Trading trgovina d.o.o., Ljubljana	FETRAT	C	100.00	100.00
FRANCIZA PETROM 2001 SA, Piteşti [5]	PETROM			40.00
GENOL Gesellschaft m.b.H., Vienna	OMVRM	NAE	29.00	29.00
GENOL Gesellschaft m.b.H. & Co, Vienna	OMVRM	AE	29.00	29.00
Haramidere Depoculuk Anonim Şirketi, Istanbul	OMVRM	C	51.00	
	GASTR		49.00	
KSW Beteiligungsgesellschaft m.b.H., Feldkirch (SWJS)	OMVRM	NC	100.00	
KSW Elektro- und Industrieanlagenbau Gesellschaft m.b.H., Feldkirch	SWJS	NAE	25.10	
Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi, Istanbul [6]	POAS			45.00
OMV Adriatic Marketing d.o.o., Zagreb	OMVRM	NC	100.00	
OMV BULGARIA OOD, Sofia	PETROM	C	99.90	99.90
	OMVRM		0.10	0.10
OMV Česká republika, s.r.o., Prague	OMVRM	C	100.00	100.00
OMV Deutschland GmbH, Burghausen (OMVD)	OMVRM	C	90.00	90.00
	OMV AG		10.00	10.00
OMV Hungária Ásványolaj Korlátolt Felelösségü Társaság, Budapest (OHUN)	OMVRM	C	100.00	100.00
OMV – International Services Ges.m.b.H., Vienna	OMVRM	C	100.00	100.00
OMV Petrol Ofisi A.Ş., Istanbul (POAS) [6]	OTHOLD			100.00
OMV PETROM Aviation S.A.,Otopeni [7]	PETROM	C	99.99	99.99
	ROMAN		0.01	0.01
OMV PETROM MARKETING SRL, Bucharest (ROMAN)	PETROM	C	100.00	100.00
OMV Refining & Marketing GmbH, Vienna (OMVRM)	OMV AG	C	100.00	100.00
OMV Refining & Marketing Middle East & Asia GmbH, Vienna	OMVRM	C	100.00	
OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o., Koper	OMVRM	C	92.25	92.25
OMV Slovensko s.r.o., Bratislava	OMVRM	C	99.96	99.96

Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31

	Parent company	Type of consolidation [1]	Equity interest in % as of December 31, 2017	Equity interest in % as of December 31, 2016
OMV SRBIJA d.o.o., Belgrade	PETROM	C	99.96	99.96
	OMVRM		0.04	0.04
OMV Supply & Trading AG, Zug (OSUP)	OMVRM	C	100.00	100.00
OMV Supply & Trading Limited, London	OMVRM	C	100.00	100.00
OMV Supply & Trading Singapore PTE LTD., Singapore	OSUP	NC	100.00	100.00
Petrol Ofisi Havacilik Operasyonlari A.Ş., Istanbul [6]	POAS			100.00
PETROM NADLAC SRL, Nadlac [5]	PETROM			98.51
	ROMAN			1.49
Petrom-Moldova S.R.L., Chisinau	PETROM	C	100.00	100.00
Routex B.V., Amsterdam	OMVRM	NAE	20.00	20.00
Salzburg Fuelling GmbH, Salzburg	OMVRM	NAE	33.33	33.33
Società Italiana per l'Oleodotto Transalpino S.p.A., Trieste [3]	OMVRM	AE	25.00	25.00
SMATRICS GmbH & Co KG, Vienna	OMVRM	AE2	40.00	
SuperShop Marketing GmbH, Budapest	OHUN	NAE	50.00	50.00
TGN Tankdienst-Gesellschaft Nürnberg GbR, Nuremberg	OMVD	NAE	33.33	33.33
TRANS GAS LPG SERVICES SRL, Bucharest	PETROM	NC	80.00	80.00
Transalpine Ölleitung in Österreich Gesellschaft m.b.H., Matrei in Osttirol	OMVRM	AE	25.00	25.00
Downstream Gas				
ADRIA LNG d.o.o., Zagreb [5]	OGI			32.47
AGCS Gas Clearing and Settlement AG, Vienna	OGG	NAE	23.13	23.13
AGGM Austrian Gas Grid Management AG, Vienna	OGG	C	51.00	51.00
Central European Gas Hub AG, Vienna (HUB)	OGI	C	65.00	65.00
Enerco Enerji Sanayi Ve Ticaret A.Ş., Istanbul	OGI	AE	40.00	40.00
Freya Bunde-Etzel GmbH & Co. KG, Bonn	OGSG	AE	39.99	39.99
GAS CONNECT AUSTRIA GmbH, Vienna (OGG)	OGI	C	51.00	51.00
NABUCCO Gas Pipeline International GmbH in Liqu., Vienna (NABUC) [5]	OGI			35.86
OMV Enerji Ticaret Anonim Şirketi, Istanbul (GASTR) [7]	OGI	C	100.00	100.00
OMV Gas & Power GmbH, Vienna (OGI)	OMV AG	C	100.00	100.00
OMV Gas Marketing & Trading d.o.o., Zagreb	ECOGAS	C	100.00	100.00
OMV Gas Marketing & Trading Deutschland GmbH, Regensburg	ECOGAS	C	100.00	100.00
OMV Gas Marketing & Trading GmbH, Vienna (ECOGAS)	OGI	C	100.00	100.00
OMV Gas Marketing & Trading Hungária Kft., Budapest	ECOGAS	C	100.00	100.00
OMV Gas Marketing & Trading Italia S.r.l., Milan	ECOGAS	C	100.00	100.00
OMV Gas Marketing Trading & Finance B.V., Amsterdam	OFS	C	100.00	100.00
OMV Gas Storage Germany GmbH, Cologne (OGSG)	OGI	C	100.00	100.00
OMV Gas Storage GmbH, Vienna	OGI	C	100.00	100.00
OMV Gaz Iletim A.S., Istanbul [7]	OGI	C	100.00	100.00
OMV Gaz Ve Enerji Holding Anonim Şirketi, Istanbul [8]	OTHOLD			100.00
OMV Kraftwerk Haiming GmbH, Haiming	OGI	C	100.00	100.00
OMV PETROM GAS SRL, Bucharest	PETROM	C	99.99	99.99
OMV Petrom Wind Power SRL, Bucharest [6]	PETROM			99.99
OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş., Istanbul (BORASC)	OGI	C	100.00	100.00
OMV Switzerland Holding AG, Zug	OGI	C	100.00	100.00

Direct and indirect investments of OMV Aktiengesellschaft with an interest of at least 20% as of December 31

	Parent company	Type of consoli-dation [1]	Equity interest in % as of December 31, 2017	Equity interest in % as of December 31, 2016
OMV Trading GmbH, Vienna [9]	OGI			100.00
PEGAS CEGH Gas Exchange Services GmbH, Vienna	HUB	AE	49.00	49.00
South Stream Austria GmbH, Vienna	OGI	NAE	50.00	50.00
Trans Austria Gasleitung GmbH, Vienna [10]	OGG	AE2	15.53	15.53
Corporate and Other				
Amical Insurance Limited, Douglas (AMIC) [11,12]	OMV AG	NC	100.00	100.00
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII, Bucharest	PETROM	NAE	20.00	20.00
Diramic Insurance Limited, Gibraltar [7]	OMV AG	C	100.00	100.00
OMV Clearing und Treasury GmbH, Vienna	SNO	C	100.00	100.00
OMV Finance Services GmbH, Vienna (OFS)	SNO	C	100.00	100.00
OMV Finance Services NOK GmbH, Vienna	SNO	C	100.00	100.00
OMV Finance Solutions USD GmbH, Vienna	SNO	C	100.00	100.00
OMV Insurance Broker GmbH, Vienna	OMV AG	NC	100.00	100.00
OMV International Oil & Gas GmbH, Zug	OMV AG	C	100.00	100.00
OMV Petrol Ofisi Holding Anonim Şirketi, Istanbul (OTHOLD) [6]	OMV AG			100.00
OMV Petrom Global Solutions SRL, Bucharest	SNO	C	75.00	75.00
	PETROM		25.00	25.00
OMV Solutions GmbH, Vienna (SNO)	OMV AG	C	100.00	100.00
PETROMED SOLUTIONS SRL, Bucharest	PETROM	C	99.99	99.99
Petrom				
OMV PETROM SA, Bucharest (PETROM) [13]	OMV AG	C	51.01	51.01

[1] Type of consolidation:
- C Consolidated subsidiary
- AE Associated companies accounted for at-equity
- AE1 Despite majority interest not consolidated due to absence of control
- AE2 Joint venture accounted at-equity
- NC Not-consolidated subsidiary; shell or distribution companies of relative insignificance individually and collectively to the consolidated financial statements
- NAE Other investment recognized at-cost; associated companies of relatively little importance to the assets and earnings of the consolidated financial statements

[2] Economic share 99.99%
[3] Registered name of the company was changed compared to 2016
[4] In liquidation
[5] Company was liquidated /dissolved in 2017
[6] Company was sold in 2017
[7] Parent company was changed compared to 2016
[8] OMV Gaz Ve Enerji Holding Anonim Şirketi was merged with OMV Enerji Ticaret Anonim Şirketi as of September 7, 2017
[9] OMV Trading GmbH was merged with OMV Gas Marketing & Trading GmbH as of June 1, 2017
[10] Economic share 10.78%
[11] Type of consolidation was changed compared to 2016
[12] Amical Insurance Limited was liquidated on February 14, 2018
[13] OMV Petrom SA is assigned to the relevant segments in the segment reporting

All the subsidiaries which are not consolidated either have low business volumes or are distribution companies; the total sales, net income/losses and equity of such companies represent less than 1% of the Group totals.

Oil and Gas Reserve Estimation and Disclosures (unaudited)

The following tables provide supplementary information in respect of the Group's oil and gas activities. In the absence of detailed disclosure rules in this area under IFRS, the Group has elected to voluntarily disclose the data that would have been required under the ASC 932 as if it was reporting under US GAAP.

To the extent that information refers to financial statements data, the information is based on the primary financial statements (IFRS financial statements).

The regional structure is presented below:

Romania and Black Sea	Kazakhstan and Romania
Austria Region	Austria and Ukraine (until 2015)
North Sea	Norway, Faroe Islands (until 2015) and United Kingdom (until 2017)
Australasia	Australia and New Zealand
Russia	Russia
Middle East and Africa	Bulgaria, Iran (currently under evaluation), Kurdistan Region of Iraq, Libya, Madagascar, Pakistan, Tunisia, United Arab Emirates, Yemen, Algeria (until 2016), Gabon (until 2016) and Namibia (until 2016)

Two subsidiaries in Pakistan were reported as "held for sale" at the end of 2017. The sale agreement for the divestment of Pakistan disposal group was signed on February 28, 2018.

The subsidiary in the United Kingdom was reported as "held for sale" at the end of 2016. The closing of the sale transaction occurred on January 13, 2017. The disclosures below include the related amounts of OMV (U.K.) Limited and of the Pakistan subsidiaries.

In 2017, OMV acquired a 24.99% interest in Yuzhno Russkoye gas field in Russia. The transaction was closed on November 30, 2017 and comprised the 24.99% interest in OJSC Severneftegazprom (at-equity consolidated) and the 99.99% economic interest in JSC Gazprom YRGM Development (fully consolidated) (see Note 3 for further details).

As OMV holds 51% of OMV Petrom, it is fully consolidated; figures therefore include 100% of OMV Petrom assets and results.

OMV holds a 10% interest in Pearl Petroleum Company Limited which is accounted for as an equity method investment.

The disclosures of equity-accounted investments represent the interest of OMV in the companies.

The subsequent tables may contain rounding differences.

a) Capitalized costs

Capitalized costs represent the sum of capitalized oil and gas assets, including other intangible assets and property, plant and equipment such as land, plant and machinery, concessions, licenses and rights.

Capitalized costs - subsidiaries

EUR mn

	2017	2016	2015
Unproved oil and gas properties	2,116	2,392	2,832
Proved oil and gas properties	22,372	23,561	22,333
Total	**24,489**	**25,952**	**25,164**
Accumulated depreciation	(13,487)	(14,266)	(12,572)
Net capitalized costs	**11,002**	**11,686**	**12,592**

Capitalized costs – equity accounted investments

EUR mn

	2017	2016	2015
Unproved oil and gas properties	262	237	—
Proved oil and gas properties	157	119	—
Total	**420**	**356**	—
Accumulated depreciation	(22)	(16)	—
Net capitalized costs	**397**	**340**	—

b) Costs incurred

Costs incurred include all costs, capitalized or expensed, during the year in the Group's oil and gas property acquisition, exploration and development activities.

Costs incurred

EUR mn

	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	**Total**
				2017			
Subsidiaries							
Acquisition of proved properties	—	—	2	—	521	—	**523**
Acquisition of unproved properties	—	—	—	—	584	—	**584**
Exploration costs [1]	53	16	55	14	—	92	**230**
Development costs [2]	511	86	257	25	—	119	**998**
Costs incurred	**564**	**102**	**314**	**39**	**1,106**	**210**	**2,335**
Equity-accounted investments	—	—	—	—	**117**	**5**	**122**
				2016			
Subsidiaries							
Acquisition of proved properties	—	—	1	—	—	302	**304**
Acquisition of unproved properties	—	—	1	—	—	—	**1**
Exploration costs [1]	77	5	106	18	—	103	**307**
Development costs [2]	422	60	515	43	—	188	**1,228**
Costs incurred	**498**	**65**	**623**	**61**	**—**	**593**	**1,840**
Equity-accounted investments	—	—	—	—	—	—	—

Costs incurred

EUR mn

	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	**Total**
				2015			
Subsidiaries							
Acquisition of proved properties	—	—	—	—	—	—	—
Acquisition of unproved properties	—	—	22	—	—	—	**22**
Exploration costs [1]	331	26	123	6	—	120	**607**
Development costs [2]	599	110	888	94	—	202	**1,894**
Costs incurred	**931**	**136**	**1,033**	**101**	**—**	**322**	**2,523**
Equity-accounted investments	—	—	—	—	—	—	—

[1] In Norway, exploration represents the costs less a 78% refund of the deductible costs for 2015 and 2016

[2] Not including capitalized interest costs

c) Results of operations of oil and gas producing activities

The following table represents only those revenues and expenses which occur directly in connection with OMV´s oil and gas producing operations. The results of oil and gas activities should not be equated to Upstream net income since interest costs, general corporate overhead costs and other costs are not allocated. Income taxes are hypothetically calculated, based on the statutory tax rates and the effect of tax credits on investments and loss carryforwards.

Results of operations of oil and gas producing activities

EUR mn

	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	Total
				2017			
Subsidiaries							
Sales to unaffiliated parties [1]	95	(50)	810	116	56	301	**1,329**
Intercompany sales and sales to affiliated parties	1,698	382	316	137	—	258	**2,791**
	1,792	**333**	**1,126**	**253**	**56**	**559**	**4,118**
Production costs	(550)	(89)	(191)	(45)	0	(62)	**(937)**
Royalties	(203)	(70)	—	(33)	—	(5)	**(311)**
Exploration expenses	(69)	(17)	(52)	(14)	—	(69)	**(222)**
Depreciation, amortization and impairment losses	(529)	(120)	(485)	(79)	(10)	(107)	**(1,330)**
Other costs [2]	(52)	(10)	(39)	(9)	(41)	(26)	**(177)**
	(1,404)	**(306)**	**(767)**	**(180)**	**(51)**	**(269)**	**(2,978)**
Results before income taxes	**388**	**27**	**359**	**72**	**5**	**289**	**1,141**
Income taxes [3]	(65)	(7)	(276)	(17)	(1)	(273)	**(640)**
Results from oil and gas properties	**323**	**19**	**83**	**55**	**4**	**16**	**501**
Net income of equity-accounted investments	**—**	**—**	**—**	**—**	**(1)**	**108**	**107**
				2016			
Subsidiaries							
Sales to unaffiliated parties [1]	93	13	673	145	—	88	**1,013**
Intercompany sales and sales to affiliated parties	1,533	292	204	82	—	89	**2,201**
Result from asset sales	2	(1)	(20)	15	—	1	**(2)**
	1,628	**304**	**857**	**243**	**—**	**179**	**3,211**
Production costs	(506)	(85)	(236)	(48)	—	(63)	**(938)**
Royalties	(201)	(56)	—	(27)	—	(6)	**(290)**
Exploration expenses	(60)	(6)	(660)	(19)	—	(63)	**(808)**
Depreciation, amortization and impairment losses	(563)	(132)	(1,095)	(71)	—	(186)	**(2,047)**
Other costs [2]	(160)	(13)	(20)	(10)	—	(28)	**(230)**
	(1,490)	**(293)**	**(2,010)**	**(174)**	**—**	**(347)**	**(4,314)**
Results before income taxes	**138**	**11**	**(1,153)**	**69**	**—**	**(168)**	**(1,103)**
Income taxes [3]	(20)	(1)	(5)	(11)	—	(10)	**(47)**
Results from oil and gas properties	**118**	**10**	**(1,158)**	**58**	**—**	**(179)**	**(1,150)**
Net income of equity-accounted investments	**—**	**—**	**—**	**—**	**—**	**14**	**14**

Results of operations of oil and gas producing activities

EUR mn

	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	**Total**
				2015			
Subsidiaries							
Sales to unaffiliated parties [1]	131	44	508	220	—	151	**1,054**
Intercompany sales and sales to affiliated parties	1,866	437	224	142	—	120	**2,789**
Result from asset sales	(2)	0	20	—	—	(2)	**16**
	1,995	**480**	**752**	**362**	**—**	**269**	**3,858**
Production costs	(721)	(107)	(246)	(62)	—	(108)	**(1,243)**
Royalties	(237)	(81)	—	(31)	—	(12)	**(361)**
Exploration expenses	(146)	(16)	(142)	(38)	—	(365)	**(707)**
Depreciation, amortization and impairment losses	(1,259)	(167)	(682)	(403)	—	(1,227)	**(3,738)**
Other costs [2]	(25)	(8)	12	(22)	—	(10)	**(52)**
	(2,388)	**(379)**	**(1,058)**	**(555)**	**—**	**(1,722)**	**(6,101)**
Results before income taxes	**(393)**	**101**	**(306)**	**(193)**	**—**	**(1,452)**	**(2,243)**
Income taxes [3]	49	(38)	90	(35)	—	(6)	**59**
Results from oil and gas properties	**(345)**	**63**	**(217)**	**(228)**	**—**	**(1,458)**	**(2,184)**
Net income of equity-accounted investments	**—**	**—**	**—**	**—**	**—**	**—**	**—**

[1] Includes hedging effects; Austria Region includes hedging effects of centrally managed derivatives (2017: EUR (72) mn, 2016: EUR (9) mn, 2015: EUR 53 mn)
[2] Includes inventory changes
[3] Income taxes in North Sea, Australasia and Middle East and Africa include corporation tax and special petroleum tax

d) Oil and gas reserve quantities

Proved reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Proved developed reserves are those proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods, or in which the costs of the required equipment are relatively minor compared with the cost of a new well and through installed extraction equipment and infrastructure operational at the time of the reserves estimate. It should be reasonably certain that the required future expenditure will be made to safeguard existing equipment within the current budget.

Proved undeveloped reserves are those proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion or substantial new investment is required in order to safeguard or replace ageing facilities.

Crude oil and NGL

mn bbl

	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	**Total**
Proved developed and undeveloped reserves - Subsidiaries							
as of January 1, 2015	**371.7**	**45.4**	**71.4**	**12.5**	**—**	**114.7**	**615.8**
Revisions of previous estimates	19.9	3.2	22.3	1.6	—	(3.2)	**43.8**
Extensions and discoveries	0.0	0.1	—	—	—	—	**0.1**
Production	(30.4)	(5.7)	(11.6)	(4.1)	—	(3.5)	**(55.4)**
as of December 31, 2015	**361.2**	**43.0**	**82.1**	**10.0**	**—**	**108.0**	**604.3**
Revisions of previous estimates	19.3	3.3	14.4	1.9	—	(1.6)	**37.3**
Purchases	—	—	—	—	—	35.1	**35.1**
Disposal	—	—	(0.5)	—	—	—	**(0.5)**
Extensions and discoveries	0.2	—	—	—	—	0.4	**0.6**
Production	(29.1)	(5.1)	(17.3)	(3.3)	—	(3.0)	**(57.9)**
as of December 31, 2016	**351.5**	**41.2**	**78.7**	**8.5**	**—**	**138.9**	**618.9**
Revisions of previous estimates	19.5	1.4	15.1	(0.6)	—	2.1	**37.5**
Disposal	(2.3)	—	(27.5)	—	—	(3.5)	**(33.4)**
Extensions and discoveries	—	—	—	—	—	0.4	**0.4**
Production	(27.3)	(4.6)	(18.7)	(2.9)	—	(11.2)	**(64.8)**
as of December 31, 2017	**341.4**	**38.0**	**47.6**	**5.0**	**—**	**126.7**	**558.6**
Proved developed and undeveloped reserves – Equity-accounted investments							
as of December 31, 2015	—	—	—	—	—	—	**—**
as of December 31, 2016	—	—	—	—	—	8.6	**8.6**
as of December 31, 2017	—	—	—	—	—	12.2	**12.2**
Proved developed reserves – Subsidiaries							
as of December 31, 2015	330.7	40.6	40.2	10.0	—	92.0	**513.5**
as of December 31, 2016	322.5	39.2	43.5	8.5	—	123.4	**537.1**
as of December 31, 2017	309.5	36.5	38.9	5.0	—	112.7	**502.5**
Proved developed reserves – Equity-accounted investments							
as of December 31, 2015	—	—	—	—	—	—	**—**
as of December 31, 2016	—	—	—	—	—	8.6	**8.6**
as of December 31, 2017	—	—	—	—	—	12.2	**12.2**

Gas

bcf

	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	**Total**
Proved developed and undeveloped reserves - Subsidiaries							
as of January 1, 2015	**1,722.0**	**278.9**	**414.7**	**105.8**	**—**	**137.1**	**2,658.5**
Revisions of previous estimates	(2.2)	2.8	2.0	3.5	—	7.8	**14.0**
Extensions and discoveries	10.9	1.0	—	—	—	—	**12.0**
Production	(187.9)	(35.9)	(36.4)	(19.0)	—	(30.3)	**(309.5)**
as of December 31, 2015 [1]	**1,542.9**	**246.9**	**380.3**	**90.4**	**—**	**114.5**	**2,375.0**
Revisions of previous estimates	18.9	13.6	33.1	2.7	—	(3.5)	**64.7**
Disposals	—	—	(0.6)	—	—	—	**(0.6)**
Extensions and discoveries	1.1	1.1	—	—	—	7	**9.1**
Production	(187.0)	(31.2)	(52.3)	(20.3)	—	(24.1)	**(314.9)**
as of December 31, 2016 [1]	**1,375.9**	**230.3**	**360.5**	**72.8**	**—**	**93.9**	**2,133.4**
Revisions of previous estimates	24.1	23.0	92.8	5.5	—	(1.1)	**144.4**
Disposals	(3.0)	—	(16.6)	—	—	(1.7)	**(21.3)**
Extensions and discoveries	0.0	—	—	—	—	1.4	**1.4**
Production	(182.9)	(34.2)	(61.6)	(20.0)	—	(18.2)	**(316.9)**
as of December 31, 2017 [1]	**1,214.1**	**219.1**	**375.0**	**58.4**	**—**	**74.3**	**1,941.0**
Proved developed and undeveloped reserves – Equity-accounted investments							
as of December 31, 2015	—	—	—	—	—	—	**—**
as of December 31, 2016	—	—	—	—	—	131.0	**131.0**
as of December 31, 2017	—	—	—	—	1,166.3	209.0	**1,375.3**
Proved developed reserves – Subsidiaries							
as of December 31, 2015	1,179.3	163.9	137.0	90.4	—	62.7	**1,633.3**
as of December 31, 2016	1,208.4	148.7	155.8	72.8	—	39.6	**1,625.3**
as of December 31, 2017	1,071.9	141.7	159.7	58.4	—	29.2	**1,460.9**
Proved developed reserves – Equity-accounted investments							
as of December 31, 2015	—	—	—	—	—	—	**—**
as of December 31, 2016	—	—	—	—	—	131.0	**131.0**
as of December 31, 2017	—	—	—	—	1,166.3	209.0	**1,375.3**

[1] 2017: Including approximately 68.4 bcf of cushion gas held in storage reservoirs
2016: Including approximately 72 bcf of cushion gas held in storage reservoirs
2015: Including approximately 72 bcf of cushion gas held in storage reservoirs

e) Standardized measure of discounted future net cash flows

The future net cash flow information is based on the assumption that the prevailing economic and operating conditions will persist throughout the time during which proved reserves will be produced. Neither the effects of future pricing changes nor expected changes in technology and operating practices are considered.

Future cash inflows represent the revenues received from production volumes, including cushion gas held in storage reservoirs, assuming that the future production is sold at prices used in estimating year-end quantities of proved reserves (12 months average price). Future production costs include the estimated expenditures for production of the proved reserves plus any production taxes without consideration of future inflation. Future decommissioning costs comprise the net costs associated with decommissioning wells and facilities. Future development costs include the estimated costs of development drilling and installation of production facilities. For all three categories year-end costs without consideration of inflation are assumed. Future income tax payments are calculated on the basis of the income tax rate applicable in each of the countries in which the Group operates. The present cash value results from the discounting of the future net cash flow at a discount rate of 10% per year. The standardized measure does not purport to be an estimate of the fair value of the Group's proven reserves. An estimate of fair value would also take into account, amongst many other factors, the expected recovery of reserves in excess of proved reserves, anticipated changes in future prices and costs as well as a discount factor representative of the risks inherent in the production of oil and gas.

Standardized measure of discounted future net cash flows

EUR mn

	Subsidiaries and equity-accounted investments						
	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Russia	Middle East and Africa	**Total**
Subsidiaries				**2017**			
Future cash inflows	18,067	2,803	4,131	551	3,080	6,390	**35,021**
Future production and decommissioning costs	(9,927)	(1,856)	(1,922)	(489)	(2,176)	(1,346)	**(17,716)**
Future development costs	(1,811)	(381)	(273)	(24)	0	(418)	**(2,907)**
Future net cash flows, before income taxes	**6,329**	**566**	**1,936**	**38**	**904**	**4,626**	**14,398**
Future income taxes	(447)	(43)	(677)	11	(223)	(2,929)	**(4,308)**
Future net cash flows, before discount	**5,882**	**523**	**1,259**	**48**	**681**	**1,697**	**10,091**
10% annual discount for estimated timing of cash flows	(2,643)	(119)	(192)	44	(167)	(714)	**(3,790)**
Standardized measure of discounted future net cash flows	**3,239**	**404**	**1,067**	**92**	**515**	**983**	**6,300**
Equity-accounted investments	—	—	—	—	82	143	225
Subsidiaries				2016			
Future cash inflows	15,489	2,481	4,697	597	—	5,056	**28,321**
Future production and decommissioning costs	(11,266)	(1,668)	(2,540)	(598)	—	(1,416)	**(17,488)**
Future development costs	(2,009)	(336)	(421)	(34)	—	(662)	**(3,462)**
Future net cash flows, before income taxes	**2,214**	**478**	**1,736**	**(35)**	**—**	**2,978**	**7,370**
Future income taxes	(24)	(46)	226	17	—	(1,694)	**(1,521)**
Future net cash flows, before discount	**2,189**	**432**	**1,962**	**(18)**	**—**	**1,284**	**5,849**
10% annual discount for estimated timing of cash flows	(869)	(114)	(470)	54	—	(579)	**(1,978)**
Standardized measure of discounted future net cash flows	**1,321**	**318**	**1,491**	**36**	**—**	**705**	**3,872**
Equity-accounted investments	**—**	**—**	**—**	**—**	**—**	**110**	**110**

Standardized measure of discounted future net cash flows

EUR mn

	Subsidiaries and equity-accounted investments						
	Romania and Black Sea	Austria Region	North Sea	Australasia	Russia	Middle East and Africa	**Total**
Subsidiaries				2015			
Future cash inflows	20,474	3,506	6,342	996	—	6,054	**37,372**
Future production and decommissioning costs	(13,639)	(2,265)	(3,062)	(663)	—	(1,166)	**(20,795)**
Future development costs	(2,496)	(364)	(642)	(58)	—	(536)	**(4,095)**
Future net cash flows, before income taxes	**4,340**	**877**	**2,639**	**274**	**—**	**4,352**	**12,482**
Future income taxes	(159)	(292)	(133)	(71)	—	(2,758)	**(3,413)**
Future net cash flows, before discount	**4,181**	**584**	**2,506**	**203**	**—**	**1,594**	**9,069**
10% annual discount for estimated timing of cash flows	(1,922)	(148)	(775)	(10)	—	(668)	**(3,522)**
Standardized measure of discounted future net cash flows	**2,259**	**436**	**1,731**	**194**	**—**	**926**	**5,546**
Equity-accounted investments	**—**	**—**	**—**	**—**	**—**	**—**	**—**

f) Changes in the standardized measure of discounted future net cash flows

Changes in the standardized measure of discounted future net cash flows

EUR mn

Subsidiaries	**2017**	2016	2015
Beginning of year	**3,872**	**5,546**	**11,133**
Oil and gas sales and transfers produced, net of production costs	(1,365)	(1,842)	(4,193)
Net change in prices and production costs	4,140	(3,719)	(9,915)
Net change due to purchases and sales of minerals in place	309	294	—
Net change due to extensions and discoveries	—	3	9
Development and decommissioning costs incurred during the period	795	999	1,224
Changes in estimated future development and decommissioning costs	(536)	(351)	(214)
Revisions of previous reserve estimates	748	1,246	1,344
Accretion of discount	324	517	1,063
Net change in income taxes	(1,780)	1,279	4,622
Other [1]	(207)	(100)	474
End of year	**6,300**	**3,872**	**5,546**
Equity-accounted investments	**225**	**110**	—

[1] Contains movements in foreign exchange rates vs. the EUR

Vienna, March 14, 2018

The Executive Board

Rainer Seele m.p.
Chairman

Reinhard Florey m.p.

Johann Pleininger m.p.
Deputy Chairman

Manfred Leitner m.p.

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FURTHER INFORMATION

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Consolidated Report on the Payments Made to Governments

Section 267c of the Austrian Commercial Code

Section 267c of the Austrian Commercial Code (UGB) requires that large undertakings and public interest entities that are active in the extractive industry or logging of primary forests prepare the following consolidated report on payments to governments. This section implements Chapter 10 of EU Accounting Directive (2013/34/EU). The "Basis of preparation" paragraph provides information to the reader about the contents of the report. This also includes information on the type of payment for which disclosure is required and how OMV has implemented the regulations in the preparation of the report.

Basis of preparation

Reporting entities

Under the requirements of the regulation, OMV Aktiengesellschaft is required to prepare a consolidated report covering payments made to governments for each financial year in relation to extractive activities by itself and any subsidiary undertakings included in the consolidated Group financial statements.

Activities within the scope of the report

Payments made by the OMV Group (hereafter OMV) to governments that arose from exploration, prospection, discovery, development and extraction of minerals, oils and natural gas deposits or other materials within extractive activities are presented in this report.

Government

A "government" is defined as any national, regional or local authority of a country and includes a department agency or entity undertaking that is controlled by the government authority and includes national oil companies.

In cases where a state-owned entity engages in activities outside of its designated home jurisdiction, then it is not deemed to be a reportable governmental body for these purposes and thus payments made to such an entity in these circumstances are not reportable.

Project definition

The regulation also requires payments to be reported on a "project" basis as well as on a government and governmental body basis. A project is defined as the operational activities that are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities to the government. Where these agreements as per the aforementioned definition are substantially interconnected, these agreements are treated for the purpose of these regulations as a single project.

"Substantially interconnected" is defined as a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture agreement, production sharing agreement or other overarching legal agreement.

There may be instances – for example, corporate income taxes, where it is not possible to attribute the payment to a single project and therefore these payments are shown at the country level.

Cash and payments in kind

In accordance with the regulation, payments have to be reported on a cash basis. This means that they are reported in the period in which they are paid and not in the period in which they are accounted for on an accruals basis.

Refunds are also reported in the period in which they are received and will either be offset against payments made in the period or be shown as negative amounts in the report.

Payments in kind made to a government are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment type. This can be at cost or market value and an explanation is provided in the report to help explain the valuation method. Where applicable, the related volumes are also included in the report.

Payment reporting methodology

The regulations require that payments are to be reported where they are made to governments by OMV. It is required that the report reflect the substance of each transaction and activity. Based on these requirements, OMV has considered its reporting obligation as:

- Where OMV makes a payment directly to the government, these payments will be reported in full, irrespective of whether this is made in the sole capacity of OMV or in OMV's capacity as the operator of a joint operation.
- In cases where OMV is a member of a joint operation for which the operator is a state-owned entity (i.e. a government), payments made to that state-owned entity will be disclosed where it is possible to identify the reportable payment from other cost recovery items.
- For host government production entitlements, the terms of the agreement have to be considered; for the purpose of reporting in this report, OMV will disclose host government entitlements in their entirety where it is the operator.

Materiality

Payments made as a single payment or a series of related payments that are below EUR 100,000 within a financial year are excluded from this report.

Reporting currency

Payments made in currencies other than euros are translated for the purposes of this report at the average rate of the reporting period.

Payment types disclosed

Production entitlements

Under production sharing agreements (PSAs), the host government is entitled to a share of the oil and gas produced and these entitlements are often paid in kind. The report will show both the value and volume of the government's production entitlement for the relevant period in barrels of oil equivalent (boe).

The government share of any production entitlement will also include any entitlements arising from an interest held by a state-owned entity as an investor in projects within its sovereign jurisdiction. Production entitlements arising from activities or interests outside of a state-owned entity's sovereign jurisdiction are excluded.

Taxes

Taxes levied on income, production or profits of companies are reported. Refunds will be netted against payments and shown accordingly. Consumption taxes, personal income taxes, sales taxes, property taxes and environmental taxes are not reported under the regulations. Although there is a tax group in place, the reported corporate income taxes for Austria relate entirely to the extractive activities in Austria of OMV's subsidiaries, with no amounts being reported relating to OMV's non-extractive activities in Austria.

Royalties

Royalties relating to the extraction of oil, gas and minerals paid to a government are to be disclosed. Where royalties are paid in kind, the value and volume are reported.

Dividends

In accordance with the regulations, dividends are reported when paid to a government in lieu of production entitlements or royalties. Dividends that are paid to a government as an ordinary shareholder are not reported, as long as the dividends are paid on the same terms as that of other shareholders.

For the year that ended December 31, 2017, OMV had no such reportable dividend payments to a government.

Bonuses

Bonuses include signature, discovery and production bonuses in each case to the extent paid in relation to the relevant activities.

Fees

These include license fees, rental fees, entry fees and all other payments that are paid in consideration for access to the area where extractive activities are performed.

The report excludes fees paid to a government that are not specifically related to extractive activities or access to extractive resources. In addition payments paid in return for services provided by a government are also excluded.

Infrastructure improvements

The report includes payments made by OMV for infrastructural improvements, such as the building of a road or bridge that serves the community, irrespective of whether OMV pays the amounts to non-government entities. These are reported in the period during which the infrastructure is made available for use by the local community.

Payments overview

The overview table below shows the relevant payments to governments that were made by OMV in the year that ended December 31, 2017.

Of the seven payment types that are required by the Austrian regulations to be reported upon, OMV did not pay any dividends, production entitlements, bonuses or infrastructure improvements that met the defined accounting directive definition and therefore these categories are not shown.

Payments overview

In EUR 1,000

	Taxes	Royalties	Fees	Total
Country				
Austria	1,264	69,993		71,257
Kazakhstan	13,759		949	14,708
Madagascar			292	292
Norway	9,718			9,718
New Zealand	10,184	31,435	112	41,731
Pakistan	5,177	3,899	863	9,939
Romania	146,122	123,836	13,428	283,386
Tunisia	13,376	5,840		19,216
Total	**199,600**	**235,003**	**15,644**	**450,247**

No payments have been reported for Libya for the year 2017 as OMV was not the operator.

On January 13, 2017, OMV divested its interest in OMV (U.K.) Limited and there were no material payments in 2017 prior to this date.

On November 30, 2017, OMV completed the acquisition of an interest in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The interest in the natural gas field was obtained by acquiring a stake of 24.99% in OJSC Severneftegazprom (SNGP), which holds the production license to the Yuzhno Russkoye field. As SNGP is an associated company and therefore accounted for using the equity method in OMV Group Consolidated Financial Statements it does not meet the definition of a reporting entity in the context of the Austrian Commercial Code.

Payments by country

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Austria				
Governments				
Federal Ministry for Digital and Economic Affairs		69,993		69,993
Federal Ministry of Finance	1,264			1,264
Total	**1,264**	**69,993**		**71,257**
Projects				
Lower Austria	1,264	69,993		71,257
Total	**1,264**	**69,993**		**71,257**
Kazakhstan				
Governments				
State Revenue Committee	13,759			13,759
Akimat of Mangistau Region			427[1]	427
Training centers universities			522[2]	522
Total	**13,759**		**949**	**14,708**
Projects				
Tasbulat	6,374		544	6,918
Komsomolskoe	7,385		405	7,790
Total	**13,759**		**949**	**14,708**

[1] Financing of various projects under the joint control of the Akimat of Mangistau Region and OMV within the concession agreement and spent as per the agreed projects

[2] Financing of various expenses with regard to university training centers as agreed within the concession agreement

	Taxes	Royalties	Fees	Total
Madagascar				
Governments				
Office des Mines Nationales et des Industries Stratégiques			292	292
Total			**292**	**292**
Projects				
Explorations			292	292
Total			**292**	**292**
Norway				
Governments				
Skatteetaten	9,718			9,718
Total	**9,718**			**9,718**
Projects				
Gulfaks	54			54
Gudrun	54			54
Payments not attributable to projects	9,610			9,610
Total	**9,718**			**9,718**

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
New Zealand				
Governments				
Crown Minerals		31,435		31,435
Inland Revenue	9,998			9,998
Ministry of Business and Innovation	186		6	192
Environmental Protection Authority			106	106
Total	**10,184**	**31,435**	**112**	**41,731**
Projects				
Maari	14	5,139	106	5,259
Maui		237		237
Pohokura		26,059		26,059
New Zealand exploration projects	172			172
Payments not attributable to projects	9,998		6	10,004
Total	**10,184**	**31,435**	**112**	**41,731**
Pakistan				
Governments				
Federal Board of Revenue Government of Pakistan	5,177			5,177
Director General of Petroleum Concessions		3,899	480	4,379
Local Government, District Khairpur			132	132
Local Government, District Sukker			251	251
Total	**5,177**	**3,899**	**863**	**9,939**
Projects				
Mehar		207	182	389
Miano		915	415	1,330
Sawan		2,777	234	3,011
Pakistan exploration projects			32	32
Payments not attributable to projects	5,177			5,177
Total	**5,177**	**3,899**	**863**	**9,939**
Romania				
Governments				
State budget	146,122	123,836		269,958
Local councils			3,154	3,154
National Agency for Mineral Resources (ANRM)			676	676
National Company of Forests			9,500	9,500
CONPET SA			98	98
Total	**146,122**	**123,836**	**13,428**	**283,386**
Projects				
Onshore production zones		94,200	13,391	107,591
Onshore Joint Ventures		700	13	713
Offshore Black Sea		28,936	24	28,960
Payments not attributable to projects	146,122			146,122
Total	**146,122**	**123,836**	**13,428**	**283,386**

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Tunisia				
Governments				
Receveur des Finances	12,117			12,117
Receveur des Douanes	1,259			1,259
Entreprise Tunisienne d'Activités Pétrolières		4,988 [3]		4,988
Tresorerie Generale de Tunisie		852		852
Total	**13,376**	**5,840**		**19,216**
Projects				
Ashtart	244			244
TPS	5,931			5,931
South Tunisia	7,201	5,840 [3]		13,041
Total	**13,376**	**5,840**		**19,216**

[3] Includes payments in kind for 102,268 bbl of crude oil valued using the average monthly price per boe

In Tunisia where OMV is not the operator, its proportional contribution to the host government's royalties for 2017 would have been EUR 8.9 mn for 195,257 bbl of crude oil valued using the average monthly price per boe.

Vienna, March 14, 2018

The Executive Board

Rainer Seele m.p. Johann Pleininger m.p. Reinhard Florey m.p. Manfred Leitner m.p.

Abbreviations and Definitions

A

ACC
Austrian Commercial Code

ACCG
Austrian Code of Corporate Governance

AGM
Annual General Meeting

B

bbl
Barrel (1 barrel equals approximately 159 liters)

bbl/d
Barrels per day

bcf
Billion standard cubic feet (60 °F/16 °C)

bcm
Billion standard cubic meters (32 °F/0 °C)

bn
Billion

boe
Barrel of oil equivalent

boe/d
Barrel of oil equivalent per day

C

CAPEX
Capital Expenditure

capital employed
Equity including non-controlling interests plus net debt

cbm
Standard cubic meters (32 °F/0 °C)

cf
Standard cubic feet (60 °F/16 °C)

CCS/CCS effects/inventory holding gains/(losses)
Current Cost of Supply; inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances in case the net realizable value of the inventory is lower than its cost. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effects on reported results (Operating Result, net income, etc.). The amount disclosed as CCS effect represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to net realizable value) and the charge based on the current cost of supply. The current cost of supply is calculated monthly using data from supply and production systems at the Downstream Oil level

CEE
Central and Eastern Europe

CEGH
Central European Gas Hub

CGU
Cash generating unit

Clean CCS Operating Result
Operating Result adjusted for special items and CCS effects. Group clean CCS Operating Result is calculated by adding the clean CCS Operating Result of Downstream Oil, the clean Operating Result of the other segments and the reported consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost

Clean CCS EPS
Clean CCS Earnings Per Share is calculated as clean CCS net income attributable to stockholders divided by weighted number of shares

Clean CCS net income attributable to stockholders
Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS

Clean CCS ROACE
Clean CCS Return On Average Capital Employed is calculated as NOPAT (as a sum of current and last three quarters) adjusted for the after-tax effect of special items and CCS, divided by average capital employed (%)

Co&O
Corporate and Other

E

EFET
European Federation of Energy Traders

EPS
Earnings Per Share; net income attributable to stockholders divided by total weighted average shares

EPSA
Exploration and Production Sharing Agreement

equity ratio
Equity divided by balance sheet total, expressed as a percentage

EU
European Union

EUR
Euro

F

FX
Foreign exchange

G

GDP
Gross Domestic Product

gearing ratio
Net debt divided by equity, expressed as a percentage

H

H1, H2
First, second half of the year

HSSE
Health, Safety, Security and Environment

I

IASs
International Accounting Standards

IFRSs
International Financial Reporting Standards

K

kbbl
Thousand barrels

kbbl/d
Thousand barrels per day

kboe
Thousand barrels of oil equivalent

kboe/d
Thousand barrels of oil equivalent per day

km^2
Square kilometer

KPI
Key Performance Indicator

KStG
Austrian Corporate Income Tax Act

L

LNG
Liquefied Natural Gas

LTIR
Lost-Time Injury Rate per million hours worked

M

min
Minute

mn
Million

MW
Megawatt

MWh
Megawatt hour

N

n.a.
Not available

n.m.
Not meaningful

NCG
Net Connect Germany

net assets
Intangible assets, property, plant and equipment, equity-accounted investments, investments in other companies, loans granted to equity-accounted investments, total net working capital, less provisions for decommissioning and restoration obligations

net debt
Interest-bearing debts including bonds and finance lease liabilities less liquid funds (cash and cash equivalents)

net income
Net operating profit or loss after interest and tax

NGL
Natural Gas Liquids; natural gas that is extracted in liquid form during the production of hydrocarbons

NOK
Norwegian krone

NOPAT
Net Operating Profit After Tax;
Net income
+ Net interest related to financing
– Tax effect of net interest related to financing
NOPAT is a KPI that shows the financial performance after tax, independent of the financing structure of the company.

O

OECD
Organisation for Economic Cooperation and Development

OPEX
Operating Expenditures; cost of material and personnel during production, excluding royalties

P

payout ratio
Dividend per share divided by earnings per share, expressed as a percentage

Pearl
Pearl Petroleum Company Limited

PJ
Petajoule, 1 petajoule corresponds to approx. 278 mn kilowatt hours

Q

Q1, Q2, Q3, Q4
First, second, third, fourth quarter of the year

R

ROACE
Return On Average Capital Employed; NOPAT divided by average capital employed expressed as a percentage

ROE
Return On Equity; net income/loss for the year divided by average equity, expressed as a percentage

ROFA
Return On Fixed Assets, EBIT divided by average intangible and tangible assets expressed as a percentage

RONA
Return On Net Assets; NOPAT divided by average net assets, expressed as a percentage

RON
New Romanian leu

RRR
Reserve Replacement Rate; total changes in reserves excluding production, divided by total production

S

sales revenues
Sales excluding petroleum excise tax

Special items
Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Group's reported financial performance

T

t
Metric tonne

toe
tonne of oil equivalent

TRIR
Total Recordable Injury Rate

TRY
Turkish lira

TSR
Total Shareholder Return

TWh
Terawatt hour

U

USD
US dollar

For more abbreviations and definitions, please visit www.omv.com > Press Room > Glossary.

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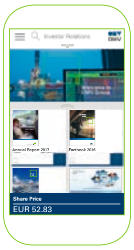

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In the interest of a fluid style that is easy to read, non-gender-specific terms have been used in the notes chapter of this annual report.

Disclaimer regarding forward-looking statements
This report contains forward-looking statements. Forward-looking statements usually may be identified by the use of terms such as “outlook,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “target,” “objective,” “estimate,” “goal,” “may,” “will” and similar terms, or by their context. These forward-looking statements are based on beliefs, estimates 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 and does not intend 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.

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