OMV Aktiengesellschaft

Moving more. Moving the future.

At a Glance

Five-Year Summary

In EUR mn (unless otherwise stated)

	2016	2015	2014 [1]	2013 [2]	2012
Sales	19,260	22,527	35,913	42,414	42,649
Earnings Before Interest, Taxes and Depreciation (EBITD)	3,322	3,145	4,134	4,820	5,137
Earnings Before Interest and Taxes (EBIT)	(457)	(2,006)	969	2,602	3,104
Profit from ordinary activities	(230)	(1,909)	792	2,291	2,857
Taxes on income	47	654	(265)	(562)	(1,067)
Net income for the year	(183)	(1,255)	527	1,729	1,790
Net income attributable to stockholders of the parent	(403)	(1,100)	278	1,162	1,363
Clean CCS EBITD [3]	3,268	3,770	4,569	4,469	5,279
Clean CCS EBIT [3]	1,110	1,390	2,238	2,645	3,407
Clean CCS net income attributable to stockholders of the parent [3]	995	1,148	1,132	1,112	1,544
Balance sheet total	32,112	32,664	33,855	31,848	30,519
Equity	13,925	14,298	14,514	14,545	14,530
Net debt	2,969	4,038	4,902	4,371	3,747
Average capital employed	17,943	19,972	19,760	17,669	18,118
Cash flow from operating activities	2,878	2,834	3,666	4,124	3,813
Capital expenditure	1,878	2,769	3,832	5,239	2,426
Free cash flow	1,081	(39)	272	142	1,533
Free cash flow after dividends	615	(569)	(377)	(485)	907
Depreciation, amortization and impairments including write-ups	3,784	5,153	3,165	2,296	2,036
Net Operating Profit After Tax (NOPAT)	(88)	(1,119)	627	1,978	1,976
Clean CCS NOPAT [3]	1,325	1,522	1,697	1,938	2,246
Return On Average Capital Employed (ROACE)	0%	(6)%	3%	11%	11%
Clean CCS ROACE [3]	7%	8%	9%	11%	12%
Return On Equity (ROE)	(1)%	(9)%	4%	11%	13%
Equity ratio	43%	44%	43%	46%	48%
Gearing ratio	21%	28%	34%	30%	26%
Earnings Per Share (EPS) in EUR	(1.24)	(3.37)	0.85	3.56	4.18
Clean CCS Earnings Per Share in EUR [3]	3.05	3.52	3.47	3.41	4.73
Cash flow per share in EUR [4]	8.82	8.68	11.24	12.64	11.69
Dividend Per Share (DPS) in EUR [5]	1.20	1.00	1.25	1.25	1.20
Payout ratio	n.m.	n.m.	147%	35%	29%
Employees as of December 31	22,544	24,124	25,501	26,863	28,658
Production in kboe/d	311	303	309	288	303
Proved reserves in mn boe	1,030	1,028	1,090	1,131	1,118
Total refined product sales in mn t	30.7	30.0	31.1	31.5	30.2
Natural gas sales volumes in TWh [6]	109	110	114	126	148
Lost-Time Injury Rate (LTIR) per million hours worked	0.40	0.27	0.44	0.52	0.69

[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] Adjusted for special items. Clean CCS figures exclude inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi
[4] Cash flow from operating activities
[5] 2016: As proposed by the Executive Board and confirmed by the Supervisory Board, subject to confirmation by the Annual General Meeting 2017
[6] As of 2015, this KPI reflects only third-party volumes and excludes trading volumes, historical figures were adjusted accordingly

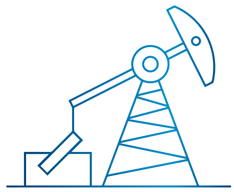
We are the Energy – for a Better Life

With all that we do at OMV, we want to contribute to making people's lives better. OMV fuels enable mobility. They provide heat for living and working. OMV products form the basis for thousands of plastics and high-end petrochemical products we use every day. OMV technologies translate energy into quality of life – for many people in many regions of the world. This is why we are deeply committed to the responsible management of how we find and handle our resources and how we produce and convert energy. This responsibility is the backbone of the ongoing success of OMV and the foundation for the development of new exciting business fields along the energy value chain.

Fields of Activity

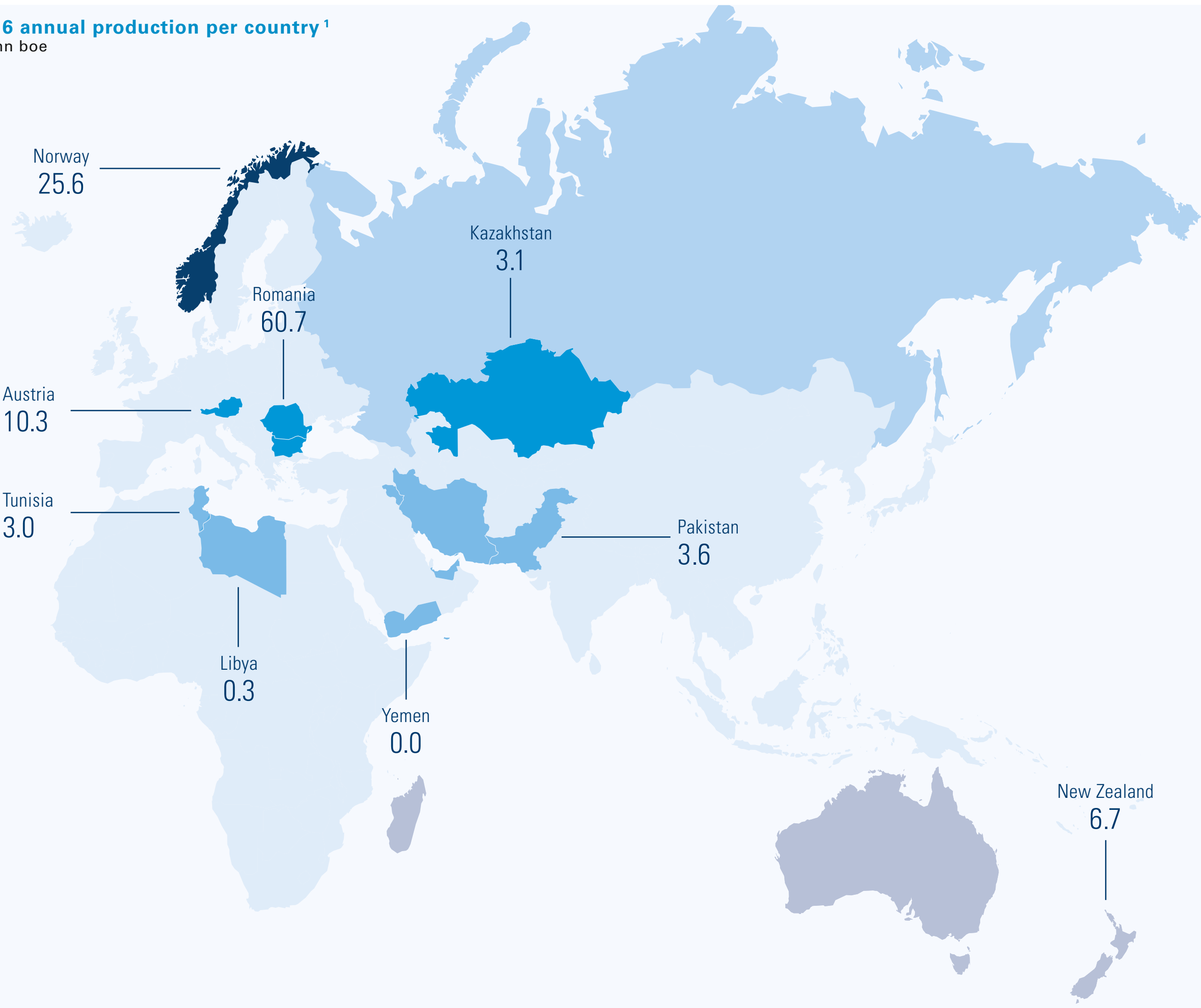
Upstream

OMV Upstream explores and produces oil and gas in Europe, the Middle East, Africa, Russia and Australasia. Daily production in 2016 was 311 kboe/d (equals 113.8 mn boe), with an almost equal split between oil and gas. While two-thirds of the production come from Romania and Austria, the Company started to optimize its international portfolio focusing on low-cost, high-reserve regions. At year-end, proven reserves amounted to 1.03 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 the world**
Austria Bulgaria Romania Kazakhstan	Norway	Iran Kurdistan Region of Iraq Libya Pakistan Tunisia United Arab Emirates Yemen		Australia Madagascar New Zealand

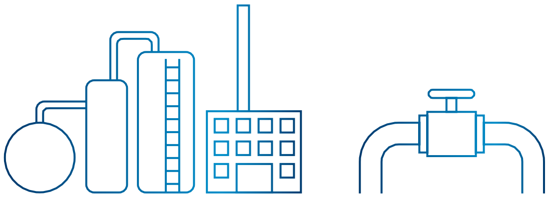
2016 annual production per country [1]
In mn boe



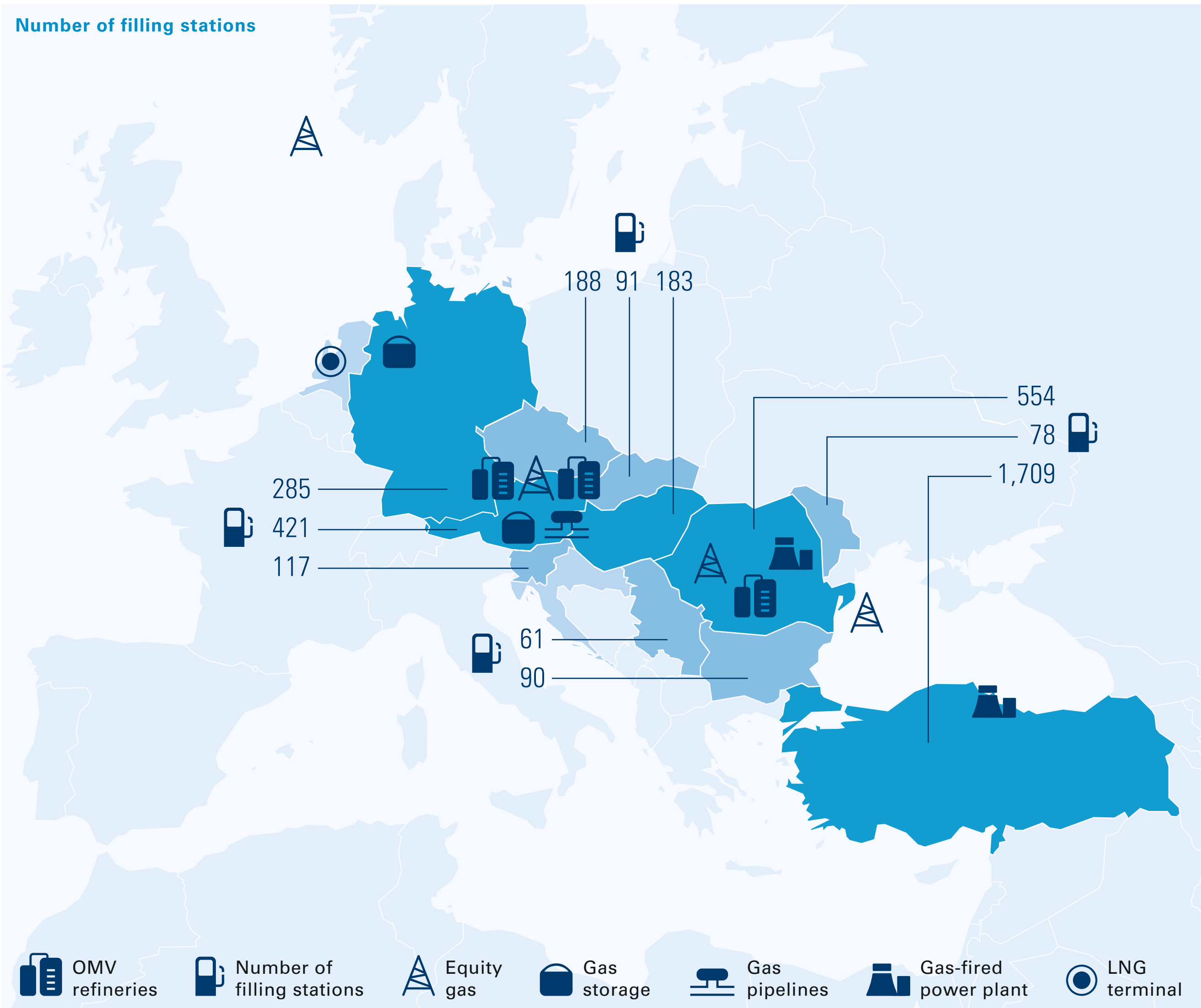
[1] excluding 0.4 mn boe from United Kingdom
As of March 2017.

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 2016, 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 four 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	
Romania	Serbia	
Turkey	Slovakia	
	Slovenia	



Our Contribution for a Better Life

OMV is a successful oil and gas company. But OMV is much more: Everything OMV develops and produces is dedicated to contributing the energy that makes people's lives better.

OMV high-quality fuels enable mobility. Specialized OMV fuels drive race cars, propel ships and lift airplanes into the sky. OMV oil and gas keep millions of homes warm. OMV fuels deliver the heat required by production factories all across Europe.

Modern petrochemical products made from OMV feedstock form the basis of a vast range of innovative plastics that have become an essential part of our lives. Petrochemical products enable many safety and design features found in cars. They make planes lighter and faster. They provide housings and many additional features for modern IT and communication systems. Innovative plastics are used in all kinds of modern home and industry appliances. They add protection, strength and function to power cabling. In hospitals, products made from petrochemicals become transfusion bags, surgery materials and medical specialty equipment. Hygienic products like diapers and sanitary towels contain raw materials made from OMV feedstocks. And even the surface of the road on which people drive home from work is made with OMV products.

In all these applications, OMV turns the energy it produces into better quality: superior product quality. Better performance. More convenience. For a better life. This is the reason why OMV's business focuses so clearly on energy.

There are many ways in which OMV brings energy to the people.

- **Value-added products**
  OMV has consistently developed its product range towards value-added products. Innovative fuels and petrochemical products enable new materials, features and benefits in a wide range of applications.

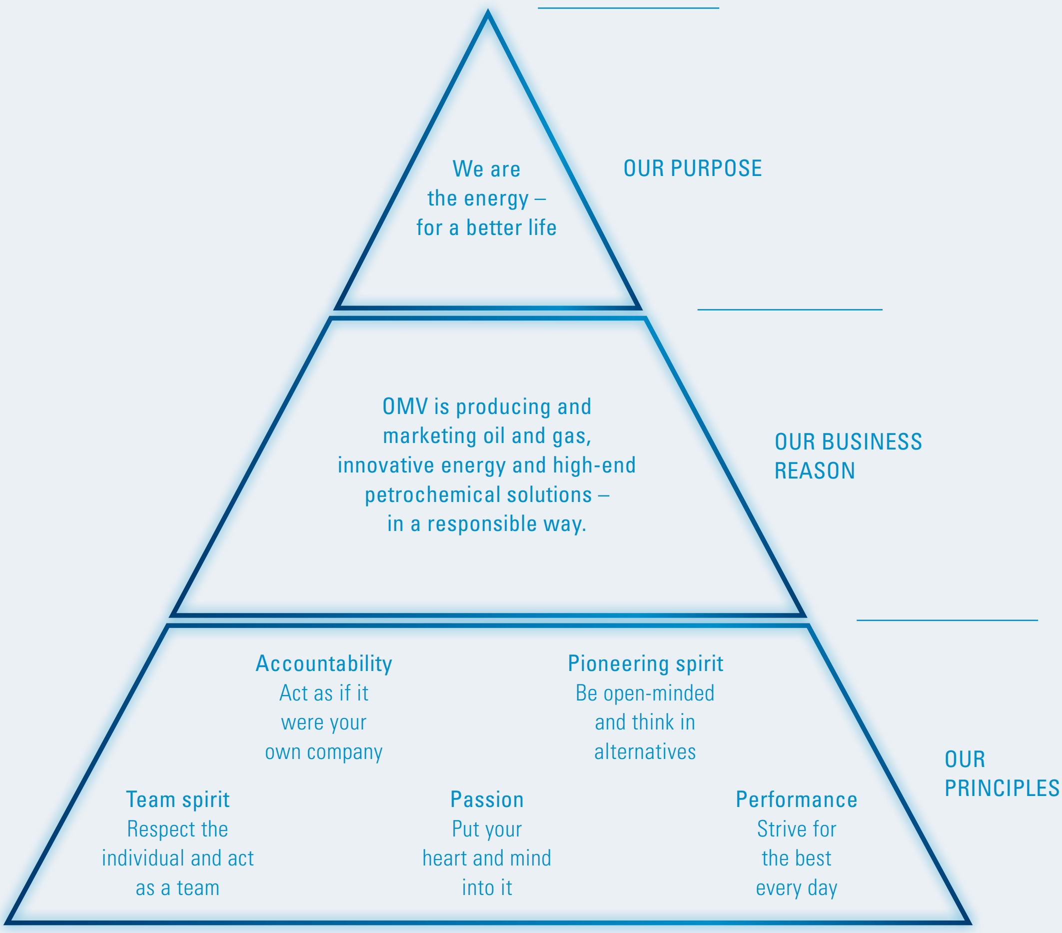
- **Dedicated people**
  The expertise, the knowledge and the commitment of the OMV team are another way in which OMV contributes the energy for a better life. OMV invests continuously in its team and their professional and personal development. OMV is proud of the vast know-how and expertise OMV employees bring to their tasks every day. And proud of their passion and commitment in applying this expertise to find new oil and gas resources, to produce them in the most efficient and responsible way and to add value to our products and services.

- **Innovation**
  Progress, profitability, added value – none of these are possible without innovation. Energy is the driver of all innovation processes at OMV. OMV is looking ahead and into new ways of providing energy efficiently, responsibly and profitably in the future.

  Innovation has many faces at OMV. It is the ingenuity of new technologies for improving efficiency, speed and yield in finding, developing and producing new oil and gas resources. It drives the development of new and innovative products. And it is the power behind the continuous improvement of existing products and processes, for greater added value and profitability.

  A major part of OMV's innovation efforts revolves around recycling and reintegration. Resources are precious. OMV is putting a lot of scientific research into optimized processes, new technologies and high-tech materials for increasing our production yields. At the same time the Company is investigating innovative ways to make better use of existing resources. OMV is developing completely new methods for recycling and the reintegration of old plastics and other carbon waste once their product life is over. Enhanced Oil Recovery, Intelligent Material Management, feedstock recovery and Co-Processing are just a few of the ongoing OMV innovation projects described in detail in this report.

- **Partnerships**
  A large part of OMV's energy is the result of good partnerships. Over the years, OMV has built many long-term trustful partnerships with organizations in many parts of the world. Cooperation with leading international universities creates win-win relationships, supports promising high potentials and transports the



latest scientific insights and successful technologies from other industries into OMV's oil and gas production – for even more yield and efficiency. Intelligent downstream integration with the company's customers brings innovative new products to the market, conveniently and at competitive prices. Thanks to OMV's partnerships, the company is actively engaged in geographical regions with attractive market opportunities and cost structures. Partnerships are a strong asset in OMV's focus on ensuring 100% replacement of proven reserves.

"We are the energy – for a better life" is not only OMV's foundation. It is also a commitment. In changing times ever more people will need ever more energy, in many forms. OMV is committed to delivering this energy. The world will need resources. OMV will explore and develop these resources in new and alternative ways. Urban mining, better resource utilization and intelligent recycling are just a few of the topics in which OMV experts are already actively involved.

OMV products touch people's lives in many ways. This is why OMV takes great responsibility for delivering the best quality and premium service as well as using resources wisely. The Company assumes responsibility for the well-being of the people who work for and with OMV, for the satisfaction of the customers and for a positive experience for all people using OMV products.

As a clear guideline for the entire business, OMV's new foundation supports long-term profitability and added shareholder value. By focusing exclusively on products and processes that add value in the value chain, by investing only where the Company's investment will add value to the barrel and by always putting profitability over growth, OMV is building the basis for the Company's ambition to become a reality: We are the energy – for a better life.

FINANCIAL CALENDAR

April 18, 2017	Trading Update Q1 2017
May 11, 2017	Results January–March 2017
May 14, 2017	Record date for the Ordinary Annual General Meeting
May 24, 2017	Ordinary Annual General Meeting
May 31, 2017	Dividend ex-date
June 1, 2017	Dividend record date
June 2, 2017	Dividend payment date
July 14, 2017	Trading Update Q2 2017
August 10, 2017	Results January–June and Q2 2017
October 13, 2017	Trading Update Q3 2017
November 9, 2017	Results January–September and Q3 2017
January, 2018	Trading Update Q4 2017
February, 2018	Results January–December and Q4 2017
March, 2018	Publication of the Annual Report 2017

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

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

Contents

+++ Mobility. Heat. High-tech plastic products. They make people’s lives better, safer and more comfortable. The energy behind them? High-quality fuels, high-end petrochemical solutions and innovative energy products made by OMV. That’s the energy for a better life.
The energy of OMV! +++

Did you know … ?

A total of 50,000 m of cores are stored and analyzed at OMV TECH Center & Lab. +++

Cores from OMV fields all across the world are stored at the OMV TECH Center & Lab in Gänserndorf.

Looking into the Core of the Earth

Wouldn't it be wonderful if we could just look straight through thousands of meters of rock to see whether there is gas or oil in the subsurface?

Despite the highly sophisticated seismic and well-log interpretations OMV is generating, the only unbiased information from the subsurface is provided by cores. Revealing this crucial information from cores to discover more details of a potential oil or gas reservoir is one of the key disciplines of OMV's TECH Center & Lab at Gänserndorf, Austria – the cradle of OMV's oil and gas production.

Here, the Formation Characterization team performs a wide range of state-of-the-art core analyses to answer questions like: How has the rock been formed? Is the rock porous or not? Can oil and gas flow through the rock? Will we be able to produce the reservoir fluid? To the untrained eye, a core looks just like a simple cylindrical piece of rock. To OMV's TECH Center & Lab experts, it is a treasure chest of detailed insight into several millions years of geological history.

The cores are taken from wells drilled all over the OMV world like Austria, Pakistan, Tunisia and Yemen, to name just a few. They originate from depths of up to 8,553 m and encompass lithologies such as sandstones, shales, carbonates and even granites. These valuable pieces of subsurface information are transported to and adequately preserved at the OMV's TECH Center & Lab core store. A series of sophisticated analyses on each meter of core reveals vital information necessary

This section of a core from the TECH Center & Lab's archives was drilled in 1958 in Austria. The lab has collected a vast store of cores in its 40 years of existence (top). The holes in this oil-stained cross section of a core originate from previous sample extractions for porosity measurements (left).

for exploring and producing hydrocarbons – for example, the core's geological description, the composition of the rock, a reconstruction of the environment during deposition, insights into reservoir properties like porosity and permeability and into pore space. The team compiles all data to explain how the sedimentary rocks in the core were formed, for example as beach or river-bed. This information further supports the understanding of the reservoirs. The data also tells the experts whether the reservoir rocks exhibit good properties for further exploitation.

OMV's TECH Center & Lab's expertise and experience helps to plan future wells and optimize production from existing wells by significantly reducing the risk of investing money in the wrong place. That expertise is vast and long: Since 40 years, the lab has accumulated valuable information on core handling, and on geological and petrophysical core analysis. More than 50,000 m of cores are stored at Gänserndorf, so no information is lost. This gives OMV the unique opportunity to continuously test new ideas and techniques developed for a specific reservoir long after the well was drilled. The team simply retrieves cores from a specific reservoir from the core store and performs new tests on them to enable well-founded decisions based on profound knowledge and information.

4 Competence Centers – 1 Mission

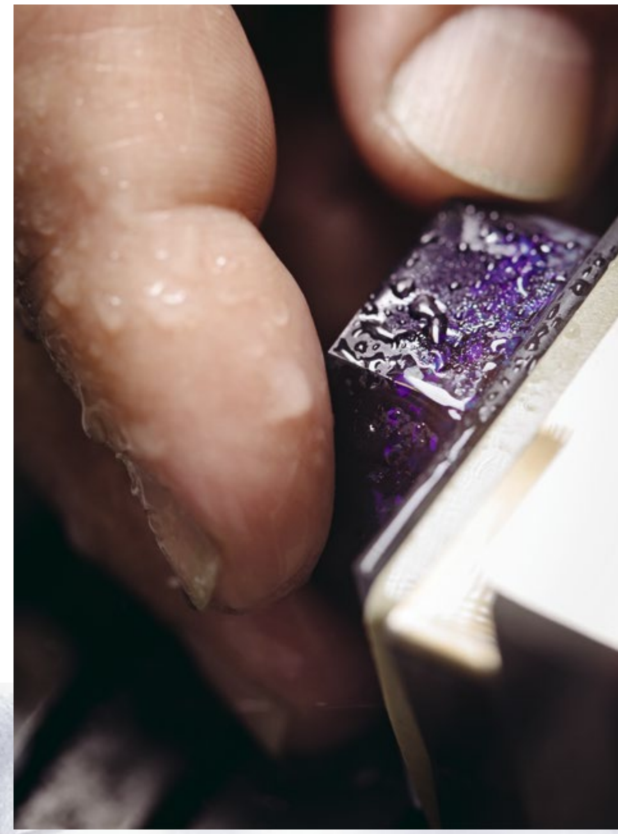
While the core analysis department forms the heart of OMV's technology center, there are three additional key disciplines. The close interaction of all four departments forms the unique strength of OMV's TECH Center & Lab. Their interdisciplinary

8,553 m

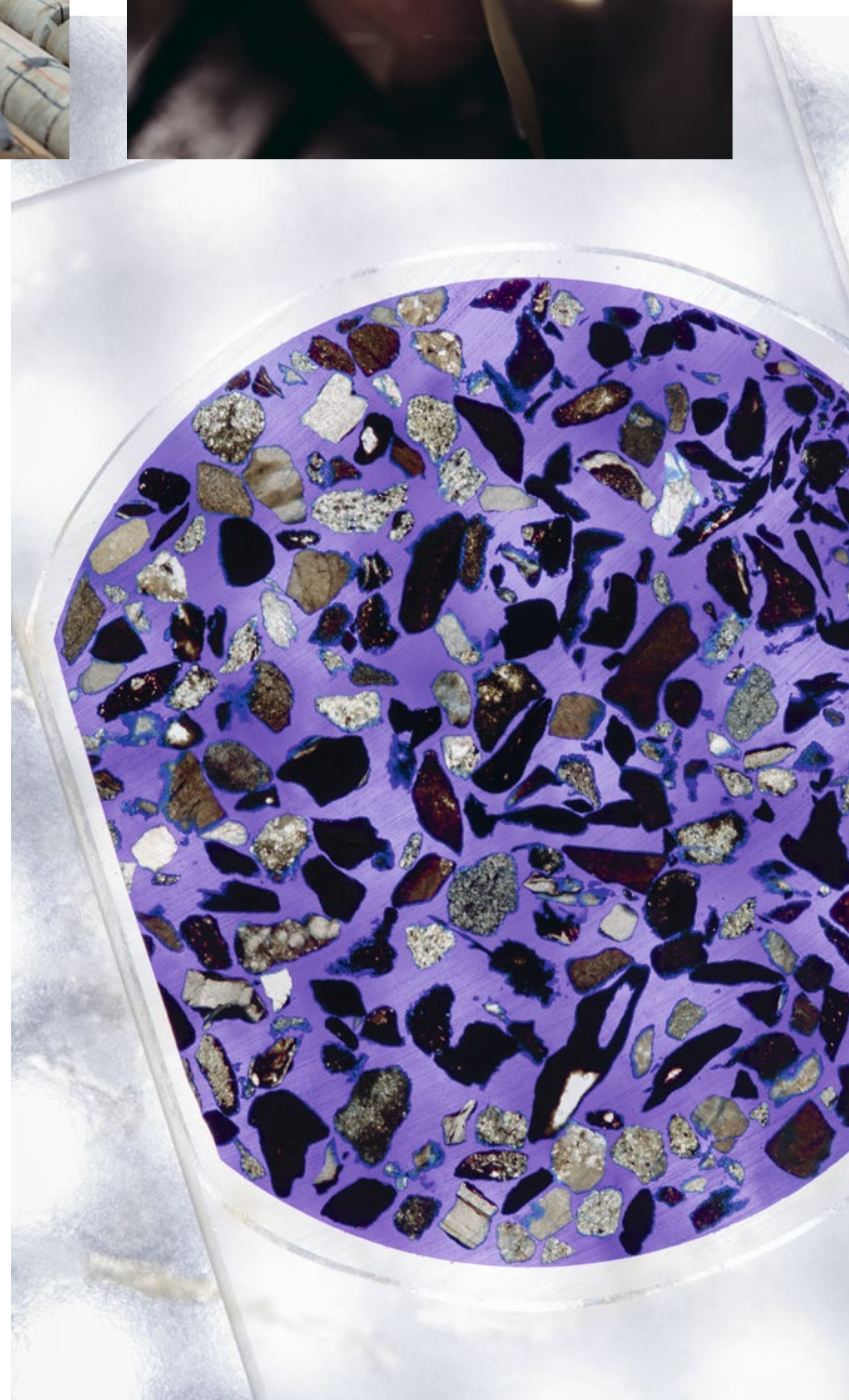
The deepest well ever drilled by OMV dates back to 1983 and had a depth of 8,553 m.

Core thin sections are finalized for petrographical and mineralogical analysis (left). All core samples are preserved and stored for future analysis whenever required (below).

Plugs drilled from a core are typically 2.5 to 3.8 cm in size.



The TECH Center & Lab experts discuss the implications of their core analysis results on the reservoir description (top left).
A core thin section is prepared for microscopic analysis (top right).
Close-up of a thin section.
These extremely thin, colorful slices of a core offer experts valuable insights into geological details of the subsurface (right).



50,000 m

Over 50,000 m of core samples are stored in Gänserndorf.

TECH Center & Lab chemists analyse the phase behaviour of fluid mixtures.

For gas sample collection in the field, the TECH Center & Lab team uses special glass cylinders.

cooperation with respect to a vast range of expertise and skills delivers integrated solutions to support all OMV production sites, facilities and branch offices.

The Petrophysics & Reservoir Technology team analyses the physical properties of core material and investigates the behavior of reservoir fluids under varying pressure and temperature condition. The Materials & Corrosion team supports OMV operations worldwide with solutions for any corrosion- and material-related questions and challenges to extend the lifetime and reliability of OMV's oil and gas facilities. This team also establishes specifications and standards for OMV and conducts quality control and technical audits of OMV suppliers. The Fluid Analytics & Production Chemistry team delivers water treatment and flow assurance projects and supports the oil and gas field with detailed analyses of produced water to natural and process gases, liquid hydrocarbons and process fluids.

Decades of experience and continuous involvement in projects across the entire OMV world form the teams' basis for testing and evaluating the potentials and requirements of new and existing technologies in the lab. And not only in the lab: The TECH Center's position right in the middle of Matzen, Austria's oldest oil field, also allows actual field testing. After evaluation, the technologies are transferred back into the OMV assets to support tailor-made solutions for the entire lifetime of an oil and gas field, where they enable safe operation, optimized risk and cost and maximum production output.

Major modernization and energy efficiency projects reduced CO_2 emissions at the Petrobrazi refinery (left). On OMV's Eco Days energy experts offer useful tips on how to increase fuel efficiency (top).

Reducing the Carbon Footprint

Carbon intensity is one of OMV's most important Key Performance Indicators (KPIs) of environmental management. As a producer of hydrocarbon-based fuels and products, OMV is strongly committed to reducing the carbon footprint of the Company and products alike.

Reduction of Greenhouse Gas (GHG) emissions has always been a priority at OMV: From 2007 to 2015, OMV achieved a reduction of its direct GHG emissions of 965,000 t through efficiency improvements and flaring reduction. In 2015, OMV adopted a new indicator for defining excellence in carbon performance: Carbon intensity tracks how many tons of CO_2 are emitted for each unit of energy produced. Over eight years, carbon intensity for the Group as a whole is to be reduced by 10% (2013 vs. 2021). Less energy consumed means lower emissions and lower costs – the driving force behind the optimization of all OMV's Upstream and Downstream processes. All three OMV refineries use modern technologies to produce higher value products with lower energy and material input, saving resources and reducing the carbon footprint at the same time. The reduction of routine flaring and venting in Upstream operations is OMV's second directive. In a strategic effort to reduce this practice to an absolute minimum, the gas that would have previously been flared or vented is now processed and sold. A new flare gas utilization project implemented in Tunisia this year proves the efficiency of this approach in not only lowering GHG emissions but also further increasing profitability. OMV also fully supports the commitments and targets of the World Bank initiative "Zero routine flaring by 2030" and has endorsed this initiative.

OMV's third carbon intensity lever is sustainable facility investment, even in challenging times. In 2016, for example, ongoing heat integration and process optimization of the Petrobrazi refinery in Romania further improved the plant's carbon intensity by approximately 4%. Overall, savings of more than 50,000 t CO_2 emissions have been achieved at all three refineries in 2016 through energy efficiency improvement measures. OMV's carbon intensity commitment also continues when the products are in the customers' hands: In 2016, OMV, together with TÜV Austria, organized over 100 Eco Days at Austrian filling stations. While customers waited for their tanks to be filled, energy experts gave them advice on simple ways to reduce their environmental footprint while at the same time using up to 10% less fuel – from tire pressure to air conditioning settings to driving behavior.

–10%

Over eight years, carbon intensity for the Group as a whole is to be reduced by 10% (2013 vs. 2021).

Partnership for Success

Rainer Seele, Chairman of the Executive Board and Chief Executive Officer

The year 2016 was not an easy one for the oil and gas industry, but a successful one for OMV. What is your secret?

At OMV, we are combining short-term cost reduction programs with a long-term orientation of our Upstream business activities in regions with lower production costs. This gives us financial strength for aligning our portfolio while granting us access to sustainable oil and gas reserves. Our secret is a unique partnership approach. Being a reliable partner, not only in good times, is very important for us at OMV. Soon, we will be celebrating 50 years of partnership with Gazprom in Russia. Our partnership with International Petroleum Investment Company (IPIC), founded by the Abu Dhabi government, is just as special: IPIC has been investing in OMV for many years. Mutual trust, built over many years, is the secret of OMV's success.

"The most important factor is trust. You can't build that overnight. You have to be predictable."

What is the unique strength of OMV and how do you leverage this strength?

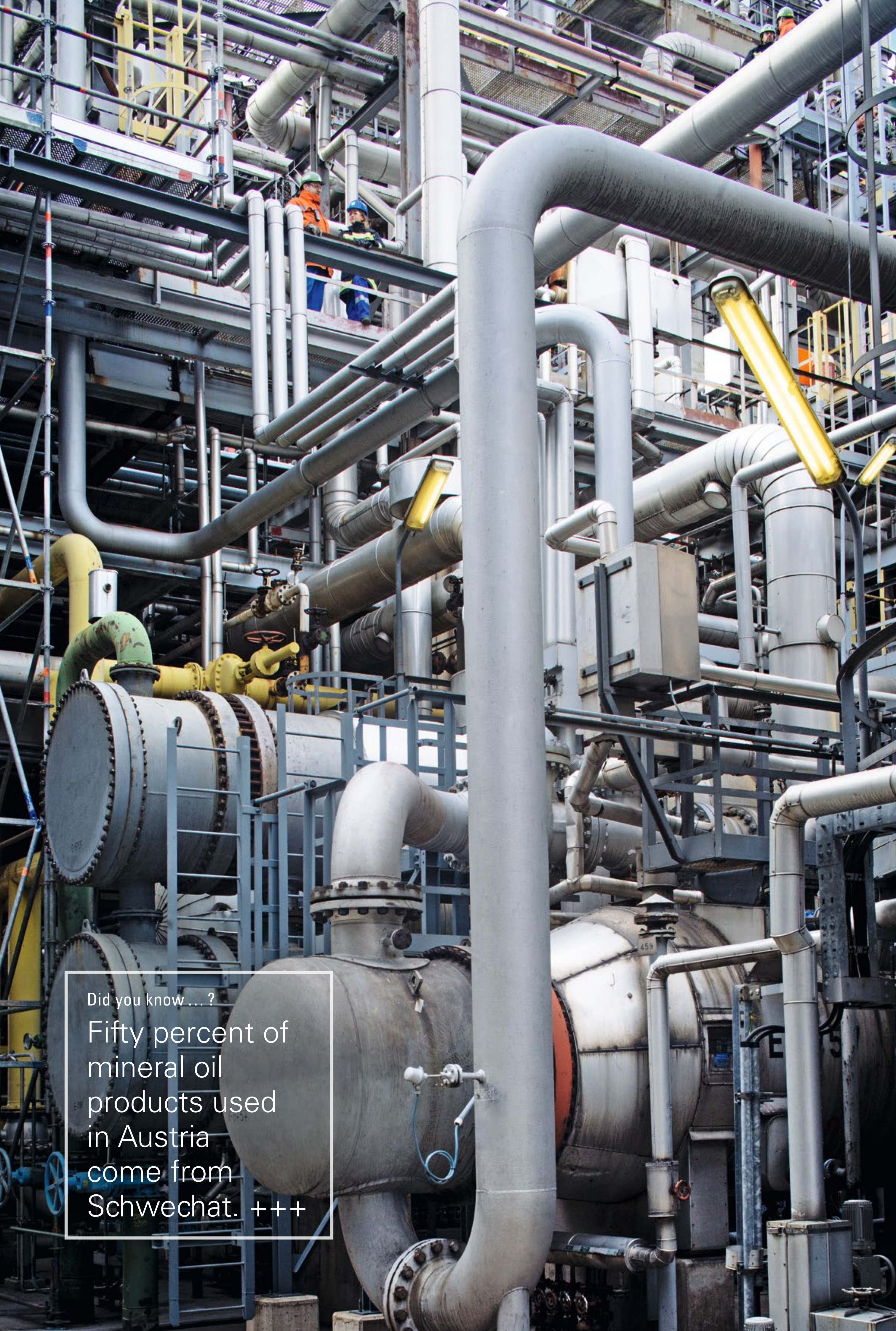
Corporate experience, competence and technological leadership in the oil and gas industry make OMV a strong player: Our technological edge, our culture, the enthusiasm of our employees and that special pioneering passion for exploring new ideas with a clear focus on risks and opportunities. This is the key to understanding the importance of OMV in Austria and all the countries in which we are engaged.

What are your partnership criteria?

The most important factor is trust. You can't build that overnight. You have to be predictable. You have to stand true to your word even when the going gets tough. Having successfully realized many projects with our partners bear fruit, almost like a marriage: A subsidiary of Gazprom and OMV will apply their competencies jointly for gas production in Siberia. Borealis, a subsidiary of IPIC and OMV, is a role model for a fruitful European-Arabian cooperation. Partnership also involves investment in the partner's country. Our investments together with Abu Dhabi National Oil Company (ADNOC) in Abu Dhabi, with Gazprom in Russia, with Statoil in Norway and with the National Oil Corporation in Libya are just some examples of OMV investments along the value chain into stability of supply and energy for a better life.

In what way does OMV contribute to more quality of life?

Partnership is not just business; it is also about people. Hence, we build bridges in many areas: Together with our cooperation partners, we support education, culture and social activities. We create professional prospects in the areas where we work with training and environmental programs. We provide the components for the high-quality products we all use in our everyday lives. And we supply the fuels that bring the world together: fuels that heat our houses, drive our cars, make our airplanes fly and run our ships. Today and tomorrow. It is our commitment to create the best value for everyone from the resources of our planet in a responsible way.



Did you know … ?

Fifty percent of mineral oil products used in Austria come from Schwechat. +++

At the weekly management meeting at Schwechat all operational processes are coordinated.

The New Meaning of Refined

What do you think when you hear “refinery”? Autonomous, large, shining factories with miles of piping and cylindrical containers crowned by a tower, where crude oil comes in on one side and fuel comes out on the other?

An integrated approach developed by OMV for adding value to their Downstream business gives an entirely new meaning to the concept of refining. Schwechat, close to Vienna, is one of OMV's three refineries with a long and proud tradition. In 2008, it celebrated its 50th anniversary. Despite its age, Schwechat is a role model for the highest security, environmental and production standards and, in terms of capacity, excellently positioned among its peers. On a site covering the size of the Principality of Monaco, 50% of the hydrocarbons consumed in Austria are produced at the Schwechat refinery. The refinery can process 9.6 mn t of crude oil every year.

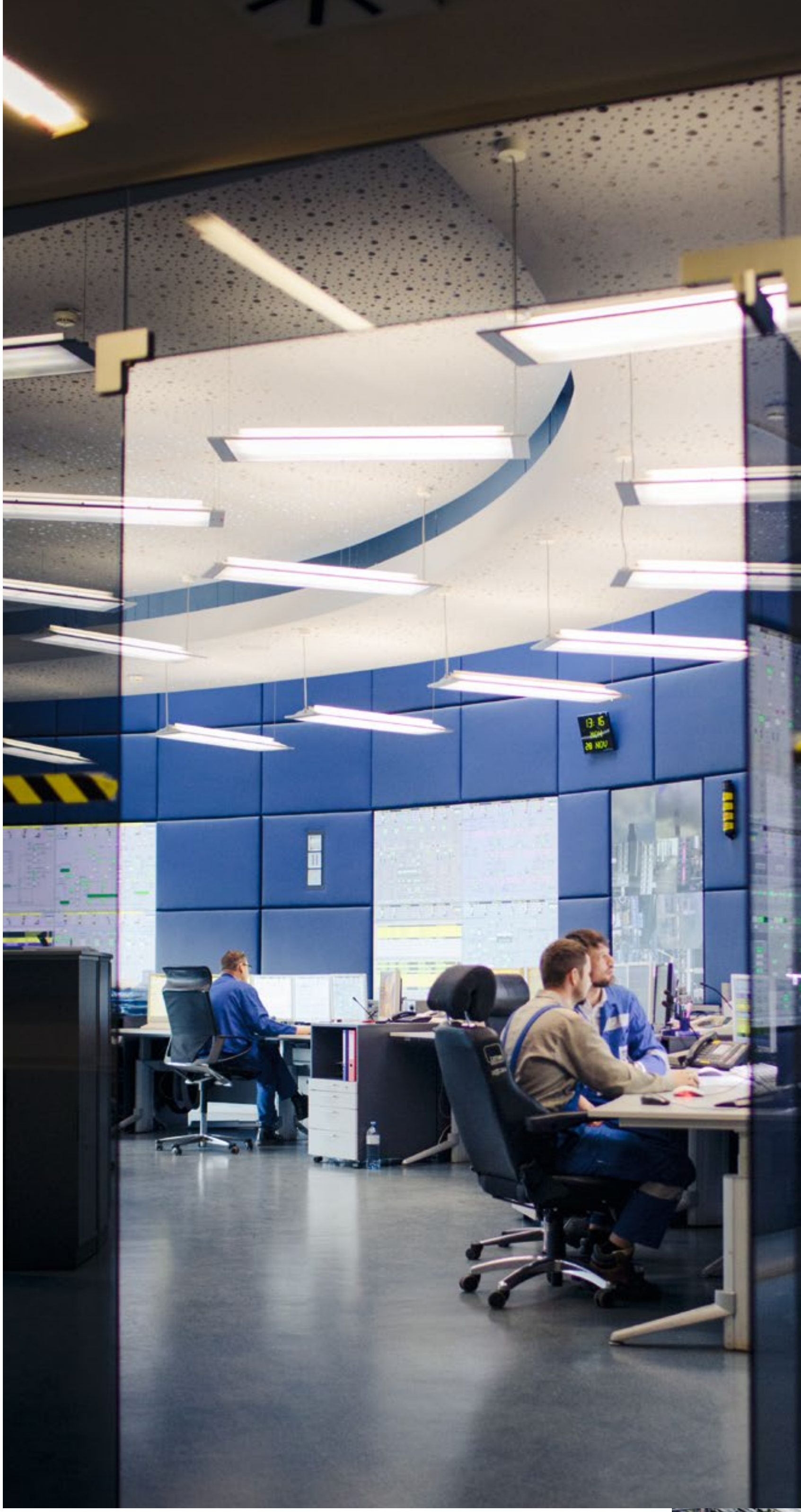
Added value with petrochemicals
It would be a short story if technology and operational excellence were all that made Schwechat unique. Schwechat is also part of OMV's highly successful Downstream integration model. In the past few years, the refining focus at OMV has shifted from distilling crude oil to transport fuels in order to produce more and more value-added petrochemical products, mainly ethylene, propylene, butadiene and a range of other petrochemicals.

These substances are the components for a wide variety of products we use every day: Ethylene and propylene are important sources of industrial chemicals and plastics products. Butadiene is used in making synthetic rubber. OMV's base petrochemical products are the basis for water bottles, computer housings, modern lightweight plastics used in cars and planes, advanced medical products like infusion bags, high-tech IT materials, underwater cables and many more products that make our lives better, safer and more convenient.

Schwechat operates a modern ethylene cracker. Schwechat's sister refinery Burghausen, situated close to the Austrian border in Bavaria, Germany, does not produce any gasoline for the market. Instead, the Burghausen refinery processes gasoline into ethylene and propylene.

Integrating the customer
This is where the strategic location of both refineries becomes very important. Schwechat and Burghausen are both directly connected via pipelines to their petrochemical customers, such as Borealis, Wacker Chemie, Clariant and Vinnolit. This eliminates complicated transport logistics and ensures fast, highly efficient processes. You could actually say that at Schwechat and Burghausen customer retention is managed by pipeline.

In a market characterized by overcapacities, both OMV and customers benefit from this setup. For OMV, the close connection means secure market outlets, optimum utilization of capacities, lower logistics costs, long-term customer relationships and foreseeability of



The central control room of Schwechat's heating plant monitors and controls the plant's utility supply (top).

400°C

The heart of the refinery has furnaces with an inside temperature of 400°C.

Site management controls all production processes and ensures that all cost, time and quality requirements are met (left). At a temperature of 850°C, Schwechat's modern ethylene cracker produces ethylene and propylene that Borealis processes into polyethylene and polypropylene for the plastics industry (bottom).

business. Customers have fast access to their raw materials at predictable prices and can plan their own processes more efficiently.

The third OMV refinery is Petrobrazi, owned by Romanian oil and gas company OMV Petrom, in which OMV holds a 51% share. This setup is a perfect example of OMV's fully integrated approach: Petrobrazi is connected by pipeline to OMV Petrom's own oil fields in Romania. Products refined at Petrobrazi are sold nationally in Romania and the neighboring markets through OMV Petrom's own filling stations and commercial network.

Feedstock flexibility

The three OMV refineries have a combined refining capacity of approximately 17.8 mn t per year, more than one-and-a-half times the consumption in Austria. It is not their capacity that makes them so unique. The three refineries operate as one integrated refining system for optimum intermediate product and feedstock flexibility. Intermediate products are exchanged between the refineries, with a focus on producing preferably those products with the highest margins at the refining site with the best respective setup. OMV will also assign available opportunity crudes to the refinery best positioned to handle them, leveraging major cost advantages in the process. This makes a lot of sense, as lower feedstock costs have a strong impact on profitability.

Retail and Commercial

Downstream integration at OMV extends even one step further down the value chain: One-third of OMV's fuel production goes into OMV's own filling stations. While most of the cars still need

17.8 mn t

All three OMV refineries have a combined refining capacity of approximately 17.8 mn t per year.

gasoline or diesel, retail is a very stable market for OMV. The OMV premium fuel brand MaxxMotion and OMV's VIVA convenience shops have built an excellent reputation among customers for their high quality. Even so, OMV innovators are already looking at new alternative fuels for the mobility of the future, as you will find out further along in this report.

Intelligent downstream integration and a strong focus on value-added petrochemical products are not the only OMV investments in a profitable future. Over the last few years, OMV has put much effort into increasing refining profitability and performance indicators like utilization, availability, margin generation and operating-expense control. This is reflected by the high ratings of the Schwechat and Burghausen production plants in global benchmark studies with top results in personnel intensity, energy efficiency, operating-expense control and utilization of plants.

They are also leaders when it comes to environmental protection and safety. For quite some time now, OMV has been following a consistent and very specific flaring strategy that requires the limitation of flaring to an absolute minimum. New proprietary technologies have been developed and implemented, not only for more energy and production efficiency, but also for environmental friendliness and increased safety for nature and people.

So there are many good reasons why you can call the OMV Downstream integration model a truly refined one. And it certainly pays off: 2016 was another profitable year for the OMV Downstream Oil business, despite overcapacities in the market and a very challenging global market situation.

Adding Value

Manfred Leitner, Executive Board member Downstream

How does Downstream add value to OMV?
The key to our success is the integration of our assets along the value chain. For years, we have been bringing mobility, heat, convenience and raw materials for innovative products to our customers. And, we have consistently developed new products and services. We successfully restructured Downstream Gas and laid the foundations for growth. In 2016, we launched a marketing campaign in Northwest Europe. We are focusing on the marketing of the increasing equity gas production as well as purchased quantities from established partners such as Gazprom and Statoil. In the infrastructure business, we are currently evaluating alternatives to support the Nord Stream 2 project. In Downstream Oil, our three refineries are fully integrated to handle crudes in a highly synergetic manner: We process those crude qualities that generate the best value and product. We manage the complete value chain of our products. The success of our MaxxMotion premium fuel brand and VIVA convenience services are excellent examples. We cultivate long, trusting partnerships with our resellers, and we are very close to our customers, and I mean that quite literally: At our Schwechat and Burghausen refineries, for example, we are directly connected via pipeline to Borealis.

"The key to our success is the integration of our assets along the value chain."

Which role does Borealis play in OMV's Downstream strategy?
Our direct connection with Borealis illustrates the OMV commitment to value-added petrochemical products. Both Borealis and Borouge, its joint venture with the Abu Dhabi National Oil Company, are world market leaders in innovative polyolefin and base chemical solutions. The supply of raw chemicals for the plastics industry is a key pillar in the OMV Downstream strategy. This is also a reason why OMV holds a 36% stake in Borealis.

Are technology and innovation important in OMV's Downstream business?
Operational excellence and innovation depend on technology. We apply and improve existing technologies to increase efficiency and competitive strength at our production sites. Additionally, we invest in research into new technologies. One of our most exciting projects even reverses the production flow: we are currently developing new patent-protected methods for producing fuel from plastic, to feed used plastics back into the production process.

Where do you see OMV's Downstream business in ten years' time?
I believe that we will still need hydrocarbon-based fuels then, and OMV will deliver them in the best quality. At the same time, we are already spearheading alternatives and additional applications today, like hydrogen for fuel cells, e-mobility and higher renewable content in fuels. Our integrated Up- and Downstream business model gives us the resilience for success, even in challenging situations and changing markets – now and in the future.

Value Over Volume

Johann Pleininger, Executive Board member Upstream

OMV's Upstream business has done well last year even though it proved to be a challenging one for the oil and gas industry. What does "added value" actually stand for in the Upstream segment?

Our strategy for 2016 had a solid target "value over volume." The way to achieve that target was clear: All our investments must prove to be profitable for each barrel we produce. We achieved this target with consistent cash management as we are one of the industry's leaders in the reduction of operative costs per barrel of oil equivalent. We brought the cost down from USD 16.6 in 2014 to USD 11.6 in 2016, as we have successfully restructured and optimized our existing production. Regarding our strategy portfolio management, all our future assets have to meet four criteria: stable cash flow generation, stable production for a reasonable amount of time, high reserves and low production costs.

What role do technology and innovation play in your Upstream strategy?

Innovative technologies, combined with a sustainable approach to the environment, resources and people, are our ticket to future resources in attractive regions like North Africa, the Middle East and Russia. Our technological edge at OMV integrates the world's highest safety and efficiency standards while making significant contributions to more profitable, more environmentally friendly oil and gas production in the above-mentioned countries, where technologies like ours have not yet been applied. Our OMV TECH Center & Lab in Gänserndorf combines a wide range of technology skills with numerous customized solutions, which enables us to maintain a high quality standard at all times.

What role do partnerships play in OMV's Upstream business?

Meaningful partnerships are based on commitment according to fundamental notions of reciprocity, mutual trust, honesty and complete process transparency. We bring our wide expertise to the partner projects to ensure their successful implementation. We work with universities in Austria and in our partner countries to apply existing technologies from other industries in order to increase the yield and efficiency of oil and gas production. Innovative new steels for well tubing, nanotechnologies and polymer injection are only a few of the novelty fields in which we are actively engaged. Our oil fields are clean and efficient, as we apply the same innovative approach not only to technology but also to the environment. Our partners' trust is our business's foundation and our license to operate.

What is OMV Upstream's contribution to improving quality of life?

As part of the oil and gas industry, we supply the raw materials for affordable energy and innovative products that make people's lives easier, and we do so in a sustainable, efficient, cost-attractive and safe way. All these commitments combined are the added value of OMV and a promise of quality for all its partners and customers.

"All our investments must prove to be profitable for each barrel we produce."

Future Energy – Innovation at OMV

Investigating new, better ways to find and produce the energy for a better life has always been a passion of OMV. Here are four OMV innovation initiatives to shape tomorrow's world of energy.

When you take a closer look at what drives your car, heats your house and forms the basis of all those innovative plastic products, you will see sunlight: The hydrocarbons we consume today were produced millions of years ago by light from the sun and CO_2 via photosynthesis. So the questions are: How can we make better use of this precious, dwindling resource? And: Can't we also use today's sunlight to produce easy-to-store fuels?

OMV innovation finds answers to both these questions. Innovation at OMV does not only include new technologies and processes for more output, production efficiency, operational excellence and cost savings. It is also an expression of OMV's commitment to sustainable resource management.

Upstream innovation

To achieve optimum output and sustainability of OMV's oil and gas production, OMV focuses on research and development of innovative technologies to continuously enhance the recovery rates and the lifetime of mature fields and to enable efficient exploration of oil and gas fields, even in challenging environments.

+20%

EOR technologies can increase the output of an oil field by up to 20%.

Enhanced Oil Recovery (EOR)

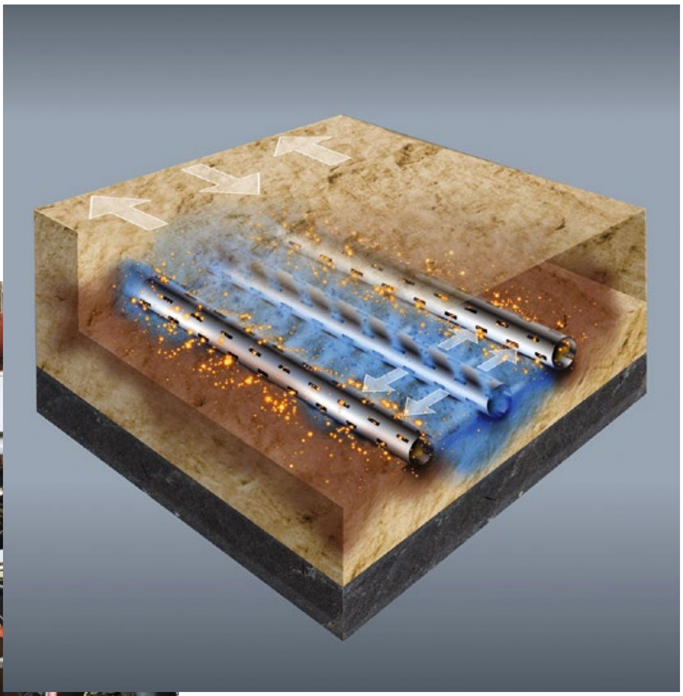
Enhanced Oil Recovery is an OMV research project for increasing production yield in the Matzen field, one of Austria's biggest oil reservoirs. In medium-viscosity oil fields like Matzen, the amount of oil obtained from the reservoir is usually only 20% to 40% of the potential, often due to the poor ability of water to displace the oil. To recover the 60% to 80% oil still left in the reservoir, OMV is researching new polymer flooding technologies. A polymer plays an important role in the application of EOR technology. Added to the water, it increases the viscosity of the water to be greater than that of the oil in the reservoir. As a result, oil production increases. EOR technologies can increase the output of an oil field by up to 20%. Cutting-edge technologies for sustainable separation of polymer water and oil to supplement OMV's industry-leading produced-water management are also ongoing research and development subjects at OMV.

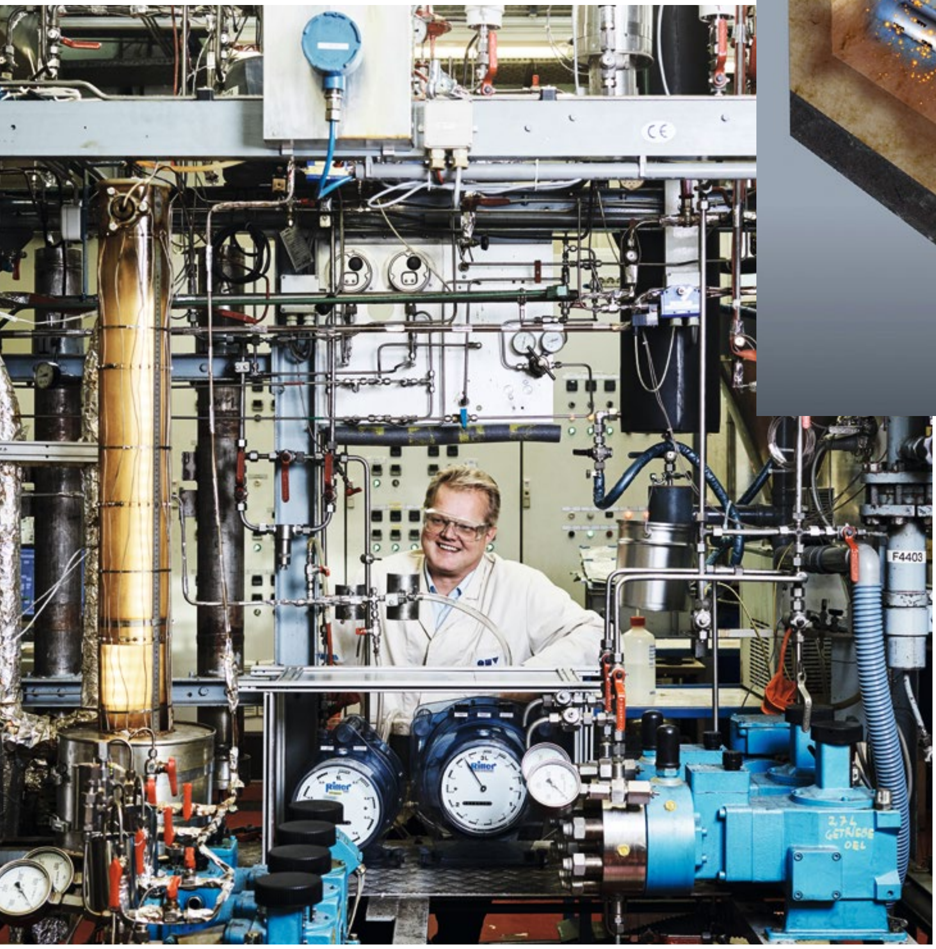
Material management

Extending the lifetime and reliability of materials and facilities is an OMV priority for ensuring safe, sustainable and cost-efficient hydrocarbon production. OMV has implemented extensive corrosion control and material selection programs to optimize equipment performance and enable maximum service life. Thanks to efficient corrosion management spearheaded at OMV's TECH Center & Lab at Gänserndorf, Austria, the Company has saved more than EUR 450 mn in the past 20 years. Nanotechnologies hold huge potential for hydrocarbon production. With the recent increase in sour crude, pipelines and processing equipment are degrading faster than usual. New nanotechnology-enabled coatings can improve the materials' resistance to these new corrosive conditions, reducing downtime associated with the repair and overhaul of tanks, pipelines and well tubes. At the same time, improved reliability also achieves significantly positive impacts on health, environmental and safety issues.

Downstream innovation

To support Downstream integration along the value chain and to combine customer needs with optimum economic and environmental benefits,





Schematic picture of the polymer injection process (top). A researcher investigates producing synthetic refinery feedstock from post-consumer plastics in OMV's feedstock recovery project (left).

OMV leverages three value drivers in the Downstream innovation approach: new feedstocks, new technologies and new products.

Feedstock recovery

Circular economies and urban mining are two important topics that direct innovation at OMV. Recycling used plastics instead of just burning plastic waste is one important way to make better use of a valuable resource. But the quality of recycled plastics is not often very high. Feedstock recovery is an innovative OMV research project that uses old plastics to produce synthetic refinery feedstock. This feedstock can be reintroduced into the refinery production process and processed into any desired refinery product, just like normal crudes. With this innovation approach, OMV closes a gap in plastics recycling technology and production by introducing a secondary raw material called "recent crudes": Used plastic material from the actual economic cycle is given a second life as high-quality crude, reducing the amount of fossil resources needed for plastics production. Recycling of plastic waste in this manner also significantly improves carbon intensity by lowering CO_2 emissions per ton of post-consumer plastics compared to standard crude oil processing. OMV sees great potential for this new technology and its associated services in a society that is increasingly looking for alternative resources and value-added recycling.

Co-Processing

The addition of admixtures of alternative and biogenic fuels to petrol and diesel is an important issue at OMV not simply because legislation in many countries requires an increasing percentage of biogenic fuels in petrol and diesel but also because these admixtures can have an impact on engine and vehicle components that come into contact with biofuel mixtures. OMV is investigating new Co-Processing technologies to increase quality and stability of fuels with biogenic components. For traditional biofuel mixtures, the biogenic component is added to the fuel after production. Co-Processing introduces the biogenic additive during the production process. While traditional biofuel mixtures often suffer from poor aging stability and water formation in the fuel, Co-Processing produces a biofuel with higher stability and more consistent quality. Innovative refinery-integrated biomass-to-liquid concepts to produce petrol and diesel from biogenic feedstock are the basis on which OMV develops tomorrow's fuels.

How to Make the Most of a Gas Field

Nestled in the sweeping Romanian landscape, Totea Deep is an example of innovative development strategies, production efficiency and environmental responsibility – all working together for success.

When you drive up to Totea Deep in southwest Romania, you would never believe that you are entering one of OMV's most successful production sites. A total of 4.5 million standard cubic meters of gas are produced here every day – an amount that could heat nearly 550,000 households. Totea Deep contributes almost 10% of OMV Petrom's annual gas production.

Going deep for success
To understand Totea Deep's ongoing importance, you have to look under the surface. When Totea Deep was started in 2011, it was the most important onshore gas discovery in Romania, mitigating the production declines of mature gas fields in the region. Totea Deep's three producing wells are the largest in OMV Petrom's portfolio. Now, after five years of development, you might not expect Totea Deep's yield to grow much more.

However, there is an important aspect that still makes Totea Deep one of the most promising onshore fields: The geographical layers underneath its inconspicuous surface hold vast potentials of gas and condensate. But those treasures lie deep. OMV Petrom has applied new seismic and evaluation technologies with mathematical and simulation models for identifying reservoirs in regions as deep as 3,700 m. Research has proven the high value of Totea Deep for the future: Over 4,700 million cubic meters of proven reserves will keep this field producing for the next 20 years.

Did you know … ?

Gas from Totea Deep comes from a depth of 3,700 m. +++

Every hour, operators perform surveillance operations checks on the site.

The essentials are underground: a panoramic view of Totea Deep in southern Romania (bottom). Before any intervention, checklists must be reviewed (right).

Fast profitability
OMV Petrom has mastered this challenge with a bold, phased development strategy: While one exploration well was appraised, the next two were already being prepared. This enabled an immediate start of production upon appraisal. The team applied the same approach to the infrastructure. The effort was enormous. Thanks to the cost discipline and expertise of all involved, OMV Petrom achieved and even outperformed the objectives: It is one of OMV's most profitable fields.

Fifty percent production increase in 2016
At the beginning of 2016, the team was asked to increase the site's capacity. At that point, the wells were already producing three million cubic meters per day, and nobody thought that they could produce any more. The team again came up with an innovative approach: They changed the tubing of the wells to increase the throughput to 4.5 million cubic meters per day, a staggering 50% production increase. And they did so in just eight months, keeping strictly to the initial budget and even managing major savings.

+50%

In 2016, the site's capacity was increased by staggering 50% by changing the tubing of the wells.

Safety and environment
The production increase is only one side of Totea Deep's success story of excellence. The other is safety and environmental responsibility. Gas fields are risk environments due to high reservoir pressures and temperatures. Maintaining safety at all times is the highest priority. Of course, the plant is fully automated, safety controlled and equipped with a wide array of guard

In the condensate storage vessel, liquid levels are checked regularly (top). Choke manifolds manage well pressure fluctuations (bottom).

and security features to ensure ultimate safety at all times. Continuous training programs bring awareness and safety knowledge to the work force.

Yet, at Totea Deep, safety and environmental concerns go far beyond that. The park observes a strict no-flaring, no-gas-release, no-spillage policy, significantly reducing the plant's carbon footprint and minimizing its impact on the environment. New highly protected, innovative storage facilities for condensate, a by-product of natural gas production, have eliminated the risk of trucking. In the past, the condensate had to be picked up by truck every day. This caused high operating expenses and involved some risk, as the field is right in the middle of infrastructure. Now, the condensate is delivered directly into the client network via pipeline.

Excellent potential for the future
Totea Deep's strength is proven reserves made accessible with a bold combination of strategic preparation, innovative exploration technologies, smart development strategies and a dedicated, experienced team of experts, who can perform the magic of achieving maximum results with minimum investment. The team is already preparing to bring in new wells.

18.3 kboe/d

Totea Deep reached a yearly average production of 18.3 kboe/d in 2016.

At the end of the day, all information is handed over to the night shift (top). Condensate storage vessels are positioned in a dyke for ultimate safety (left).

The Financial Backbone for Profitability

Reinhard Florey, Chief Financial Officer

How do you ensure a strong balance sheet and profitability even in a challenging market environment?

Our focus is on value creation and on increasing the competitiveness of our Company. With respect to growth, we prioritize value growth over volume growth. We have cut back on investments to protect our cash flow, especially Upstream: We only invest in the most promising projects with resilient business cases and good returns. Having successfully restructured Downstream in the past years, we are now very profitable and efficient. In 2016, we continued our investment in automation and structural harmonization – for example, in Romania. Cost reductions in our Upstream and Downstream Business Segments as well as at Corporate level plus a clear focus on Shared Services resulted in savings of about EUR 200 mn, well above our initial target. This also includes efforts in purchasing, where we have seized the moment to buy investment goods at favorable conditions. However, saving alone does not give you a healthy balance sheet. Also our portfolio measures are an important component in guaranteeing operational competitiveness and business success.

"We are committed to delivering an attractive and predictable return to our shareholders through the business cycle."

What makes OMV an attractive investment?

We are an integrated European oil and gas company with a natural balance of Upstream and Downstream income from highly efficient operations. Our share price development over the past year is clear evidence that the market honors our strategy and execution on our promises. With strategically lower investments, reduced exploration spending and clear cost cutting, we have built an excellent cash management position while at the same time generating cash despite low oil and gas prices. Our new strategy ensures long-term value creation based on the portfolio efforts for increasing our reserves base.

What can shareholders expect from OMV's new dividend policy?

Successful companies find themselves generating more cash than they can reasonably reinvest in their businesses at attractive returns on capital. OMV's clear priority is to be a strong cash generator. At the same time, we are committed to delivering an attractive and predictable return to our shareholders through the business cycle. This is why we project a floor dividend of EUR 1 per share, provided that this will not be to the detriment of the Company's long-term financial health or stability. We intend to increase the cash dividend progressively, in line with our free cash flow and net income development. For the rate of progression, we will take into account our investment needs and strategic capital allocation priorities. This new dividend policy is a signal for stability and continuity in our communication with our shareholders.

+++ We are the energy – for a better life. This is the energy of OMV: our technological edge, our environmental and social responsibility, our partnership commitment and the passion of our teams. In Austria and the world. Today and tomorrow. Stay connected! +++

1

TO OUR SHAREHOLDERS

33 —— 48

"We look to the future with optimism."

For you, dear shareholder, we interviewed Rainer Seele, the Chairman of the Executive Board and CEO of OMV, on what his thoughts were on the Company's performance.

Mr. Seele, is OMV back on track?

OMV is right on track and healthy enough to grow profitably in the current volatile environment. This is a very positive result in what was my first full fiscal year as CEO of OMV. The capital market has also recognized our performance. OMV's share price has risen by 28%, resulting in an increase in market capitalization by EUR 2.4 bn.

Your conclusion is positive, but the market environment was anything but favorable.

The collapse in oil prices – due to the massive oversupply – that we have seen in the markets, especially since mid-2014, has presented the industry with major challenges. Producers have been forced to make significant adjustments. OMV responded with a strategic offensive.

What have you changed?

We are counting on higher profitability per barrel and a sharp reduction in costs. We concluded a number of successful transactions in 2016 in order to implement this strategy. And this shift in strategy is paying off: OMV is now on a solid financial footing. We look to the future with optimism.

The supply overhang dating back to 2014 is still having an impact on oil prices. So how do you rate 2016?

Prices for oil and gas continued to fluctuate in 2016. Refining margins were lower as well. This was the situation that we faced, and we managed to deal with it successfully. We did so, in part, by reducing our investments and cost structure. We also reduced exploration expenditures and operating costs. Furthermore, our strategy of making targeted purchases and developing new strategic partnerships in regions with low production costs started to bear fruit. Our Upstream portfolio is more robust and Downstream provides a consistently high cash flow. We see it as a particular achievement that we managed to reduce the oil price at which the Group becomes free cash flow positive from USD 70/bbl in 2015 to USD 35/bbl in 2016.

"We reached a positive free cash flow after dividends of EUR 1.1 bn in 2016."

Rainer Seele
Chairman of the Executive Board

How can we manage to ensure financial stability given these challenges?

Cash flow is very important, especially in difficult times. In 2016, we had a positive free cash flow after dividends – including the proceeds from the sale of a 49% stake in Gas Connect Austria – of EUR 1.1 bn. This represents an improvement over the previous year of EUR 1.7 bn. Thanks to our high level of discipline, we reduced Group investments in 2016 to EUR 1.9 bn. And we did this without affecting current production. We reduced exploration expenditure by 49% to EUR 307 mn. Throughout the entire Group, we managed to make cost savings of EUR 200 mn in 2016, which was EUR 100 mn more than planned.

This strict cost discipline was not always the focus of OMV.

The strategy of production growth without regard to the costs is a thing of the past. OMV is the operator in more than 70% of its total portfolio – and my clear focus is on highly profitable barrels. Profitability is more important than production growth. The goal is to ensure the sustainability of the Upstream portfolio. And sustainability means ensuring a 100% Reserve Replacement Rate (RRR). I am very proud that we reached an RRR of 101% already in 2016.

You mentioned partnerships. What regions are you referring to?

Our regions are clearly defined: CEE, North Sea, Middle East and Africa and Russia. Russia, the new core region, was established following the signing of a binding basic agreement for an asset swap with Gazprom. OMV will receive nearly 25% of the cost-efficient Achimov IV/V project in the Urengoy field. We will receive reserves of 560 mn boe – five times our production in 2016. Additionally, we signed an agreement to acquire a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia in March 2017. This transaction will add another 580 mn boe reserves and 100,000 boe/d production to our portfolio.

Russia alone will probably not be enough. Are there other regional investments?

We have restarted production in Libya and increased our stake in four exploration and production sharing agreements in the Sirte Basin. This transaction gives OMV the opportunity to increase its production in Libya to 50,000 bbl/d over time. We also plan to increase our cooperation with Abu Dhabi by strengthening our relationship with our key shareholder IPIC. We signed an agreement with ADNOC regarding a number of offshore oil and gas fields to be developed in northwestern Abu Dhabi. In Iran, we have increased our activities and signed a Memorandum of Understanding (MoU) with the National Iranian Oil Company. Growth in Russia and the Middle East is OMV's response to the question of how we will replace reserves on a sustainable basis in the future.

"We are on track to ensure the sustainability of our Upstream portfolio and reached a Reserve Replacement Rate of 101% already in 2016."

Are there regions from which you have withdrawn or in which you no longer make investments?

In line with the OMV strategy of focusing on cost-effective regions, we have concluded transactions worth some EUR 1.1 bn, including conditional payment obligations. This includes the sale of our Upstream business in the UK, including our stake in the Rosebank project. We have also withdrawn from Namibia, Gabon and, in part, from Madagascar.

Downstream Oil recorded a successful year once again. What is the secret behind that?

Downstream Oil is an important cash generator for our Group. So our focus is on the optimal use of refining capacities. Here, our long-term and trusted collaboration with Borealis helps us enormously. By expanding the value chain further in the direction of petrochemicals, we will remain profitable over the long-term in the area of Downstream Oil.

How is the Downstream Gas business developing? This area has often been considered as a constant worry.

We have made good progress in restructuring Downstream Gas. We have taken over EconGas, successfully integrated it and renamed it OMV Gas Marketing & Trading. Now we are starting an offensive to increase gas sales in Germany. Our goal is to achieve a market share of 10% by 2025. In the gas infrastructure area, we are focused on unregulated business. This led to the sale of our 49% stake in Gas Connect Austria (GCA). The total cash consideration of EUR 601 mn helped to bolster OMV's financial stability and cash flow. However, we maintained control of GCA. At the international level, we continue to focus clearly on Nord Stream 2. This is an attractive project. It is unregulated, and it improves the security of Europe's energy supply. We look forward to providing continued support in the Nord Stream 2 project.

Now let's turn to dividend policy. Truthfully, what can shareholders expect from OMV in 2017?

A year ago, I said I would not take on new debt to pay dividends. We now pay dividends from the operating cash flow. At the same time, we are implementing a new, progressive dividend policy.

What inspired you in 2016?

The OMV team. The year was a turbulent one with many changes. We never would have been able to manage things so well if we hadn't all pulled together. On behalf of the entire Executive Board, I would like to thank all employees for their commitment and their active support. And I would like to thank you, the shareholders, for the trust you have placed in us.

Vienna, March 2017

Rainer Seele

OMV Executive Board

From left to right:

Rainer Seele
Chairman of the Executive Board
Chief Executive Officer

Reinhard Florey
Chief Financial Officer

Johann Pleininger
Executive Board member Upstream

Manfred Leitner
Executive Board member Downstream

Dear Shareholders,

OMV's share price performance in 2016 has been excellent. The Company's stock price rose 28% in 2016, far outpacing the FTSE Global Energy Index, with a share performance in euros of 23%. The challenges were enormous given the difficult global situation for the oil and gas industry. The price of Brent oil was USD 44/bbl; the average price for gas was EUR 15/MWh[1].

OMV has clearly and successfully focused on reducing investments, exploration expenses and costs. As a result, the Company has strengthened its earnings and taken measures to ensure a positive cash flow in an uncertain environment.

I am pleased to be able to provide you with this positive news in my first year as the Chairman of the OMV Supervisory Board. OMV management used the resulting financial flexibility wisely to drive forward strategically important and necessary portfolio measures and to ensure the Company's long-term competitiveness.

This created the basis for a successful financial year and put the Company on solid footing for the future. The capital market rewarded this success. The good performance of OMV shares is a sign of this.

I would now like to inform you about the work of the Supervisory Board in the financial year 2016:

Changes to the Supervisory Board and the Executive Board

After Peter Oswald, Wolfram Littich, Herbert Stepic and Alyazia Ali Saleh Al Kuwaiti stepped down, Marc Hall, Karl Rose and Ahmed Matar Al Mazrouei were elected as members of the Supervisory Board for the first time by the OMV Annual General Meeting on May 18, 2016. Likewise, I, Peter Löscher, was for the first time elected as member of the Supervisory Board and the new Chairman of the Supervisory Board. Gerhard Singer was appointed to the Supervisory Board as an employee delegate for the first time in September 2016. At the same time, Martin Rossmann left the Supervisory Board.

On January 19, 2016, Reinhard Florey was appointed by the OMV Supervisory Board as the new Chief Financial Officer. He succeeded David C. Davies on July 1, 2016. In December 2016, Manfred Leitner was confirmed as Executive Board member Downstream for another two years.

Supervisory Board activities

The Supervisory Board carried out its activities in accordance with the law, the Articles of Association and the Internal Rules with great care. It supervised the Executive Board's management of OMV and advised it in the decision-making process on the basis of detailed verbal and written reports as well as constructive discussions

[1] Central European Gas Hub spot gas price

"OMV has strengthened its earnings and taken measures to ensure a positive cash flow in an uncertain environment."

Peter Löscher
Chairman of the Supervisory Board

between the Supervisory Board and the Executive Board. The Executive Board provided us with regular, timely and comprehensive information regarding its business activities, the general economic situation in the Company's key markets and the business environment as well as the opportunities and risks to OMV's business development.

The focus of the Supervisory Board's activities in 2016 was on measures to restructure the OMV portfolio in line with the approved strategy. In the Upstream area, a number of projects were discussed that support the objective of increasing the reserve replacement rate and the sustainability of the portfolio. In this connection, the planned asset swap with Gazprom is particularly noteworthy. With the signing of a binding basic agreement in December 2016, important progress was made. According to this agreement, OMV will receive a 24.98% stake in the project to develop blocks 4 and 5 of the Achimov formation in the Urengoy oil, gas and condensate field in exchange for a 38.5% stake in OMV (NORGE) AS. In addition, in November the Supervisory Board discussed and approved the sale of the Upstream subsidiary in the UK, which was completed in January 2017. In the Downstream area, the ongoing restructuring of gas activities was a central issue. The acquisition of a minority stake in EconGas was completed in May; in September, a minority stake in Gas Connect Austria was sold, thus contributing to the financial stability and cash flow of the OMV Group. In Downstream Oil, the process of selling OMV Petrol Ofisi was started in line with the strategy of the area, resulting in the successful signing of the transaction in March 2017.

In addition to restructuring the portfolio, the Executive Board's and Supervisory Board's activities focused mainly on improving earnings and securing the Company's cash flow, given that oil and gas prices remain low. As a result, special attention was paid to the investment program during budget and medium-term planning. Furthermore, important groundwork was laid with the establishment of the cost reduction and efficiency improvement program. Thanks to these measures, we achieved our goal of positive free cash flow after payment of dividends in the financial year 2016.

Finally, the Supervisory Board began a comprehensive self-evaluation process on the basis of individual interviews with the objective of making continuous improvements to the efficiency and effectiveness of its work. For the first time, this evaluation is being supported by an external consultant in order to ensure the objectivity of the results and provide an evaluation of the Supervisory Board's work compared with current market practice. This is a clear sign of the Supervisory Board's awareness of its responsibility to shareholders and other stakeholders.

Supervisory Board committees

The Presidential and Nomination Committee led the search for the Chief Financial Officer, which was brought to a successful conclusion at the start of 2016. It also proposed candidates for election to the Supervisory Board by the Annual General Meeting.

The Remuneration Committee negotiated the employment contract with Reinhard Florey. The Remuneration Committee also worked continuously on improving the variable remuneration system for the Executive Board. In particular, the remuneration system was reviewed in 2016 to ensure market conformity, and in this connection, adjustments were made to the payout structure.

The Audit Committee dealt with important topics related to accounting processes, the internal audit, risk management and the Group's internal control system. It also looked closely at the processes and calculation methods (impairment tests) used for the impairment of assets as well as the main features of the financial steering model. OMV Group's auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.,

"We made many changes in 2016, accomplishing a lot and laying the foundation for continued growth."

attended each meeting of the Audit Committee, and the opportunity to discuss matters with the auditor without the presence of the members of the Executive Board was used on a regular basis.

Given the number and significant size of the projects the Supervisory Board dealt with in 2016, the Project Committee was particularly important. Decisions regarding key investment and M&A projects were prepared on the basis of an in-depth exchange of information and discussions at regular meetings held before the meetings of the Supervisory Board.

Annual financial statement and dividends

Following a comprehensive audit and discussions with the auditor in the Audit Committee and the Supervisory Board, the Supervisory Board approved the directors' report and consolidated annual report pursuant to section 96, paragraph 1, of the Stock Corporation Act and the annual financial statement and the consolidated annual financial statement pursuant to section 96, paragraph 4, of the Stock Corporation Act. Both the 2016 annual financial statement and the 2016 consolidated annual financial statement contained an unqualified auditor's opinion. The Supervisory Board also approved the (consolidated) corporate governance report audited by the Audit Committee and the Supervisory Board 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 1.20 per share and to carry the remaining amount forward to a new account.

We made many changes in 2016, accomplishing a lot and laying the foundation for continued growth. On behalf of the entire Supervisory Board, I would like to thank the Executive Board and all employees for their commitment and their successful work in what was a challenging financial year in 2016. We would like to thank also Peter Oswald, who was the Chairman of the Supervisory Board until May 2016, and David C. Davies, the former Chief Financial Officer and Deputy Chairman of the Executive Board, for his many years of dedicated service.

I would like to give special thanks to the shareholders for their trust and all of OMV's customers and partners.

Vienna, March 22, 2017

For the Supervisory Board

Peter Löscher

OMV on the Capital Markets

In 2016, the stock markets were marked by the effects of geopolitical events and economic uncertainty. Capital markets staged a steady recovery just towards the end of the year. The Brent oil price increased by 55% year on year, and investors were unsettled by the outcomes of the referendums in the United Kingdom and Italy as well as the result of the presidential election in the United States. OMV's integrated business model, the successful portfolio optimization measures and the resilient cash flow led to an over-performance of the stock compared to relevant indices. The OMV share price increased by 28% compared to 2015 and closed at EUR 33.56 at year-end resulting in an attractive total shareholder return of 34% for the year 2016.

Financial markets

The year 2016 was a challenging market environment for investors, specifically in Europe as significant geopolitical events affected the equity markets. The outcome of the UK referendum in June led to uncertainty across European equity markets. Eventually, companies adopted a more cautious approach on business activities. In November, the result of the presidential election in the United States resulted in a sharply negative reaction from European equity markets. However, the expected negative implications did not materialize, and markets staged a steady recovery towards the end of the year. Also, the constitutional referendum in Italy in December 2016 and the bad loans plaguing the country's banks unsettled investors. The economic activity within the Middle East and Africa was surprisingly robust over 2016. Iran looks set to benefit from its reintegration into the global economy and improved oil exports. Yemen remains the main black spot in the region due to its protracted civil war. The Brent oil price was up by 55% since the beginning of 2016 and closed the year at USD 56.75/bbl. The main reason for this development was the decision by the OPEC nations and Russia in the fourth quarter 2016 to cut production quotas.

At a glance

In EUR

	2016	2015	2014 [1]	2013 [2]	2012
Number of outstanding shares in mn [3]	326.45	326.36	326.26	326.23	326.19
Market capitalization in EUR bn [3]	10.96	8.53	7.18	11.35	8.92
Volume traded on the Vienna Stock Exchange in EUR bn	6.04	7.13	5.21	4.82	3.98
Year's high	34.78	30.46	36.06	39.69	29.12
Year's low	21.45	20.70	20.07	27.85	21.29
Year end	33.56	26.13	22.01	34.79	27.36
Earnings Per Share (EPS)	(1.24)	(3.37)	0.85	3.56	4.18
Book value per share [3]	33.44	35.76	35.53	35.60	36.49
Cash flow per share [4]	8.82	8.68	11.24	12.64	11.69
Dividend Per Share (DPS) [5]	1.20	1.00	1.25	1.25	1.20
Payout ratio in %	n.m.	n.m.	147	35	29
Dividend yield in % [3]	3.58	3.83	5.68	3.59	4.39
Total Shareholder Return (TSR) in % [6]	34	24	(34)	31	22

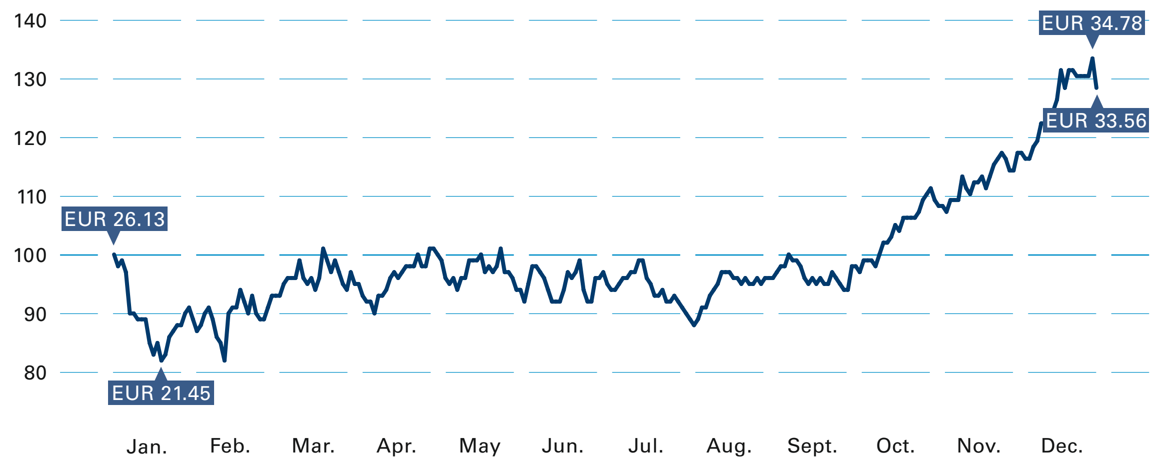
[1] As of 2015, figures for 2014 were adjusted according to IAS 8
[2] As of 2014, figures for 2013 were adjusted due to the implementation of IFRS 11 "Joint Arrangements"
[3] As of December 31
[4] Cash flow from operating activities
[5] 2016: As proposed by the Executive Board and confirmed by the Supervisory Board; subject to confirmation by the Annual General Meeting 2017
[6] Assuming reinvestment of the dividend

OMV share price performance and volume

The OMV share price increased year on year by 28% in 2016. OMV's share price started the year 2016 at EUR 26.13 but continued to decline reaching its lowest point at EUR 21.45 on January 20. The share price remained below the EUR 25 level until the end of Q3/16. Starting in September, the share development showed a steep upward trend, mainly due to successful portfolio optimization measures, a higher oil price and a strong Q3/16 result. At EUR 34.78, the share price reached its high on December 29 and closed the year 2016 at EUR 33.56. The average daily trading volume of OMV shares in 2016 was at 471,359 (2015: 577,362). OMV's total market capitalization showed an increase of EUR 2.4 bn to EUR 11 bn at year-end 2016. OMV's total shareholder return assuming reinvestment of the dividend amounted to 34% in 2016.

OMV share price increased by 28% in 2016

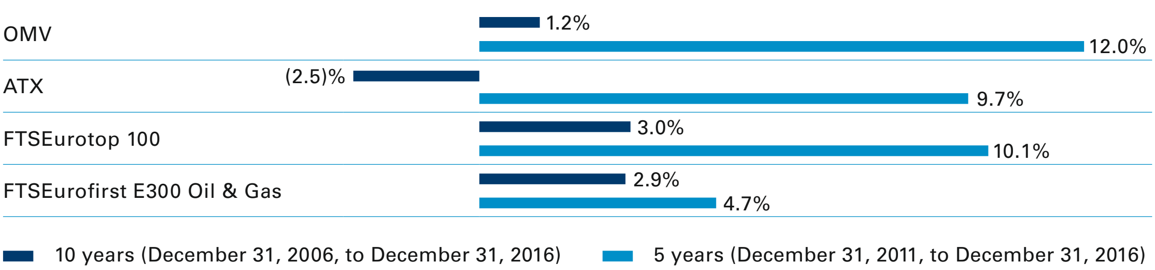
OMV share price performance 2016 (based to 100)



With a 28% increase in share price, OMV outperformed important benchmark indices. The Austrian ATX gained 9% in the same period. With respect to global industry indices, the FTSE Global Energy Index and the FTSEurofirst E300 Oil & Gas increased by 23% and 24%, respectively, while the FTSEurotop 100 fell by 1% in 2016.

The performance of OMV shares over a five-year period outperformed the development of the indices. The assets of an investor who invested an amount of EUR 100 in OMV shares at the end of 2011 and reinvested dividends in additional OMV shares would have increased to EUR 176 by the end of 2016. This results in an average annual return of 12%.

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



[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 2016 of EUR 1.20 per share

On May 18, 2016, OMV's Ordinary Annual General Meeting approved a dividend of EUR 1.00 per share for 2015 as well as all other agenda items including the elections to the Supervisory Board, the Long Term Incentive Plan 2016 and the Matching Share Plan 2016.

Dividend of EUR 1.20 per share proposed

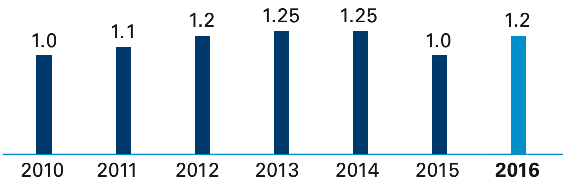
For 2016, the Executive Board will propose a dividend of EUR 1.20 per share at the next ordinary Annual General Meeting on May 24, 2017. The dividend yield, based on the closing price on the last trading day of 2016, will amount to 3.58%.

Dividend policy

At the beginning of 2017, OMV presented its new dividend policy. OMV is committed to delivering an attractive and predictable return to shareholders through the business cycle. OMV projects a floor dividend of EUR 1.00 per share, provided that this will not be to the detriment of the company's long term financial health or stability. We intend to grow the cash dividend progressively, in line with our free cash flow and net income development. For the rate of progression, we will take into account our investment needs and strategic capital allocation priorities.

Dividend per share

In EUR



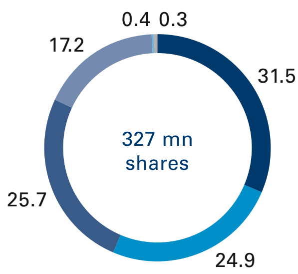
OMV share	ISIN: AT0000743059
Listings	Vienna, USA (ADR Level I)
Ticker	Vienna Stock Exchange: OMV
	Reuters: OMVV.VI
	Bloomberg: OMV AV

OMV shareholder structure

OMV's shareholder structure was relatively unchanged in 2016 and was therefore comprised of the following at year-end: 42.9% free float, 31.5% Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB, representing the Austrian government), 24.9% International Petroleum Investment Company (IPIC), 0.4% employee share programs and 0.3% treasury shares.

Shareholder structure

In %

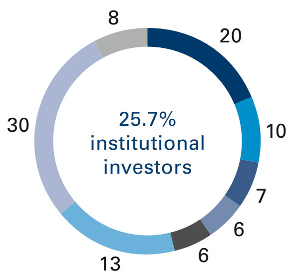


ÖBIB	31.5%
IPIC/Abu Dhabi	24.9%
Institutional investors	25.7%
Unidentified free float	17.2%
Employee share programs	0.4%
Treasury shares	0.3%

An analysis of our shareholder structure carried out at the end of 2016 showed that institutional investors held 25.7% of OMV's shares. With 30%, investors from the United States made up the largest regional group of institutional investors. Investors from United Kingdom made up 20%, investors from Austria and France 10% and 7% respectively, and investors from Norway and Germany each accounted for 6%.

Geographical distribution of institutional investors

In %



United Kingdom	20%
Austria	10%
France	7%
Norway	6%
Germany	6%
Rest of Europe	13%
United States	30%
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 2016, OMV held a total of 824,369 treasury shares. The number of shares in circulation was thus 326,448,358. 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 co-ordinated action and restrictions on the transfer of shareholdings.

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 2016, 6% recommended buying our shares (end of 2015: 12%) and 39% recommended holding them (end of 2015: 29%), while 55% had a sell rating (end of 2015: 59%). On December 31, 2016, the average target share price according to analyst consensus estimates was EUR 27.10.

Good credit ratings

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

Investor Relations activities

The Executive Board and the Investor Relations team strengthened and deepened relationships with analysts and investors at numerous road-shows and conferences across Europe and North America. Throughout the year, OMV conducted a total of 265 (2015: 275) events with members of the financial community, of which 195 were face-to-face investor meetings. A highlight in 2016 was the Strategy Day in London on February 18 where OMV's Executive Board presented its new corporate strategy to investors and financial analysts. From this event, the financial market participants gained a much clearer understanding of OMV's strategy and its efficient and sustainable business model.

In April 2016, OMV Investor Relations carried out an extensive perception study with investors and analysts based in Europe, Asia and the United States. The results of this research served as additional input for planning the financial communications program and the key messages OMV needs to address.

OMV Investor Relations also improved the interaction with the financial market participants by introducing a detailed analyst consensus dashboard and a new Factsheet as part of the quarterly reporting package. Furthermore, OMV Investor Relations published charts and accompanying speeches of quarterly results and M & A conference calls on the OMV website. Analysts and investors who cannot participate in the live calls can thus review the information on our website.

The financial community confirmed the quality of OMV's Investor Relations activities: At the Wiener Börse, we received first prize in the category "Corporate Bond" for the sixth time in a row.

2

COMPANY

49 —— 72

About OMV

OMV celebrated its 60th anniversary in 2016

OMV is producing and marketing oil & gas, innovative energy and high-end petrochemical solutions – in a responsible way. The history of OMV began more than 60 years ago on July 3, 1956, when the company then known as "Österreichische Mineralölverwaltung Aktiengesellschaft" was officially entered into the commercial register. Over the past six decades, OMV has grown into Austria's largest industrial company with an international focus – developing from a state-owned company into an international player with Group sales of over EUR 19 bn and more than 22,000 people from 69 nations in 28 countries.

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 2016, OMV Upstream was active in 15 countries across the globe and had proven reserves (1P) of 1.03 bn boe and proven and probable reserves (2P) of 1.7 bn boe. The Reserve Replacement Rate (RRR) was 101% in 2016. Daily production was 311 kboe/d in 2016, which equals a total production of 113.8 mn boe. Around 90% of its production in 2016 came from EU/OECD countries. Oil and gas production is roughly even, at about 50% each. OMV is optimizing its portfolio to focus on low-cost regions and high-value projects. The Company has an excellent track record in exploiting mature basins and uses the latest technologies in order to increase the recovery rates and produce oil and gas at low costs in a responsible way.

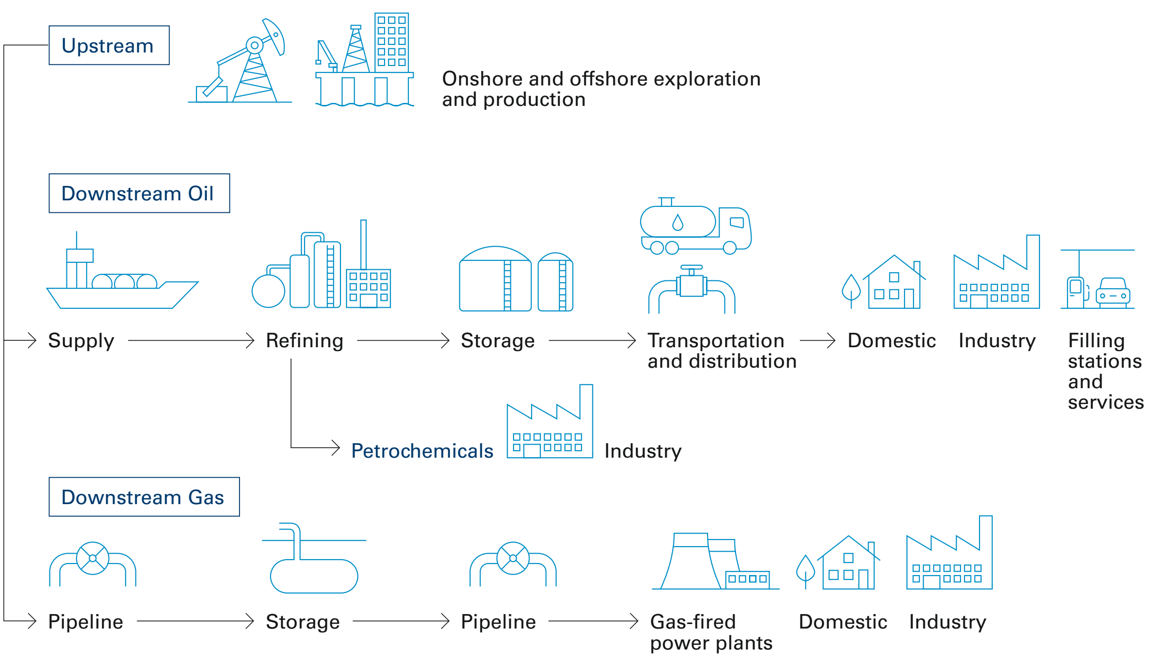
OMV Aktiengesellschaft is Austria's largest listed industrial company

The Downstream Business Segment consists of the Downstream Oil and the Downstream Gas business.

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 retail network consists of 3,777 filling stations in 11 countries with a strong multi-brand portfolio. In addition to this and alongside an efficient commercial business, OMV has a leading position in its Downstream Oil markets. In Downstream Gas, the natural gas sales volume was 109 TWh in 2016. OMV operates a gas pipeline network in Austria and four gas storage facilities with a capacity of 2.7 bcm (30 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 gas distribution point for Russian gas. OMV operates two gas-fired power plants, one in Romania and one in Turkey.

OMV Aktiengesellschaft is Austria's largest listed industrial company with a market capitalization of EUR 11 bn at the end of 2016.

Our value chain



Strategy

OMV made significant progress in restructuring the business portfolio in 2016 and its strategic road map 2020 focuses on value-added growth. This is underlined by strict financial discipline.

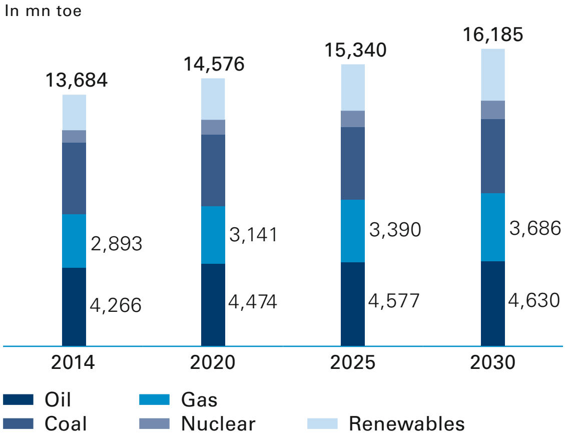
Market perspective

The underlying assumption of our strategy is that oil and gas will continue to play a pivotal role as primary global energy supply sources in the coming decades, in line with forecasts of leading global energy institutes, such as the International Energy Agency. Oil will dominate in transport, and both oil and gas will remain major feedstocks for the petrochemical industry. Gas, as the fossil fuel with the lowest carbon dioxide (CO_2) emissions, will continue to play an important role in the energy mix of the future. In terms of long-term fuel efficiency, technical evolution of alternative power trains and developments in the regulatory environment may alter the consumption patterns.

Oil markets have been characterized by significant oversupply in 2016. Overall, market analysts are forecasting an increase in the oil price in 2017 compared to 2016. In the longer term, towards the end of the decade, an oil supply shortfall may appear, if substantial amounts for investment are cancelled or postponed as a reaction to the oil price drop. The underlying assumption is that oil prices will rise again towards the end of the decade. The short-term flexibility of US shale oil, however, will likely act as a price cap, so oil prices are not expected to rise to the levels of USD 100/bbl and higher as seen between 2011 and 2014. OMV's current long-term oil price assumption is USD 75/bbl from 2020 onwards.

World energy demand by primary energy sources

In mn toe



Source: IEA World Energy Outlook 2016/New Policy

Within the last few years, European gas markets have turned into a state of constant oversupply due to an abundance of available supply and slower than expected demand developments. The oversupply situation is expected to stay until the end of the decade with modest demand growth and new Liquefied Natural Gas (LNG) supply volumes expected. European indigenous production is expected to decline further. The European gas price will be shaped by how accommodating Europe's traditional suppliers are towards any additional LNG volumes and, secondly, by how fast indigenous production declines. OMV's gas price assumptions have been aligned to reflect the current weaker European market conditions.

Oil and gas will continue to play a pivotal role as primary energy supply sources

In the refining business, margins are projected to continue their downward trend. Europe has too much refining capacity, and competitive middle distillates imports (e.g. diesel) are supplied from Russia and the Middle East. Finally, the US as a traditional export market for European oil products has all but disappeared for now due to the shale oil revolution. Strong competition is expected to continue in Europe. While gasoline demand from China, India and recently the US is lively, demand in Europe is expected to decrease as a result of increasing efficiency and further shifts towards alternative fuels based on ambitious climate targets. Economic activity, commercial road traffic and dieselization of private cars are the main drivers for diesel demand in Europe. Higher growth potential for emerging markets, but only limited demand increase in mature markets, is anticipated. In the medium to long term, efficiency gains and a changing market environment with higher shares of alternative fuels will finally result in a decrease in consumption. For jet fuel, the market outlook is positive based on increases in both passenger and cargo traffic. Demand for petrochemical products is expected to stay healthy with a positive long-term trend.

Strategic restructuring in 2016

OMV leveraged its strengths in the challenging business environment of 2016 and delivered major achievements in restructuring its portfolio.

Streamlined portfolio

In Upstream, OMV successfully closed the divestment of 30% in the pre-FID project Rosebank (UK) to Suncor Energy as well as the divestment of OMV (U.K.) Limited to Siccar Point Energy. In Norway, OMV divested its 20% share in Zidane. These divestments will generate more than USD 1.2 bn in proceeds (including contingent payments). In addition, OMV substantially reduced its investment plan in the North Sea, freeing up funds for investments in low-cost regions. OMV will continue to investigate ways to further optimize the Upstream portfolio.

Business portfolio optimized, cost position and organizational efficiency sustainably improved

OMV achieved the goal of a 100% RRR in 2016 by adding 118 mn boe 1P reserves. Pearl Petroleum Company and our expansion in Libya contributed significantly to this increase. OMV holds a 10% share in Pearl, an operator of gas fields in the Kurdistan region of Iraq. Arbitration proceedings confirmed the entitlement to existing production and 1P reserves. In Libya, OMV expanded its position in the Sirte Basin.

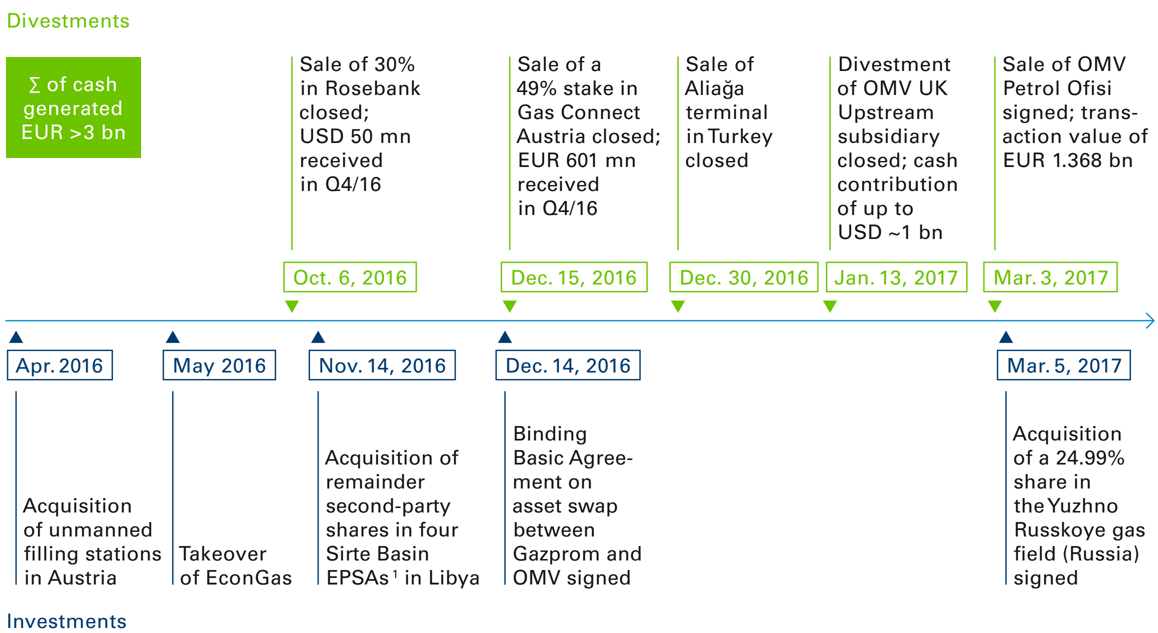
In the gas transportation business, OMV sold 49% of Gas Connect Austria to a consortium of Snam and Allianz in 2016. The total cash consideration of EUR 601 mn paid by the consortium contributed to the Group's financial stability. Through the divestment of tail-end filling stations in the Czech Republic and the acquisition of unmanned filling stations in Austria, the retail network has been further optimized in order to secure the captive outlet and support the refinery utilization. As OMV Petrol Ofisi was a non-integrated retail station network, the divestment decision was made in February 2016. On March 3, 2017, OMV has agreed to sell OMV Petrol Ofisi to VIP Turkey Enerji AS for an overall transaction value of EUR 1.368 bn.

OMV reinforced its divestment efforts for the Dorobantu wind park (Romania) and Samsun power plant (Turkey), although the current market environment is challenging.

Gas sales and trading businesses integrated

OMV successfully restructured Downstream Gas, a business confronted with significant adverse market changes in the past years. OMV took over the remaining shares in EconGas in May 2016 and subsequently integrated the company. OMV implemented several steps – such as reorganization, settlement of legacy contracts, lifting of synergies and rebranding – to place the gas sales business on a sound foundation.

Major achievements in reshaping OMV's portfolio



[1] Exploration and Production Sharing Agreements

Cost savings achieved and cash breakeven reduced

Capital expenditure was cut by 32% in 2016 versus 2015, from EUR 2.8 bn in 2015 to EUR 1.9 bn in 2016. Exploration & Appraisal (E&A) expenditure was reduced by 49% in 2016 versus 2015. In total, E&A was reduced from EUR 607 mn in 2015 to EUR 307 mn in 2016. E&A expenditure will be limited to EUR 300 mn going forward. Group-wide sustainable cost reduction and efficiency improvements of about EUR 200 mn in 2016 compared to 2015 were achieved. For 2017, OMV targeted the achievement of a neutral free cash flow, after dividends, at an estimated oil price of around USD 55/bbl. This goal was already reached in 2016 due to the launch of a cost reduction and capital efficiency program. The 2016 free cash flow after dividends break-even oil price was USD 35/bbl (excluding divestment proceeds).

Value-added growth

The strategic road map of OMV focuses on value-added growth until 2020 and will deliver oil & gas, innovative energy and high-end petrochemical solutions to our customers in a responsible way.

Upstream: value over volume

OMV focuses the Upstream activities on four core regions (1) CEE, (2) the North Sea, (3) the Middle East and Africa and (4) Russia. A core region is defined as having an annual production rate above 50 kboe/d and being self-funded. Furthermore, OMV will target acquisitions in regions with attractive cost positions, like the Middle East and Russia, to reduce its portfolio cost. In the process of shifting its portfolio to low-cost regions offering ample opportunities for reserve replenishment, OMV leverages on a series of long-term strategic partnerships.

In December 2016, OMV signed a binding Basic Agreement with Gazprom regarding the envisaged asset swap. Gazprom will receive a 38.5% stake in OMV Norge, and in exchange OMV will receive a 24.98% share in Achimov IV/V in Russia. The deal remains subject to an agreement on the final transaction documents and regulatory and further corporate approvals. The swap transaction would add approximately 560 mn boe to OMV's reserves, making a significant contribution to the development of OMV's RRR. The field will begin production towards the end of the decade and will deliver high-plateau production for more than 20 years.

On March 5, 2017, OMV signed an agreement to acquire a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The purchase price amounts to USD 1,850 mn. The transaction is anticipated to close by the end of 2017 and will be retroactively effective as of January 1, 2017. The implementation of the transaction is subject to further conditions, including co-shareholder consent as well as merger control and foreign investment control clearance in Russia. OMV's share of the remaining recoverable reserves during the license term (lasting until the end of the year 2043) amounts to approximately 580 mn boe. OMV's share of the daily production is estimated to be 100,000 boe/d.

Positive free cash flow after dividends in 2016

OMV will focus to extend its footprint in the Middle East and Africa as a second low-cost production region. In the United Arab Emirates, OMV seeks to engage in further opportunities beyond the current position in the gas field Shuwaihat and the evaluation of oil and gas fields North-West Offshore Abu Dhabi in close cooperation with its long-term partner ADNOC. In Iran, OMV has intensified its cooperation with the National Iranian Oil Company, signing a MoU concerning the evaluation of various fields in the Zagros area in the west of Iran for potential future development. In addition, the companies signed a joint study agreement for the evaluation of the potential hydrocarbon prospect in the Fars area. In Libya, OMV increased its stake in four Exploration and Production Sharing Agreements in the Sirte Basin and strengthened the partnership with the National Oil Corporation (NOC). Subject to improvements in the security situation, the transaction will provide OMV with an opportunity to increase its production in Libya to a maximum of 50,000 bbl/d. OMV increased its 2P developed reserves in Libya by 52 mn bbl. In partnerships, OMV leverages the technological strength of exploiting mature basins based on operational excellence as demonstrated in Romania and Austria.

Position in Libya expanded

Binding Basic Agreement on asset swap with Gazprom signed

OMV targets an RRR of 100%; that is, full replacement of produced reserves. The direction going forward is to further optimize the portfolio in terms of value and cash contribution and shift the production level above 400 kboe/d in the long-term perspective.

Downstream Gas: expand European gas sales
The gas sales offensive in Northwest Europe is gaining momentum through the newly opened sales office in Germany. Contracted gas volumes amounted to ~17 TWh, which exceed the target volume for 2017. The increasing marketing volumes in Northwest Europe will also allow for better utilization of infrastructure positions, and earning the associated fixed costs. The sales offensive is supported by our considerable marketing expertise and well-established position as a market leader in Austria.

In the non-regulated gas transportation business, OMV intended to participate in the Nord Stream 2 project. However, due to a statement of objection received by the Polish merger control authorities, the consortium withdrew the merger control notification and terminated the shareholder and share purchase agreements in August 2016. Currently, alternative options to support the project are under evaluation. Nord Stream 2 remains strategically important to OMV as it ensures continuous long-term gas flows to the Central European Gas Hub (CEGH) and through the network of Gas Connect Austria. This, in turn, secures the long-term utilization of the Austrian gas import and export infrastructure operated by Gas Connect Austria.

Downstream Oil: extend refinery value chain

Downstream integration will be further strengthened

In 2016, Downstream Oil once again proved its value as a cash generator. Going forward, the business will continue to be run for cash, adhering to strict capital and cost discipline. To optimally utilize OMV's three refineries, the integration with Upstream and captive outlets will be maintained and further strengthened. These comprise OMV's retail station network and the petrochemicals integration with Borealis at the Schwechat and Burghausen refineries. A currently evaluated cracker expansion in Burghausen will further strengthen the relationship with Borealis and OMV's petrochemical integration. Today, roughly one-third of the refinery capacity is sold via our retail network and another 13% through the petrochemicals channel. Moreover, an incremental optimization of refinery output will be achieved via the upgrade of lower value LPG into higher value distillates in the Petrobrazi refinery.

OMV's petrochemicals integration with Borealis plays a pivotal role in securing the long-term position of OMV's refineries in Schwechat and Burghausen. OMV will continue its efforts to nurture and increase the prolific relationship with Borealis to deliver high-end petrochemical solutions.

All forms of energy will be needed to meet growing global demand. Therefore OMV leverages three value drivers for innovative energy: new feedstocks (e.g. produce synthetic crude from plastic waste), new technologies (e.g. hydrogen from renewable energy) and new products (e.g. hydrogen mobility).

Further details can be found in the Innovation and New Technologies chapter of this report.

Financial discipline

One key principle of OMV's financial management is ensuring financial discipline. OMV's financial steering framework is based on the following principles: offer an attractive shareholder return, provide predictable dividend streams, and maintain a strong investment grade rating. OMV aims to sustain a long-term gearing ratio below 30% to maintain a strong balance sheet. Therefore, this framework consists of two main pillars: value creation and cash flow. The key financial indicators to measure value creation in both absolute and relative terms are economic value added and ROACE. These KPIs ensure a focus on profitable investments as well as on efficient capital expenditure management and operational efficiency.
A strong free cash flow is essential for value generation, as it gives headroom for investments and ensures attractive dividends. Diligent management of both operating cash flow as well as investment levels form the foundation of the framework.

OMV's financial steering framework stands for risk-monitored, value-added growth for the Company and its stakeholders.

OMV's strategic road map

OMV Vision 2020

Restructuring

- Streamlined portfolio
- Integrated gas sales and trading businesses
- Achieved EUR 200 mn cost savings
- Significantly reduced the oil price free cash flow breakeven

2015 2016

Value-added growth

Upstream

- Growing in low-cost regions with rich hydrocarbon reserves
- Optimize operating assets
- Improve value with a risk-balanced portfolio
- Achieve Reserve Replacement Rate of ≥100%

Gas

- Expand European gas sales business to monetize OMV's supply position

Oil

- Extend refinery value chain to include higher value products

Partnerships

- Leverage strong partnerships

2017

OMV in 2020

OMV is producing and marketing oil & gas, innovative energy and high-end petrochemical solutions – in a responsible way

2020

Financial discipline

Innovation and New Technologies

Innovation efforts are focused on implementing ideas that will bring benefits to OMV customers, the environment and the Company. Innovation and new technologies help our Business Segments to extend their core expertise and achieve high product quality and service standards. For improving the sustainable development of the business, environment and society, OMV fosters strategic partnerships with universities, research institutions and selected industrial partners. Group expenses for innovation and new technologies amounted to EUR 28.4 mn in 2016.

Upstream

In the Upstream business, the addition of reserves through the increase of ultimate recovery rates of mature assets is a key pillar of reserve replenishment besides exploration and acquisition. OMV focuses on water management, steam injection and polymer injection to unlock additional reserves in mature fields.

Polymer pilot project generated 100,000 boe incremental oil

In 2016, OMV added an additional injector to the polymer pilot project, which is ongoing in Austria since 2012. In total, 100,000 boe incremental oil was produced by the end of 2016.

Co-processing introduces biogenic raw material into the production process

A research project with Stanford University was launched to increase OMV's reservoir simulation capabilities, forming the basis for better reservoir performance management through improved forecasting.

Since 2015, OMV has further intensified the Research & Development (R&D) cooperations with Statoil, Total and Gazprom. Together with Total, OMV continued to work on the industrial-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 polymer injection. Through this collaboration, the polymer handling capability in back-produced water could be significantly improved.

In October 2016, OMV signed an agreement for scientific and technical partnership with Gazprom, Montanuniversität Leoben and the Gubkin Russian State University of Oil & Gas. As one of the key areas, the collaboration will focus on technologies to reduce the water cut, a key challenge to produce mature oil fields.

The very close collaboration for developing and testing new technologies with the Montanuniversität Leoben continued in 2016. Topics of projects covered a wide area from increasing the run time of artificial lift equipment and rock mechanics to polymer injection.

Downstream

In the Downstream business, OMV leverages three value drivers in the innovation approach: new feedstocks, new technologies and new products.

In 2016, OMV prepared the first scale-up step from a bench scale unit to a pilot plant for a project, which uses plastic waste to produce a synthetic crude in a pyrolysis process. 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 is expected at the end of 2017.

OMV continued its development efforts in the co-processing of renewable feedstocks. 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. In March 2016, a first field test with rapeseed oil was successfully completed including a sustainability certification according to REDcert standard. For 2017, further field testing is planned with a focus on increasing the bio yield and volume.

The goal of the wind2hydrogen project is to set up the conditions required to produce "green hydrogen" from renewable electricity, which can be stored, transported or used whenever it is convenient for customers. The pilot plant in Auersthal (Austria) will continue to study dynamic hydrogen production until the end of 2017. As a pioneer in hydrogen mobility, OMV opened the third hydrogen filling station in Austria in 2016. OMV is a joint venture partner in the H2 MOBILITY initiative, whose goal is to open around 400 hydrogen filling stations in Germany by the end of 2023.

OMV is also preparing options for the long-term future. At the Christian Doppler Laboratory in Cambridge, Erwin Reisner and his team are researching ways to convert sunlight into usable energy syngas. The research team aims to develop a prototype of a reactor to produce larger amounts of hydrogen by the end of the decade.

Sustainability and Health, Safety, Security and Environment

At OMV, we have a long tradition of responsible behavior towards the environment and society. We aim at providing energy for the sustainable development of society, the environment, and the economy alike. OMV is strongly committed to acting on climate change mitigation and therefore set new targets in 2016 to manage and reduce the carbon footprint of our operations and products. Furthermore, OMV ran an efficient community engagement program in the operating countries.

OMV sustainability strategy

Responsible business behavior is crucial for OMV to create win-win situations for society, the environment and the Company, to secure the social acceptance of business operations, to gain access to new resources and to attract the best employees, contractors and investors.

The OMV sustainability strategy Resourcefulness brings together our commitments on health, safety, security, environment, business ethics, human rights, diversity and stakeholder engagement. It is based on three pillars:

- **Eco-Efficiency:** efficient use of resources and the reduction of environmental impact through energy efficient projects, carbon and water management and of gas as the cleanest fossil fuel
- **Eco-Innovation:** invest in research and development of new technologies and energy sources to meet the challenges of tomorrow through hydrogen mobility projects or second-generation biofuels
- **Skills to Succeed:** develop the local economy to mitigate risks through vocational training (with a focus on technology and women), local employment, local supplier development and strategic cooperation with universities

Sustainability governance

Sustainability is managed and overseen by two governance bodies: The **Resourcefulness Executive Team** (RET) (chaired by the CEO) reviews and approves all sustainability-related projects and progress of implementation. The **Resourcefulness Advisory Board** (RAB) (chaired by the CEO) comprises high-ranking international experts with academic backgrounds and expertise in the areas of sustainability.

The RAB met twice in 2016 and provided expert advice and recommendations on topics such as priorities for sustainability in a low-oil-price environment, sustainability and the capital market and climate change. Some topics raised during the RAB meetings have been proactively implemented by OMV already. The endorsement of the World Bank's "Zero routine flaring by 2030" initiative and the new greenhouse gas intensity target serve as beacons within the oil and gas industry.

World Bank's initiative "Zero routine flaring by 2030" endorsed

Methods and measuring tools that monitor and capture the effects of Resourcefulness enable OMV to make the best decisions for OMV, the environment and our stakeholders. OMV continued during 2016 to monitor and steer the performance of the sustainability activities through the Key Performance Indicators (KPIs). The KPIs are also aligned with the United Nations Sustainable Development Goals (SDGs). Through the projects and initiatives, we support all 17 SDGs.

More details about performance with regard to the selected sustainability KPIs can be found in the stand-alone OMV Sustainability Report 2016.

Environmental, Social and Governance (ESG) performance

At OMV, we place great importance in working with the ESG rating agencies. This helps us drive the sustainability agenda forward and to make continuous improvements. In 2016, OMV has achieved an outstanding score of "A-" (leadership) for CDP Climate Change and Water, stating that the "company has taken steps that represent best practice in the field of environmental, carbon and water management." With these results, OMV is among the best in the global oil and gas sector, is the index/sector leader in Austria for climate change score and is the global water score leader in the energy sector.

OMV achieved leadership status for CDP Climate Change and Water

Furthermore, OMV maintained its inclusion during 2016 in the FTSE4Good Global, STOXX® Global ESG and MSCI Global Sustainability indices, as well as Euronext-Vigeo Eurozone 120 and Ethibel Sustainability Excellence Europe.

Reporting on materiality

In accordance with the Global Reporting Initiative (GRI) G4 core standard and following the oil and gas sector supplements, OMV carried out a materiality analysis to identify what matters most to us and our stakeholders.

The analysis allowed us to group the material issues into five distinctive areas and gave greater clarity on what we need to focus on and report.

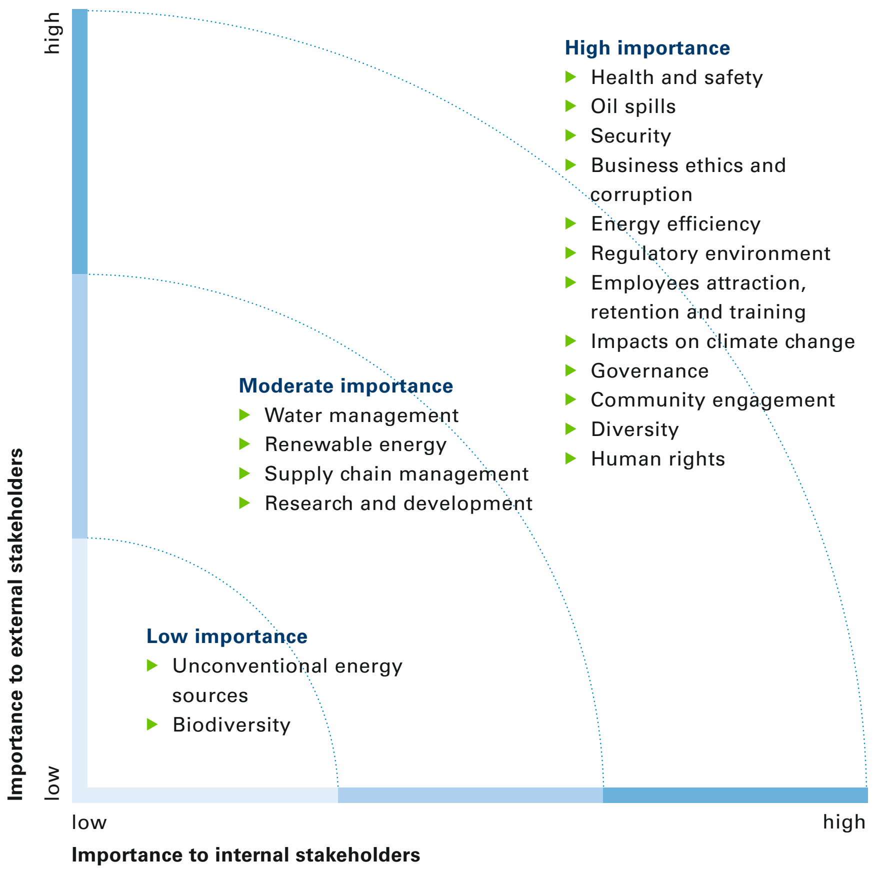
This means that we disclose, with greater prominence and detail, the issues ranked as being of high importance for OMV and its stakeholders: health and safety, oil spills, security, climate change, employees, business ethics, human rights and community relations. We continue to report on topics regarded as of moderate or low importance but without the same level of detail.

In 2017, the analysis of materiality will be repeated.

Our materiality matrix

Stakeholders consulted

- Financial and SRI analysts
- NGOs
- Suppliers and contractors
- Regulators
- Business leaders
- Universities and research institutes
- Customers
- Local authorities
- OMV employees



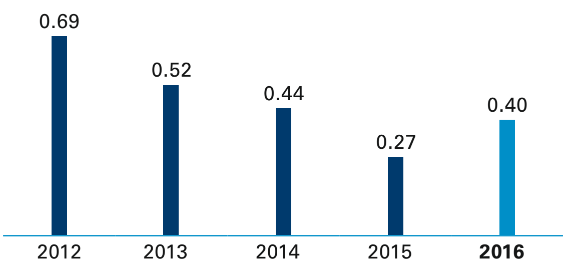
Material areas

1. Health, safety and security

Health, safety and security are key values of OMV. The physical and mental health, well-being and safety of the people, as well as the integrity of OMV operating facilities, are of essential importance. Loss prevention and proactive risk management are essential in maintaining OMV's social acceptance and to reach OMV's HSSE vision "ZERO harm – NO losses."

In 2016, the combined Lost-Time Injury Rate (LTIR) for own employees and contractors was 0.40 (2015: 0.27), and our combined Total Recordable Injury Rate (TRIR) was 0.69 (2015: 0.73).

LTIR evolution over the last five years



We are deeply saddened to have lost one employee and one contractor during 2016. In both cases, a detailed incident investigation was conducted, and measures have been implemented to prevent any such recurrence.

An unstable geopolitical landscape with enduring regional conflicts resulted in the security emphasis for 2016 remaining primarily focused on the Middle East and North Africa. Notwithstanding the challenges of continuing to operate securely in the distressed regions of Libya, Pakistan, Tunisia, Turkey and Yemen, the threat and reality of terrorist attacks on mainland Europe and elsewhere increased significantly. OMV's established crisis management and security travel management procedures provided a reassuring degree of mitigation and control during 2016.

Additional proactive measures were also initiated to review and further enhance security at the head office and all other critical infrastructure assets against this emerging violent phenomenon.

Key safety actions in 2016

- Group-wide roll out of the Safety Culture Program, safety culture evaluations and training workshops in selected ventures
- The campaign "On the safe side with good ideas" generated 89 ideas for a healthier and safer workplace
- Audits on incident investigation process by external experts to find potential for improvement
- Cross-branch office assessment of effectiveness and completion of actions from fatalities and high-potential incidents in Upstream
- Closer monitoring of the execution of safety-critical activities resulting in a significant decrease of overdue work orders for safety-critical elements (>90% completed work orders) in Upstream

Total Recordable Injury Rate improved to 0.69 in 2016

2. Environmental management

OMV aims at optimizing processes to use natural resources as efficiently as possible, and to reduce emissions and discharges.

Key environmental actions in 2016

- Implementation of a new group-wide Environmental Management Standard, introducing a zero routine flaring and venting policy
- Endorsement of the World Bank initiative "Zero routine flaring by 2030"
- Roll-out of a Corporate Environmental Risk Assessment tool, which allows optimized data handling, prioritization and action tracking

Spill risk management is another key focus across OMV operations. In 2016, there were two major hydrocarbon spills (Level 3–Level 5 according to OMV definitions), totaling 39,500 l of hydrocarbons spilled.

OMV is strongly committed to acting on climate change mitigation and responsible resource management and has therefore set targets to manage and reduce the carbon footprint of its operations and products. The key target is to reduce OMV's overall greenhouse gas emission intensity by 10% by 2021 compared to 2013. Overall, savings of more than 50,000 t CO_2 emissions were achieved in 2016 at the refineries.

50,000 t of CO_2 emissions saved at the refineries in 2016

The phasing out of routine flaring and venting as well as energy efficiency improvements across all operations are essential measures to achieve the target. OMV Refining, Gas Connect Austria and OMV Petrom have an Energy Management System certified according to ISO 50001.

On water management, the focus is on efficient water use and state-of-the-art water treatment. In 2016, OMV continued to implement the water strategy with the main focus on the Group's primary water consumers. Water-related risks of priority sites have been identified, and water management plans have been developed. This will be further rolled out at other relevant sites in 2017.

Additional information on our environmental performance data can be found in the stand-alone OMV Sustainability Report 2016.

More than 3,700 external people benefited from training and education in 2016

3. Employee development and diversity

OMV is committed to the Group's Diversity Strategy and its focus on gender diversity and internationality. Regarding gender diversity, the target is set to have 30% women in Senior Vice President positions by 2020. In the area of internationality, there are three KPIs defined to focus on an appropriate mix of local and non-local employees within the management boards of the major OMV entities and at the Senior Vice President level. As of December 31, 2016, women held 23% of our Senior Vice President positions and international (non-Austrian) employees held 41%.

Additional information on diversity can be found in the Consolidated Corporate Governance Report. Details about the topic employee development can be found in the chapter Employees.

4. Business ethics and human rights

OMV strives to uphold equally high compliance standards in all locations. A dedicated cross-regional compliance organization, consisting of 42 compliance experts, ensures that OMV standards are consistently met across the Group. In 2016, more than 2,100 employees were trained to ensure compliance with internal as well as external regulations and laws. OMV is a signatory of the United Nations Global Compact (UNGC) and fully committed to the UN Guiding Principles on Business and Human Rights. In 2016, OMV launched a Human Rights e-learning tool, a mechanism that guides OMV employees through norms and situations that have to do with human rights.

5. Community relations and development

OMV has been successful in promoting the social benefits of its operations while running an efficient business in the countries of operation. In 2016, the community grievance mechanism was fully operational in Upstream. In addition, it was rolled out in three OMV refineries. A grievance is an expression of dissatisfaction stemming from a real or perceived impact of the Company's business activities. With the new grievance mechanism system in place, OMV has a consistent approach to receiving, registering and solving the grievances and is fully aligned with the requirements of the GRI and IPIECA (International Petroleum Industry Environmental Conservation Association). OMV contributed to the economic development of the communities where it has operations and continued to implement community projects. In 2016, more than 3,700 external beneficiaries received training and education for exploiting better economic opportunities.

Employees

The year 2016 was one of transformation for OMV. We focused our attention on turning around our overall portfolio and rethinking our current business model. Great improvements have been made in reducing our cost levels, and this will require continuous attention to remain at the forefront of the industry. In addition, significant leadership changes took place in 2016. The Executive Board came to its current composition in the middle of the year when the new CFO joined.

Under the leadership of the Executive Board, OMV's Purpose (the "Why") and Business Reason (the "What") were defined along with Our Principles (the "How"); they characterize the culture to which OMV aspires and serve as the foundation for a sustainable successful organization:

- **Team spirit:** respect the individual and act as a team
- **Accountability:** act as if it were your own company
- **Passion:** put your heart and mind into it
- **Pioneering spirit:** be open-minded and think in alternatives
- **Performance:** strive for the best every day

The Purpose, Business Reason and Principles were first communicated to the Senior Leadership Team in January 2017 and shortly after to the rest of the organization.

Our Principles are the fundamentals of the newly developed People Strategy.

OMV's People Strategy

The alignment of our people agenda with the business strategy was very important in the year of transformation. Cultural evolution, leadership and understanding of future capabilities required for the successful implementation of our strategy are the main pillars of our People Strategy. The development of internal talents and succession planning are key for the long-term success of the Company.

Our strategic priorities to become an even stronger organization are:

- **Inspiring leaders:** building high-performing, diverse teams
- **Performance-focused and principle-led behavior:** clear expectations and accountability
- **Organizational agility and excellence:** focus on simple, smooth and efficient processes
- **Great place to work:** a place where people can learn, grow, connect and collaborate

OMV's Human Resources (HR) road map for the coming year has been developed to bring Our Principles to life and to ensure that the change in culture supports the company transformation process with an even more engaged workforce.

Progress will regularly be monitored using engagement and pulse surveys.

Highlights from 2016

Despite all the changes due to the transformation of the business and HR, many more activities were initiated to develop and motivate the existing workforce.

OMV's People Strategy is one of the cornerstones in the Company's transformation journey

Significant effort has been made to adjust the employee development programs to the changing needs of the organization. There is a good balance defined between learning on the job, internal knowledge transfer, coaching and formal training. Any new development programs that are to be developed and introduced in the future will fit into this concept.

Continuous time and effort are being invested to keep the talent pipeline flowing, at the international level as well as with a focus on female employees. In 2016, OMV offered five scholarships to excellent female technical students. Furthermore, OMV is sponsoring master's students from different universities. In 2016, six graduates from the petroleum engineering program were hired from Montanuniversität Leoben.

Since 2011, more than 600 technical graduates completed the three-year IGD program

One of OMV's core training programs is the Integrated Graduation Development (IGD), where new technical graduates are trained over the course of three years. Since 2011, more than 600 OMV employees have been trained. Once again in 2016, 45 new graduates started the professional development program.

Programs to develop critical skills in key areas of OMV's business have been intensified. The Skill Pool Management concept was also introduced to the Upstream business and is a good example of how OMV will anticipate the need for specific skills and competencies in the future.

Management and leadership development is another cornerstone of the People Strategy. In 2016, two new leadership development programs were launched. Job rotation and international assignments for upcoming leaders accelerate participants' development. This ensures the availability of great leaders in the future. Currently, 90% of our senior leaders have international experience, mostly gained within the OMV Group.

Key figures

	2016	2015
Employees by region		
Austria [1]	3,431	3,515
Romania/rest of Europe [1]	16,618	17,967
Middle East and Africa	2,091	2,155
Rest of the world	404	487
Total number of employees	**22,544**	**24,124**
Diversity		
Female	25%	24%
Male	75%	76%
Female Senior Vice Presidents	23%	17%
Number of nationalities	**69**	**74**

[1] Including unbundled companies such as GAS CONNECT AUSTRIA GmbH, OMV Gas Marketing & Trading (formerly EconGas) and FE Trading GmbH

Group Performance

OMV delivered a good operating result and increased its resilience in a volatile environment. Relying on higher profitability per barrel and significant cost reductions, OMV has responded with a strategy offensive that adjusts to a lower-oil-price environment. In 2016, OMV generated strong positive cash flow performance both from operating activities as well as after investments and dividends. Ultimately, OMV stands on solid financial footing. A well-balanced investment strategy and target-oriented cost reductions lay the foundations for sustainable performance.

Results performance

In 2016, OMV achieved a clean CCS EBIT of EUR 1,110 mn, showing a good operational result despite the decrease in oil and gas prices and in the refining margin. However, clean CCS EBIT decreased by 20% as both Upstream and Downstream turned in lower results. The Upstream result decreased to EUR 26 mn due to significantly lower oil and gas prices that could only partially be offset by higher sales volumes, lower exploration expenses and depreciation, as well as lower production costs. The Downstream result decreased to EUR 1,122 mn, impacted by a lower refining margin, which was partly offset by an improved Downstream Gas result. Clean EBIT for the segment Corporate and Other amounted to EUR (50) mn.

Negative net special items of EUR (1,574) mn were recorded in 2016 (EUR (3,028) mn in 2015), mainly attributable to the impairments in both Upstream and Downstream assets. The main impairments in Upstream were related to the divestments of the 30% stake in the Rosebank field (EUR (543) mn) and of OMV (U.K.) Limited (EUR (493) mn).

In Downstream, special items were mainly related to the impairment of the OMV Petrol Ofisi disposal group of EUR (334) mn, following the reclassification as an asset held for sale, as well as to the impairment of Samsun power plant of EUR (101) mn and of the Etzel gas storage facility of EUR (73) mn. Positive CCS effects of EUR 6 mn were recognized (2015: EUR (368) mn). The OMV Group's reported EBIT equaled EUR (457) mn, which is above 2015 (EUR (2,006) mn). The net financial result of EUR 227 mn improved compared to EUR 97 mn in 2015, mainly due to higher income from equity-accounted investments and an improved net interest result. Taxes on Group income of EUR 47 mn were recognized in 2016. Non-controlling interests amounted to EUR 118 mn (2015: EUR (197) mn) and hybrid interests amounted to EUR 103 mn (2015: EUR 42 mn).

Good operational result with clean CCS EBIT at EUR 1,110 mn

Net income attributable to stockholders amounted to EUR (403) mn in 2016 versus EUR (1,100) mn in 2015. Clean CCS net income attributable to stockholders equaled EUR 995 mn (2015: EUR 1,148 mn). The corresponding clean CCS Earnings Per Share amounted to EUR 3.05 (2015: EUR 3.52).

Key financials

In EUR mn

	2016	2015	Δ
Clean CCS Earnings Before Interest and Taxes (EBIT) [1]	1,110	1,390	(20)%
Special items [2]	(1,574)	(3,028)	48%
CCS effects: inventory holding gains/(losses)	6	(368)	n.m.
EBIT	(457)	(2,006)	77%
Net financial result	227	97	135%
Taxes on income	47	654	(93)%
Net income	(183)	(1,255)	85%
thereof attributable to hybrid capital owners	103	42	143%
thereof attributable to non-controlling interests	118	(197)	n.m.
thereof net income attributable to stockholders [3]	(403)	(1,100)	63%
Clean CCS net income attributable to stockholders [1, 3]	995	1,148	(13)%
Clean CCS Earnings Per Share in EUR [1]	3.05	3.52	(13)%
Cash flow from operating activities	2,878	2,834	2%
Free cash flow after dividends	615	(569)	n.m.
Free cash flow after dividends incl. non-controlling interest changes [4]	1,105	(581)	n.m.

[1] Adjusted for special items. Clean CCS figures exclude inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi
[2] Special items are exceptional, non-recurring items and include unrealized gains/losses on commodity derivatives (starting with Q2/15), which are added back or deducted from EBIT
[3] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests
[4] In 2016, the non-controlling interest change mainly includes the cash inflow from the sale of a 49% minority stake in Gas Connect Austria

Cash flow performance

OMV delivered a strong free cash flow after dividends

Cash flow from operating activities amounted to EUR 2,878 mn and was slightly higher than in 2015 (EUR 2,834 mn). OMV delivered on its strategic target to generate a positive free cash flow after dividends. Free cash flow after dividends resulted in a cash inflow of EUR 615 mn (2015: outflow of EUR 569 mn), mainly due to lower investments. Free cash flow after dividends including changes from non-controlling interests, which reflects mainly the cash inflow from the divestment of the 49% minority stake in Gas Connect Austria, amounted to EUR 1,105 mn in 2016. OMV substantially improved its resilience against a lower oil price environment. Based on the cash flow from operating activities of EUR 2,878 mn, the cash outflow for investments of EUR 2,141 mn and the cash outflow for dividend payments of EUR 466 mn, OMV showed a cash breakeven oil price of well below USD 40/bbl in 2016.

Strict cost discipline

OMV's operational performance was the result of the Group's strict cost discipline. OMV made excellent progress in the implementation of the cost reduction and efficiency program. By the end of 2016, cost savings of EUR 200 mn were achieved: EUR 100 mn more than targeted. This came as a result of favorable contract renegotiations, process optimizations and efficiency initiatives.

Upstream production cost decreased by 12% to USD 11.6/boe, resulting from the successful implementation of the cost reduction program coupled with higher production volumes. The cost reduction measures mainly resulted in lower service, maintenance and personnel costs.

During the course of 2016, OMV also reduced its capital expenditure by 32% to EUR 1.9 bn. OMV has also focused on exploration mostly in low-cost regions and near-field opportunities in 2016. As a result, Exploration and Appraisal expenditures were reduced from EUR 607 mn to EUR 307 mn.

Outlook 2017 – highlights

- For the year 2017, OMV expects the average Brent oil price to be at USD 55/bbl
- OMV expects to generate a positive free cash flow after dividends in 2017
- 2017 CAPEX (incl. capitalized E&A) is expected to come in at EUR 2 bn
- OMV has set a new cost reduction target of EUR 250 mn in 2017 compared to 2015

The detailed IFRS financial performance and the detailed outlook statement can be read in the Directors' Report.

Upstream

In the Upstream Business Segment OMV was active as an operator or joint venture partner in 15 countries at the end of 2016, the majority of which have both exploration and production assets. The hydrocarbon mix is almost equally split between oil and gas. Approximately 90% of the production volumes of 311 kboe/d in 2016 came from EU/OECD countries and proved reserves amounted to 1,030 mn boe at the end of the year. In 2016, OMV took significant actions to reshape the portfolio in line with the focus on low-cost production regions. OMV signed the Basic Agreement to join the Achimov IV/V development project in Russia, completed the divestment of OMV (U.K.) Limited and ceased activities in Namibia and Gabon.

Health, Safety, Security and Environment (HSSE)

HSSE remains the top priority in Upstream. Our joint efforts have kept the LTIR at a low level of 0.33 (2015: 0.29). However, regrettably, Upstream had two fatalities during the year. Both incidents, as well as all incidents with high consequence potential, have been investigated thoroughly by the senior management. Root causes were determined, and concrete measures have been taken to prevent any recurrence. In 2016, we directed our attention to a better understanding and improving of our safety culture and bringing HSSE closer to the hearts and minds of our own employees and key contractors. Moreover, we focused on quality and effectiveness of management walk-arounds and the conclusion of the resulting measures. We also assessed process safety, road transportation safety and handling of hazardous substances.

Financial performance

The average Brent oil price decreased from USD 52/bbl to USD 44/bbl. The Group's average realized crude price decreased from USD 49/bbl to USD 40/bbl. The average realized gas price decreased from USD 5.5/1,000 cf to USD 4.5/1,000 cf. Realized prices were impacted by a negative hedging result of EUR (6) mn in 2016, while in 2015 hedging positively supported with EUR 74 mn.

Total OMV daily production of oil, NGL and gas increased by 3% to 311 kboe/d. Production in Norway increased by 23 kboe/d. Norway's higher contribution offset the decline in production in Romania, Austria and Pakistan. Norway benefited from additional wells that came on stream at the Gullfaks field and less natural decline at the Gudrun field. The Edvard Grieg field was ramping up throughout 2016. Total sales volumes increased by 4%, pushed by higher volumes in Norway.

Lost-Time Injury Rate remained at a low level in 2016

Production costs excluding royalties (OPEX) decreased by 12% to USD 11.59/boe as a result of the successful implementation of the cost reduction program (resulting in lower services and personnel costs) coupled with higher production. Main contributors in the cost reduction program were measures related to renegotiation of contracts, optimization of overhead costs and field spending as well as organizational restructuring.

OPEX decreased by 12% as a result of the cost reduction program

Clean EBIT decreased to EUR 26 mn in 2016 versus EUR 139 mn in 2015. The impact of significantly lower oil and gas prices could only partially be offset by higher sales volumes, lower exploration expenses and depreciation as well as lower

At a glance

	2016	2015	Δ
Segment sales in EUR mn	3,285	3,900	(16)%
Earnings Before Interest and Taxes (EBIT) in EUR mn	(1,059)	(2,371)	55%
Clean EBIT in EUR mn	26	139	(81)%
Earnings Before Interest, Taxes and Depreciation (EBITD) in EUR mn	1,533	1,821	(16)%
Capital expenditure in EUR mn	1,356	2,140	(37)%
Exploration expenditure in EUR mn	307	607	(49)%
Production in kboe/d	311	303	3%
Production in mn boe	113.8	110.4	3%
Production cost in USD/boe	11.59	13.24	(12)%
Sales volumes in mn boe	108.8	105.0	4%
Proved reserves as of December 31 in mn boe	1,030	1,028	0%

production costs. Special items of EUR (1,086) mn were recorded in 2016, mainly related to the impairments from the Rosebank and OMV (U.K.) Limited divestments. Reported EBIT increased from EUR (2,371) mn in 2015 to EUR (1,059) mn in 2016.

Upstream invested EUR 1,356 mn (2015: EUR 2,140 mn), mostly in field developments, redevelopments, drilling and workover activities in Romania, Norway and Tunisia.

Production

	2016				2015			
	Oil and NGL	**Natural gas** [1]		**Total**	**Oil and NGL**	**Natural gas** [1]		**Total**
	mn bbl	bcf	mn boe	mn boe	mn bbl	bcf	mn boe	mn boe
Romania [2]	26.3	185.4	34.3	60.7	27.4	186.2	34.5	61.9
Austria	5.1	31.2	5.2	10.3	5.7	35.9	6.0	11.7
Kazakhstan [2]	2.8	1.6	0.3	3.1	3.0	1.7	0.3	3.3
United Kingdom	0.3	0.9	0.2	0.4	0.3	1.3	0.2	0.5
Norway	17.1	51.4	8.6	25.6	11.3	35.1	5.9	17.1
Libya	0.3	0.0	0.0	0.3	0.1	0.0	0.0	0.1
Tunisia	2.5	3.4	0.6	3.0	2.4	3.0	0.5	2.9
Pakistan	0.2	20.7	3.5	3.6	0.3	27.3	4.6	4.9
Yemen	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.7
New Zealand	3.3	20.3	3.4	6.7	4.1	19.0	3.2	7.3
Total	**57.9**	**314.9**	**55.9**	**113.8**	**55.4**	**309.5**	**55.0**	**110.4**

[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 assets and results

Portfolio developments

In 2016, OMV started to optimize the Upstream portfolio in line with the focus on low-cost production regions.

The asset swap transaction with Gazprom will add ~560 mn boe to OMV's reserves

North Sea region

In October 2016, OMV closed the divestment of a 30% share in the pre-FID project Rosebank to Suncor. Upon closing, Suncor made an initial payment of USD 50 mn. Following the co-venturers approval of the Rosebank project final investment decision, OMV would receive an additional consideration. The divestments of the UK assets Howe and Bardolino as well as the Norwegian assets Ivar Aasen and the pre-FID project Zidane were also successfully completed during the year.

Divestment of OMV (U.K.) Limited finalized in January 2017

The sale agreement for the OMV subsidiary OMV (U.K.) Limited to Siccar Point Energy Limited was signed in Q4/16 and closed in January 2017. Siccar Point Energy Limited made a firm closing payment of USD 873 mn. The transaction documentation provides for further contingent purchase price elements depending on the co-venturers' approval of the Rosebank project final investment decision. The divested portfolio includes, among others, the Jade field (OMV share 5.6%), the Schiehallion redevelopment (OMV share 11.8%) and Rosebank (OMV share 20%), as well as the Cambo, Tornado, Suilven and Jackdaw projects.

Russia

On December 14, 2016, OMV signed the binding Basic Agreement with Gazprom regarding the asset swap. According to the Basic Agreement, Gazprom will receive a 38.5% stake in OMV (NORGE) AS. In exchange, OMV will obtain a 24.98% stake in the project for developing blocks 4 and 5 of the Achimov formation in the Urengoy oil, gas and condensate field. The swap transaction will add approximately 560 mn boe to OMV's reserves representing OMV's share of production until the end of contracts in 2039. Production is expected to start up in 2019 and to reach a plateau of more than 80 kboe/day by 2025 (OMV's share of production). OMV will continue to fully consolidate the OMV (NORGE) AS subsidiary and its reserves. The deal is subject to an agreement on the final transaction documents, regulatory approvals and further corporate approvals.

Middle East and Africa

OMV acquired the interests in four Exploration and Production Sharing Agreements in the Sirte Basin, Libya, from Occidental to expand its position in Libya and to strengthen the partnership with the National Oil Corporation. Consequently, OMV holds 100% of the second-party shareholding in blocks C103, NC29/74, C102 and Nafoora Augila. In Q4/16, OMV partially restarted production in Libya. Production contribution from Libyan assets is expected to average around 10 kboe/d in 2017.

In 2016, the National Iranian Oil Company (NIOC) and OMV signed a Memorandum of Understanding (MoU) concerning the evaluation of various fields in the Zagros area in the west of Iran for potential future development. The MoU also covers an envisaged cooperation in the area of technology cooperation, crude and petroleum product swap business.

Romania

OMV Petrom signed a business transfer agreement of 19 marginal fields to Mazarine Energy in the course of streamlining the existing portfolio. Further 292 uneconomic wells have been shut in.

Key projects

Gullfaks (Norway, OMV 19%)

At the Statoil-operated Gullfaks field, with 136 wells available for production, eight new platform wells and five new subsea wells were drilled and completed in 2016. In addition, the Gullfaks Rimfaksdalen gas subsea project was successfully finalized during the year. The construction of a Cat J rig is ongoing according to plan. The Cat J rigs are specially designed to perform efficient drilling operations on subsea development solutions in addition to conventional surface drilling from fixed platforms.

Edvard Grieg (Norway, OMV 20%)

The Edvard Grieg offshore field operated by Lundin achieved its first oil at the end of November 2015 from one oil producer, with a second producer coming on stream before year-end 2015. In 2016, two additional production wells and two water injection wells have been drilled and put into operation, supporting the increase of production volumes.

Aasta Hansteen (Norway, OMV 15%) including Polarled

Aasta Hansteen, the Statoil-operated deepwater development, achieved the following key milestones in 2016: completion of assembly and erection of all topside decks, completion of the 2016 marine installation program and structural completeness for the substructure. The completion and transportation of the substructure and topside by the contractor Hyundai Heavy Industries are scheduled for Q1/17 and Q2/17.

OMV expanded its position in Libya and acquired the interests in four EPSAs in the Sirte Basin

Nawara (Tunisia, OMV 50%)

The OMV operated onshore Nawara gas condensate field development project (sanctioned in 2014) is ongoing with major long-lead-items orders placed, detailed engineering almost complete and construction works underway. The first sections of the pipeline have been laid, the main construction camps were completed and facilities civil works are well underway. The project's progress as of the end of 2016 was greater than 70% and the first gas production is expected to start mid-2018.

Totea Deep (Romania, OMV 100%)

The Totea Deep development has been the most important onshore gas discovery in Romania in recent years. In 2016, OMV Petrom investments focused on the increase of site capacity and well workovers. The Totea site's detail design and upgrade were completed, and the facilities became operational in Q4/16.

Lebada East (Romania, OMV 100%)

The field redevelopment project upgraded the existing gas compression system in order to optimize the value of the field by accommodating non-associated gas production. The project was finalized safely, below budget and its first gas was achieved ahead of schedule in April 2016.

Exploration highlights

In 2016, OMV completed the drilling of nine exploration and appraisal wells in five different countries. 44% of the wells were operated by OMV and the success rate was 33% (2015: 44%).

2016 Reserve Replacement Rate increased to 101%

The western Black Sea remains a focus area for exploration and appraisal for OMV. In the Romanian Black Sea, the second exploration drilling campaign in the Neptun block was completed. A further three wells were drilled in other licenses in the onshore and shallow-water areas of Romania, but without success. In Bulgaria, a significant deepwater oil discovery was made in the Polshkov-1 exploration well, located in the Han Asparuh block.

In the North Sea region, OMV has successfully completed drilling and testing of the Wisting Central II appraisal well. The Wisting Central II well is the first horizontal appraisal well in the Barents Sea and sets a new drilling record. It is the shallowest horizontal offshore well drilled from a floating drilling facility.

In the United Arab Emirates, further appraisal drilling in the Shuwaihat field and OMV operated exploration drilling at XN-003 commenced in Q4/16 in the East Abu Dhabi area.

Seismic acquisition activities were carried out in Norway, Tunisia, Pakistan and New Zealand. OMV optimized the exploration portfolio throughout 2016, with notable relinquishments and additions in Norway. In Norway, the PL855 license was awarded to OMV in the 23rd round. It lies adjacent to the Wisting field.

OMV ceased activities in Gabon, Namibia and Madagascar (onshore). Exploration expenditure decreased considerably by 49% to EUR 307 mn in 2016 versus EUR 607 mn in 2015. Due to refocusing the exploration strategy and agreed cost-saving measures, a lower number of wells were drilled, and fewer seismic surveys were acquired.

Reserves development

Proven (1P) reserves as of December 31, 2016, slightly increased to 1,030 mn boe (thereof OMV Petrom[1]: 606 mn boe). The 2016 one-year Reserve Replacement Rate (RRR) was 101% (2015: 44%). The three-year average RRR decreased to 70% in 2016 (2015: 73%). The RRR was supported by newly introduced booking of reserves from OMV's 10% shareholding in Pearl Petroleum Company, expansion of the OMV position in Libya and positive reserves revisions, mainly in Norway and Romania.

Proved and probable oil and gas reserves (2P) amounted to 1,696 mn boe (thereof OMV Petrom[1]: 879 mn boe). The divestment of a 30% share in Rosebank could be more than compensated by 2P reserves additions, mainly from Pearl Petroleum Company and Libya.

Outlook 2017 – highlights

- Total production: 320 kboe/d
- CAPEX (including capitalized E&A): EUR 1.4 bn
- Exploration and appraisal expenditure: EUR 300 mn
- On March 5, 2017, OMV signed an agreement to acquire a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The purchase price amounts to USD 1,850 mn. The transaction is anticipated to close by the end of 2017 and will be retroactively effective as of January 1, 2017

The detailed outlook statement can be read in the Outlook section of the Directors' Report.

[1] OMV Petrom covers Romania and Kazakhstan

Downstream

The Downstream Business Segment consists of Downstream Oil, including petrochemicals and Downstream Gas. Thanks to the strong performance in our sales channels, the resulting continued good utilization rates of our refineries, a high crude flexibility, our integrated retail network and very good Borealis performance, Downstream Oil achieved a strong operating result of EUR 940 mn in 2016. In Downstream Gas, the financial performance of the supply, marketing and trading business improved due to the positive restructuring effects, while gas logistics performance benefited from cost reductions. The operating result in Downstream Gas amounted to EUR 182 mn.

Health, Safety, Security and Environment (HSSE)

In line with OMV's HSSE Vision "ZERO harm – NO losses," HSSE is the top priority for Downstream. By enforcing the highest standards in contractor management and transportation safety, the number of road accidents was significantly reduced compared to 2015. However, the Lost-Time Injury Rate (LTIR) increased from 0.27 in 2015 to 0.48 in 2016. While this level is still competitive compared to international benchmarks, it is the clear priority to further increase our efforts.

Financial performance

Downstream recorded a high clean CCS EBIT of EUR 1,122 mn. This result, however, was 5% lower compared to the previous year, given a decreased contribution from Downstream Oil. At EUR 940 mn, Downstream Oil clean CCS EBIT was below the EUR 1,209 mn achieved in 2015 due to the lower refining result. The OMV indicator refining margin decreased from USD 7.2/bbl to USD 4.7/bbl, mainly due to lower naphtha and middle distillates spreads. This trend was partly compensated by lower crude prices. The refining utilization rate stood at 89% versus 93% in 2015, reflecting the planned turnarounds of approximately one month at Schwechat and Petrobrazi in the second quarter 2016. The clean petrochemicals EBIT was down 9% at EUR 238 mn, reflecting lower propylene margins. The retail business showed a very strong performance. At EUR 116 mn, OMV Petrol Ofisi made a significantly higher contribution to earnings than in the previous year (2015: EUR 84 mn).

At EUR 182 mn, Downstream Gas clean EBIT turned significantly positive, largely a result of restructuring efforts and the sound contribution from the gas logistics business. Natural gas sales volumes remained flat at 109 TWh in 2016. The contribution of the gas transportation business in Austria was stable at EUR 126 mn. The power business remained challenging, with net electrical output decreasing to 5.2 TWh compared to 5.4 TWh in 2015.

Downstream performance was again strong

Special items of EUR (482) mn were recorded mainly related to the impairment of OMV Petrol Ofisi of EUR (334) mn, following the reclassification of the asset as an asset held for sale, as well as the impairment of the Samsun power plant of EUR (101) mn and the Etzel gas storage facility of EUR (73) mn. Increased crude prices over the year contributed to positive CCS effects of EUR 55 mn. Reported EBIT amounted to EUR 695 mn.

At a glance

	2016	2015	Δ
Segment sales in EUR mn	18,379	21,589	(15)%
Earnings Before Interest and Taxes (EBIT) in EUR mn	695	334	108%
Clean CCS EBIT in EUR mn [1]	1,122	1,178	(5)%
Earnings Before Interest, Taxes and Depreciation (EBITD) in EUR mn	1,847	1,255	47%
Capital expenditure in EUR mn	513	608	(16)%
Total refined product sales in mn t	30.74	29.98	3%
Utilization rate refineries in %	89	93	(4)%
Natural gas sales volumes in TWh	108.89	110.12	(1)%

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

CAPEX (capital expenditure) in Downstream amounted to EUR 513 mn (2015: EUR 608 mn), of which EUR 463 mn were in Downstream Oil (2015: EUR 546 mn). Downstream Oil investments related primarily to the turnaround of the refineries, OMV Petrol Ofisi contract renewals and retail maintenance. OMV invested EUR 49 mn in Downstream Gas (2015: EUR 62 mn).

Downstream Oil

OMV now operates the largest unmanned filling station network in Austria

Refining including product supply & sales

Constantly changing market developments and refining overcapacities in Europe put pressure on the refining margins leading to lower levels than in 2015. However, a solid operating result was achieved due to the strong sales performance. The demand for our products has been sustainable. This again resulted in a high utilization rate of our refineries, which came in at 89% in 2016 (2015: 93%) despite turnaround activities in our Schwechat and Petrobrazi refinery sites.

In the petrochemical business, sales volumes were at the level of 2015 and margins, although still healthy, below the previous year. The reason for this were weaker propylene margins that could only be partially compensated by higher ethylene margins. On the supply side, a broadened and more flexible range of highly economic crudes resulted in higher profitability. OMV was among the first European integrated oil companies to lift Iranian oil after the end of the sanctions. OMV runs the three refinery sites as one integrated refinery system. This system allows us to fully capitalize on the flexibilities in shifting output towards high-value products, leveraging economies of scale and aligning investments strategically.

Record net profit contribution from Borealis

Annual refining capacities

In mn t

Schwechat	9.6
Burghausen	3.8
Petrobrazi	4.5
Total	**17.8**

Retail

The Retail business continued its strong performance in 2016 and proved to be a stable outlet for refinery products. Total sales volume increased by 1% compared to 2015, despite the negative impact from the significantly optimized network of OMV Petrol Ofisi. At the same time, the average throughput could be increased again by 2%, resulting in a further efficiency gain. At the end of the year, the network included 3,777 filling stations. Through the acquisition of FE-Trading GmbH with a total of 72 filling stations in Austria and Slovenia, OMV extended its network to 212 unmanned filling stations. With that, we further strengthened our offer to our customers. The OMV brand is positioned as a premium brand with VIVA representing a strong shop, gastronomy and service offer. The Avanti/FE brand stands for discount, and the Petrom and Petrol Ofisi brands stand for value for money. This strategy continued to deliver good results. OMV's premium brand MaxxMotion demonstrated a high performance, reflecting the premium quality focus, on the one hand, and increased affordability due to lower product prices on the other hand. Non-oil business, such as the VIVA convenience stores and Car Wash, continued its sustainable development with an increased contribution compared to 2015. A focus on the highest-quality products and services in the premium filling station network remains one of the key differentiators. The retail sales volumes of OMV Petrol Ofisi decreased by 5% in line with the network optimization; however, the overall profitability of the company was improved compared to 2015.

Borealis

Borealis benefited from a strong market environment especially in the polyolefins business and delivered a record net profit contribution to OMV in 2016 of EUR 399 mn (2015: EUR 356 mn). The much improved result over 2015 was the result of higher polyolefins margins as well as a solid contribution from the base chemicals business.

Overall, this could compensate for the weaker fertilizer business that suffered from lower demand and prices. In addition, Borealis's joint venture with the Abu Dhabi National Oil Company, Borouge, benefited from increased production capacities and again delivered an excellent result.

Borealis will continue to invest in the future and announced a feasibility study for a new world-scale Propane Dehydrogenation (PDH) plant in Kallo, Belgium. Polyolefin recycling is regarded as a strategic part of the business, and hence Borealis acquired the German recycler mtm plastics in 2016, a technology leader in the recycling of mixed post-consumer plastic waste.

Downstream Gas

Although the market environment remained challenging, the restructuring measures and some one-off effects had a very positive impact on the 2016 financial performance.

Supply, marketing and trading

Total gas sales volumes to third parties remained stable compared to 2015, reaching 109 TWh. The margin environment remained weak, but financial performance could be significantly improved due to restructuring effects. On May 20, 2016, OMV acquired the remaining shares in EconGas. OMV now holds a 100% interest in OMV Gas Marketing & Trading (former EconGas). The integration of the trading organization of OMV Trading into OMV Gas Marketing & Trading is on track. Expansion of OMV's sales activities in Germany towards the target of a 10% market share by 2025 are progressing as planned.

In Romania, OMV Petrom Gas maintained a leading position in the gas market despite a challenging environment. This was primarily triggered by a fluctuating demand and increased competition, including imported gas. Natural gas sales volumes to third parties were relatively stable at 44 TWh (2015: 45 TWh). The profit contribution increased compared to the previous year.

The gas sales business in Turkey showed significantly higher gas margins. Moreover, natural gas sales volumes to third parties increased to 8.9 TWh in 2016 compared to 7.9 TWh in 2015.

The power business continued to be affected by the difficult economic environment for gas-fired power plants. Net electrical output stood at 5.2 TWh in 2016, a reduction of 4% compared to 2015. Performance in 2016 was impacted by limited availability of the Samsun power plant due to a condenser failure in the second quarter 2016 and of the Brazi power plant due to a transformer failure in the fourth quarter 2016.

Gas logistics

The gas transportation business achieved a slightly better result compared to 2015, primarily generated by lower costs but burdened by reduced sales of short-term transportation contracts. The announced sale in 2015 of a minority stake (49%) of Gas Connect Austria (GCA) was successfully completed by the end of 2016. A cash consideration of EUR 601 mn paid by a consortium of Allianz Capital Partners and SNAM S.p.A. reflects the high value of OMV's transportation business. In the gas storage business, the overall market environment in 2016 remained challenging due to low summer/winter spreads. The pressure on OMV's results could almost be compensated by strict cost management and higher storage capacities sold. In its tenth year, the Central European Gas Hub Virtual Trading Point (CEGH-VTP) traded 533 TWh of natural gas, an increase of 11.4% compared to 2015. To improve the international gas exchange business, the CEGH went into a new partnership with Powernext.

Gas Logistics: 49% of Gas Connect Austria successfully divested

With regard to the planned Nord Stream 2 pipeline joint venture, OMV, ENGIE, Gazprom, Shell, Uniper and Wintershall, jointly withdrew their merger control notifications from the Polish competition authority followed by the termination of the respective shareholders' agreement. This had no consequence on the continuation of the Nord Stream 2 project. OMV remains interested in supporting this project.

OMV GAS as new brand established

Outlook 2017 – highlights

- Refining capacity utilization in 2017 is expected to be above 90%
- On March 3, 2017, OMV has agreed to sell OMV Petrol Ofisi to VIP Turkey Enerji AS for an overall transaction value of EUR 1.368 bn. The closing is expected in Q3/17 at the latest
- Natural gas sales volumes are expected to be flat in 2017 compared to 2016

The detailed outlook statement can be read in the Outlook section of the Directors' Report.

3

DIRECTORS' REPORT

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Directors' Report

Business Environment

At 3.1%, **global economic growth** was down slightly year on year in 2016. Lower energy and raw material prices coupled with restrictions on trade pushed the growth in world trade down to only 1.9%. The pace of growth in emerging and developing economies remained unchanged at 4.1%, while economic output in industrialized countries dropped by 0.5 percentage points to 1.6%. For the first time since 2008, eurozone growth, at 1.7%, outpaced that of the United States, which stood at 1.6%. While inflation remained low at 0.3%, the European Central Bank continued its expansive monetary policy and lowered base rates to 0%.

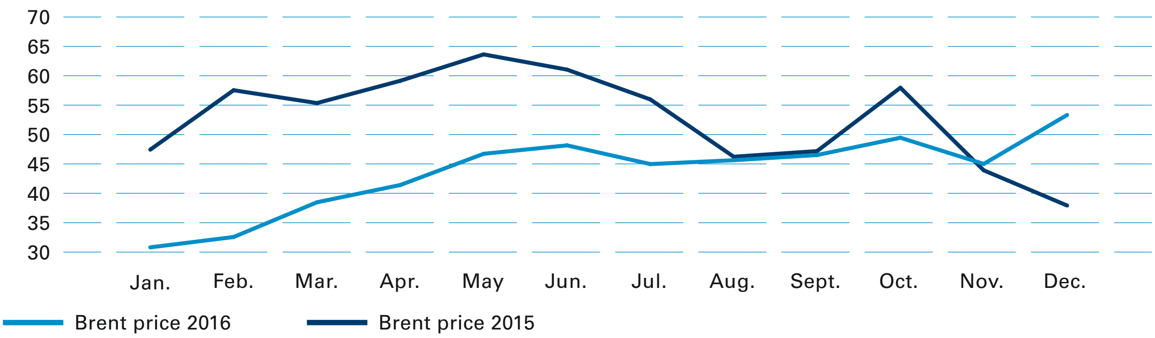
The growth of the Gross Domestic Product (GDP) in the EU-28 countries was 1.8%, while unemployment fell to 10%. Contrary to expectations, the result of the Brexit referendum had not had any negative economic effects as of the end of 2016. In **Germany**, GDP went up by 1.9% on the back of stable domestic demand and investment, although the increase in foreign trade was not as strong. Economic output in **Austria** grew by 1.5%. As in Germany, consumption and investment – both of which accelerated as a result of the latest tax reform – made the most significant contribution to growth. Merchandise exports grew slowly, but there was an upturn in demand for exports of services (especially tourism). **Romania** was the fastest-growing economy in the EU in 2016, posting an increase in GDP of 4.8%. The rise in private and public consumption was above average, but the balance of payments deficit weighed on higher growth. **Turkey's** economy continued its robust expansion in the first half of 2016, spurred by private consumption and public investment. However, security issues and the resulting decline in tourism had a significant impact on the economy in the second half of the year. GDP growth fell to 2.7%, down from 6.1% in 2015.

Global oil demand hit a new record of 96.5 mn bbl/d (up 1.6%) in 2016, with non-OECD (Organization for Economic Co-operation and Development) countries, mostly countries with low per capita income, accounting for 80% of the increase (up 1.2 mn bbl/d or 2.5%). There was only a modest rise in OECD demand (of 0.3 mn bbl/d or 0.4%), which was attributable exclusively to European OECD countries. Global oil production was 0.3 mn bbl/d higher than in 2015, at 96.9 mn bbl/d, exceeding demand by 0.4 mn bbl/d. Production of crude oil and output of Natural Gas Liquids (NGL) of OPEC (Organization of the Petroleum Exporting Countries) member countries went up by 3.2% or 1.1 mn bbl/d, to 39.3 mn bbl/d. This increase was mainly attributable to Iran, Iraq and Saudi Arabia.

Non-OPEC countries produced 0.9 mn bbl/d less than in 2015. About half of this decrease was accounted for by the United States, where output dropped by 3.6%.

Crude price (Brent) – monthly average

In USD/bbl



Due to oversupply, the Brent oil price reached a low for 2016 of USD 26/bbl in January but recovered during the remainder of the year. In late November 2016, OPEC members agreed to cut production by 1.2 mn bbl in the first half of 2017. Russia and other producers supported this effort to stabilize the market by announcing further decreases in production. Prices subsequently jumped by around 20%, passing the USD 50/bbl mark. The average price of Brent crude was 17% lower year on year in 2016 at USD 43.73/bbl.

The **exchange rate** of the euro to the dollar remained virtually unchanged at USD 1.11. The euro prices of petroleum products on the Rotterdam market declined by 17–20%.

Austrian natural gas demand increased by 4.7% in 2016 to 8.3 bcm or 92.8 TWh, and electricity generation at gas-fired power stations rose by 19%. Domestic natural gas production was 6% lower, at 12.6 TWh, while net imports increased by 25% to more than 80 TWh. At year-end, there was a total of 55 TWh of gas in storage, for a full percentage rate of 57%.

Petroleum product sales volumes in the markets served by OMV (Central and Southeastern Europe and Turkey) climbed to more than 180 mn t in 2016. Sales in **Austria** totaled around 11.1 mn t, a gain of 3%, of which 80% was attributable to stronger demand for diesel. In **Germany,** total sales went up by 2%, driven mainly by diesel (up 5%) and aviation fuel (up 6%). Increased sales in **Romania** (up 4%) and **Turkey** (up 5%) can also be traced back to a lively demand for transportation fuel.

Financial Review of the Year

Group financials

Group financials
In EUR mn

	2016	2015	Δ
Sales revenue	19,260	22,527	(15)%
Earnings Before Interest and Taxes (EBIT)	(457)	(2,006)	77%
Net income for the year	(183)	(1,255)	85%
Net income attributable to stockholders of the parent	(403)	(1,100)	63%
Cash flow from operating activities	2,878	2,834	2%
Capital expenditure [1]	1,878	2,769	(32)%
Employees as of December 31	22,544	24,124	(7)%

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

In 2016, the market environment was substantially worse than in 2015, with Brent oil prices down by 17%, Central European Gas Hub (CEGH) prices down by 28%, and the OMV indicator refining margin down by 34%. In addition, a total of EUR (1.8) bn of impairments booked in 2016 affected the Earnings Before Interest and Taxes (EBIT) of EUR (457) mn, partly compensated by a strong Downstream result, higher Upstream sales volumes, lower depreciation and the Group-wide cost savings.

The significant improvement against last year's negative result of EUR (2,006) mn was mainly related to the substantial impairments booked in 2015 across the entire Upstream portfolio as a result of the drop in oil and gas prices. In 2016, the **main impairments** were related to the divestments of a 30% stake in Rosebank field and of OMV (U. K.) Limited, both of which are in Upstream. In Downstream, Samsun power plant and Etzel gas storage were impaired as well as OMV Petrol Ofisi following the reclassification to "held for sale."

The **net financial result** of EUR 227 mn was significantly above 2015 (EUR 97 mn), spurred by a higher result contribution coming from associated companies, the optimization of OMV Group's financing structure and a positive foreign exchange result. The Group's current income tax expenses amounted to EUR (130) mn and deferred tax income to EUR 178 mn. The effective tax rate was at 21% (2015: 34%). Net income attributable to stockholders of the parent was EUR (403) mn, above the 2015 figure of EUR (1,100) mn. Non-controlling and hybrid interests stood at EUR 221 mn (2015: EUR (155) mn). The improved performance is also reflected in the Return On Average Capital Employed (ROACE), which increased from (6)% in 2015 to 0% in 2016. For definitions of this ratio, please refer to the glossary of abbreviations and definitions, which is an integral part of the Directors' Report.

The year 2016 continued to be a challenging year for the **Upstream** Business Segment. This Business Segment is active as operator or as joint venture partner in 15 countries, in the majority of which OMV has both exploration and production assets. OMV Upstream's geographical footprint in 2016 covers Romania and Black Sea, Austria, North Sea, Australasia, Middle East and Africa. The hydrocarbon mix is relatively equally split between oil and gas. Proved oil and gas reserves (1P) slightly increased to 1,030 mn boe (2015: 1,028 mn boe). More than two-thirds of the Upstream production volume of 311 kboe/d (2015: 303 kboe/d) is produced in the mature core countries Austria and Romania. These are complemented by the balanced international portfolio in which the North Sea region has developed into a core area with a production of approximately 70 kboe/d in 2016.
The key projects in OMV's Upstream exploration and development portfolio are Neptun Deep in Romania; Edvard Grieg, Aasta Hansteen, Gullfaks and Wisting in Norway; Nawara in Tunisia; and Shuwaihat and East Abu Dhabi in the United Arab Emirates, while field redevelopment Lebada Est in Romania was completed and put in production in 2016.

In the **Downstream** Business Segment, **Downstream Oil** operates along the entire oil value chain: It processes equity and third-party crude in its three refineries and markets refined products to commercial customers and through its retail network of 3,777 filling stations, with total refined product sales of 30.74 mn t. The refineries in Schwechat (Austria) and Burghausen (Germany) operate petrochemical complexes, having the petrochemical company Borealis as a key customer. OMV holds a 36% stake in Borealis.

Downstream Gas markets OMV's European equity gas production as well as third-party gas to end-use customers and on Europe's main gas hubs. It operates a ~900 km high-pressure natural gas pipeline network in Austria together with 30 TWh of storage capacity and holds a 65% stake in the Central European Gas Hub, an important gas trading hub in Central and Eastern Europe. Furthermore, OMV operates two gas-fired power plants in Romania and Turkey, generating a net electrical output of 5.18 TWh in 2016.

Earnings Before Interest and Taxes (EBIT)

Earnings Before Interest and Taxes (EBIT)
In EUR mn

	2016	2015	Δ
Upstream	(1,059)	(2,371)	55%
Downstream	695	334	108%
thereof Downstream Oil	744	890	(16)%
thereof Downstream Gas	(49)	(555)	91%
Corporate and Other	(56)	(48)	(16)%
Consolidation: elimination of inter-segmental profits	(36)	79	n.m.
OMV Group	**(457)**	**(2,006)**	**77%**

Upstream EBIT was negative at EUR (1,059) mn, being negatively impacted by the impairments booked in 2016 and the low oil price environment. Positive developments in 2016 came from lower depreciation resulting from a lower asset base following the significant impairments in 2015 and from reduced production costs. The main impairments in 2016 were related to the divestments of a 30% stake in Rosebank of EUR (543) mn and of OMV (U.K.) Limited of EUR (493) mn, significantly below the 2015 amount of EUR (2,449) mn. Production costs excluding royalties (OPEX) decreased by 12% to USD 11.59/boe as a result of the successful implementation of the cost reduction program that resulted in lower services and personnel costs, coupled with higher production. Daily production of oil, NGL and gas increased in 2016 by 3% to 311 kboe/d mainly due to higher volumes in Norway, partly offset by the natural decline of oil and gas production in Romania. Total sales volumes increased by 4%, while the average realized prices for crude as well as for gas decreased by 19%. While hedging positively supported the result with EUR 74 mn in 2015, realized prices in 2016 were impacted by a negative hedging result of EUR (6) mn.

Downstream recorded a strong EBIT of EUR 695 mn, which was significantly above the EUR 334 mn in 2015 mainly due to lower impairments and provisions. **Downstream Oil** EBIT of EUR 744 mn represents a decrease of 16% compared to EUR 890 mn in 2015 driven by a EUR (334) mn impairment booked for OMV Petrol Ofisi disposal group following reclassification to "held for sale," partly offset by higher sales volumes and lower crude prices. The OMV indicator refining margin decreased from USD 7.2/bbl to USD 4.7/bbl, mainly due to lower naphtha and middle distillates spreads. This trend was partly compensated for by lower crude prices. In 2016, the refining utilization rate stood at 89% versus 93% in 2015. The reduction was the result of the planned turnarounds of approximately one month in Schwechat and Petrobrazi. Lower propylene margins led to a petrochemical EBIT decrease of 9% to EUR 238 mn. Meanwhile, the retail business showed very strong performance. At EUR (148) mn, OMV Petrol Ofisi made a significantly lower contribution to earnings than in the previous year (EUR (11) mn in 2015).

Downstream Gas EBIT of EUR (49) mn improved significantly against the 2015 EBIT of EUR (555) mn. This was mainly spurred by lower impairments and provisions booked in 2016 compared to the prior year, together with restructuring efforts and the stable contribution from the gas logistics business. Main impairments in 2016 were related to the Samsun power plant with EUR (101) mn and the Etzel gas storage facility with EUR (73) mn. Natural gas sales volumes remained flat at 109 TWh in 2016. The contribution of the gas transportation business in Austria was also stable at EUR 126 mn while the power business remained challenging, with net electrical output decreasing to 5.2 TWh compared to 5.4 TWh in 2015.

EBIT in the Corporate and Other segment decreased by 16% to EUR (56) mn in 2016.

Notes to the Income Statement

Summarized income statement

In EUR mn

	2016	2015	Δ
Sales revenues	19,260	22,527	(15)%
Direct selling expenses	(355)	(327)	(8)%
Cost of sales	(16,559)	(22,174)	25%
Other operating income	644	392	64%
Selling and administrative expenses	(1,347)	(1,277)	(5)%
Exploration expenses	(808)	(707)	(14)%
Research and development expenses	(28)	(28)	3%
Other operating expenses	(1,264)	(413)	(206)%
Earnings Before Interest and Taxes (EBIT)	**(457)**	**(2,006)**	**(77)%**
Net financial result	227	97	135%
Taxes on income	47	654	(93)%
Net income for the year	**(183)**	**(1,255)**	**85%**
thereof attributable to hybrid capital owners	103	42	143%
thereof attributable to non-controlling interests	118	(197)	n.m.
Net income attributable to stockholders of the parent	**(403)**	**(1,100)**	**63%**

OMV is an integrated, international oil and gas company. As the crude oil produced by Upstream is passed on to Downstream Oil and either processed at Group refineries or – in a large part – marketed via OMV Supply & Trading Limited, the Downstream Oil business represents the largest share of the Group's consolidated sales. The volatility in the main factors affecting profitability – crude oil and gas prices and USD exchange rates – may cause considerable swings in sales revenues and cost of sales. Therefore, their impact on earnings is difficult to predict.

Although sales volumes increased compared to 2015, due to the lower price environment **consolidated sales revenues** decreased by 15% to EUR 19,260 mn. Sales of the **Upstream** Business Segment decreased by 16% to EUR 3,285 mn. After the elimination of intra-Group transactions of EUR 2,272 mn, the contribution of Upstream to consolidated sales revenues was EUR 1,013 mn or about 5% of the Group's total sales revenues (2015: EUR 1,017 mn or 5%). Consolidated sales in **Downstream Oil** amounted to EUR 14,603 mn or 76% of total sales (2015: EUR 17,290 mn or 77%). **Downstream Gas** sales decreased to EUR 3,779 mn (2015: EUR 4,382 mn). After elimination of intra-segmental sales to refineries, the contribution of Downstream Gas in 2016 was 19% of total sales or EUR 3,640 mn (2015: EUR 4,215 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 4,884 mn or 25% of the Group's total (2015: EUR 5,787 mn or 26%). Sales revenues in Germany decreased from EUR 3,595 mn in 2015 to EUR 2,777 mn in 2016, representing a revenue contribution of 14% (2015: 16%). In Romania, the sales revenues amounted to EUR 3,006 mn or 16% of total sales revenues (2015: EUR 3,307 mn or 15%). Sales revenues in Turkey decreased to EUR 4,817 mn or 25% of OMV Group's total sales in 2016 (2015: EUR 5,638 mn or 25%). Sales in the rest of Central and Eastern Europe (CEE) were EUR 2,477 mn or 13% of Group sales revenues (2015: EUR 2,669 mn or 12%). The rest of Europe accounted for EUR 931 mn or 5% (2015: EUR 914 mn or 4%). Sales revenues in the rest of the world decreased to EUR 369 mn, representing 2% of total sales revenues (2015: EUR 616 mn or 3%).

Direct selling expenses, mainly consisting of third-party freight-out expenses, slightly increased to EUR (355) mn (2015: EUR (327) mn) on account of higher volumes sold in Upstream. **Cost of sales,** which includes variable and fixed production costs as well as costs of goods and materials employed, decreased by 25% to EUR (16,559) mn, reflecting the lower price environment and fewer impairments compared to 2015. **Other operating income** increased to EUR 644 mn (2015: EUR 392 mn) in 2016, mainly due to the write-up of an asset in the Middle East and Africa region following reclassification to "held for sale" and to a gain from the divestment of the Aliağa terminal in Turkey. **Selling and administrative expenses** amounted to EUR (1,347) mn (2015: EUR (1,277) mn). **Exploration expenses** amounting to EUR (808) mn increased by 14% mainly due to the impairment of Rosebank, which was partly compensated by reduced exploration activities in 2016. **Research and development (R&D) expenses** remained stable at EUR (28) mn (2015: EUR (28) mn). **Other operating expenses** of EUR (1,264) mn were significantly above 2015, mainly as a result of impairments following reclassification to "held for sale" of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

The **net financial result** improved to EUR 227 mn (2015: EUR 97 mn), spurred mainly by higher income from equity-accounted investments and an improved net interest result. **Income from equity-accounted investments** in total amounted to EUR 425 mn (2015: EUR 345 mn) and reflected mainly the 36% share of the result from the Borealis group amounting to EUR 399 mn (2015: EUR 356 mn). **Dividend income** amounted to EUR 41 mn (2015: EUR 37 mn). The **net interest result** showed an expense balance of EUR (195) mn (2015: EUR (215) mn). The positive effect compared to 2015 was mainly related to lower interest expenses due to the improved financing structure.

Taxes on income were EUR 47 mn (2015: EUR 654 mn). Current income tax expenses amounted to EUR (130) mn (2015: EUR (133) mn), and deferred tax income amounted to EUR 178 mn (2015: EUR 787 mn). The Group's effective tax rate decreased to 21% (2015: 34%). For further details on taxes on income, please refer to Note 11 of the Consolidated Financial Statements.

Capital Expenditure (CAPEX)

Capital expenditure [1]

In EUR mn

	2016	2015	Δ
Upstream	1,356	2,140	(37)%
Downstream	513	608	(16)%
thereof Downstream Oil	463	546	(15)%
thereof Downstream Gas	49	62	(20)%
Corporate and Other	10	21	(54)%
Total capital expenditure	**1,878**	**2,769**	**(32)%**
+/– Other adjustments	173	433	(60)%
– Investments in financial assets	(5)	(12)	59%
Additions according to statement of non-current assets (intangible and tangible assets)	**2,047**	**3,190**	**(36)%**
+/– Non-cash changes	(25)	(211)	88%
Cash outflow due to investments in intangible and tangible assets	**2,022**	**2,978**	**(32)%**
+ Cash outflow due to investments in other companies, securities, loans and other financial assets	66	88	(25)%
+ Acquisitions of subsidiaries net of cash acquired	54	—	n.m.
Investments as shown in the cash flow statement	**2,141**	**3,066**	**(30)%**

[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

CAPEX decreased to EUR 1,878 mn (2015: EUR 2,769 mn) as a result of the strict cost reduction program and portfolio reshaping. **Upstream** invested EUR 1,356 mn (2015: EUR 2,140 mn) mainly in field developments in Norway and in field redevelopments, drilling and work-over activities in Romania. **Downstream** CAPEX amounted to EUR 513 mn (2015: EUR 608 mn), thereof EUR 463 mn in Downstream Oil (2015: EUR 546 mn) and EUR 49 mn in Downstream Gas (2015: EUR 62 mn). The main investments made were related to maintenance and compliance activities in the refineries and to the implementation of the new discount concept in retail. CAPEX in the **Corporate and Other** segment was EUR 10 mn (2015: EUR 21 mn).

The reconciliation of total capital expenditure 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 expenditure, as well as investments in financial assets. 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 are included in the overall investments shown in the cash flow statement.

Statement of Financial Position

Summarized statement of financial position

In EUR mn

	2016	%	2015	%
Assets				
Non-current assets	21,042	66	24,054	74
Intangible assets and property, plant and equipment	16,326	51	19,715	60
Equity-accounted investments	2,860	9	2,562	8
Other non-current assets	1,017	3	927	3
Deferred tax assets	839	3	850	3
Current assets	7,666	24	8,516	26
Inventories	1,663	5	1,873	6
Trade receivables	2,459	8	2,567	8
Other current assets	3,544	11	4,076	12
Assets held for sale	3,405	11	94	0
Equity and liabilities				
Equity	13,925	43	14,298	44
Non-current liabilities	10,354	32	10,314	32
Pensions and similar obligations	1,057	3	1,045	3
Bonds and other interest-bearing debts	4,737	15	4,592	14
Decommissioning and restoration obligations	3,320	10	3,342	10
Other provisions and liabilities	1,117	3	1,105	3
Deferred tax liabilities	122	0	229	1
Current liabilities	6,727	21	8,021	25
Trade payables	3,731	12	3,380	10
Bonds and other interest-bearing debts	260	1	494	2
Provisions and other liabilities	2,736	9	4,147	13
Liabilities associated with assets held for sale	1,107	3	32	0
Total assets/equity and liabilities	**32,112**	**100**	**32,664**	**100**

Total assets decreased by EUR 552 mn to EUR 32,112 mn. The decrease in **non-current assets** amounting to EUR 3,012 mn was mainly related to the ongoing divestment activities and the related reclassification to the balance sheet position "assets held for sale," partly offset by investments made. **Equity-accounted investments** increased by EUR 298 mn. Changes of equity-accounted investments 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 177 mn. **Other non-current assets,** which primarily comprise non-current receivables, loans and securities, increased by EUR 90 mn to EUR 1,017 mn, with the change being mainly related to the contingent consideration to be received for the divestment of a 30% stake in Rosebank. **Deferred tax assets** decreased to EUR 839 mn (2015: EUR 850 mn). **Current assets** decreased by EUR 850 mn and amounted to EUR 7,666 mn as of December 31, 2016. The main reason was a decrease of EUR 945 mn in the derivatives position. **Inventories** decreased by EUR 210 mn and **trade receivables** by EUR 108 mn primarily due to reclassifications to assets held for sale, partly compensated by increases due to the higher commodity prices. The **overall cash position** increased to EUR 2,314 mn, which includes EUR 245 mn cash related to disposal groups that is being reported within assets held for sale. **Assets held for sale** increased by EUR 3,311 mn mainly due to the reclassification of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

Equity (including non-controlling interest) decreased by 3% in comparison to 2015, while the equity ratio decreased to 43% (2015: 44%). **Pensions and similar obligations** increased by EUR 12 mn. **Non-current decommissioning and restoration obligations** decreased by EUR 22 mn, as the reassessment effects of provisions were more than compensated by the reclassification to liabilities associated with assets held for sale in connection with the ongoing divestment processes.

Current and non-current bonds and other interest-bearing debts decreased by EUR 90 mn, mainly related to the repayment of an international corporate bond and other long-term debt as well as short-term money market lines, partly compensated by new drawings of long-term loans.

Trade payables increased by EUR 352 mn, primarily due to higher oil prices at year-end 2016, compensated by reclassifications to liabilities associated with assets held for sale. **Current and non-current other provisions and other liabilities** decreased by EUR 1,399 mn, of which EUR 877 mn related to a lower balance of derivatives. **Deferred tax liabilities** decreased to EUR 122 mn (2015: EUR 229 mn). **Liabilities associated with assets held for sale** increased by EUR 1,075 mn mainly due to the reclassification of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups.

Gearing ratio

As of December 31, 2016, **short-and long-term borrowings, bonds and finance leases** amounted to EUR 5,283 mn (December 31, 2015: EUR 5,386 mn), thereof EUR 8 mn are disclosed as liabilities associated with assets held for sale, being part of OMV Petrol Ofisi disposal group. The overall **cash** position increased to EUR 2,314 mn (December 31, 2015: EUR 1,348 mn), thereof EUR 245 mn are disclosed as assets held for sale being part of OMV Petrol Ofisi and OMV (U.K.) Limited disposal groups. **Net debt** decreased to EUR 2,969 mn compared to EUR 4,038 mn at the end of 2015. On December 31, 2016, the **gearing ratio,** defined as net debt divided by equity, stood at 21% (December 31, 2015: 28%).

Cash flow

The Group's cash flow statement is prepared using the indirect method, whereby adjustments are made for changes in the group of consolidated companies, foreign exchange differences and other non-cash transactions.

The inflow of funds from net income, adjusted for non-cash items such as depreciation, net change in long-term provisions, non-cash income from investments and other positions, was EUR 3,026 mn (2015: EUR 3,234 mn), below last year as a result of a lower price environment and compensated by positive effects from the cost reduction program. During 2016, dividends received from equity-accounted investments and other companies amounted to EUR 217 mn (2015: EUR 84 mn). **Cash flow from operating activities** increased slightly by EUR 44 mn or 2% from EUR 2,834 mn in 2015 to EUR 2,878 mn in 2016. There was a net cash outflow from net working capital components of EUR 148 mn (2015: EUR 400 mn), which was mainly attributable to changes in commodity prices as well as to higher trade receivables related to the lifting schedule in the Upstream segment.

Cash outflows for investments in non-current assets and acquisitions of subsidiaries and businesses net of cash acquired of EUR 2,141 mn (2015: EUR 3,066 mn) were partly offset by proceeds from the sale of non-current assets and businesses amounting to EUR 344 mn (2015: EUR 193 mn). In 2016, acquisitions of subsidiaries and businesses net of cash acquired included the acquisition of FE-Trading GmbH and FE-Trading trgovina d.o.o. of EUR 57 mn, reflecting the cash consideration of EUR 26 mn paid to the seller and the redemption of trade and other financial liabilities in the amount of EUR 31 mn. The proceeds from the sale of non-current assets and businesses mainly included cash inflows from the divestment of the Aliağa terminal in Turkey and of the 30% stake in Rosebank. **Net cash outflow from investment activities** totaled EUR 1,797 mn (2015: EUR 2,874 mn). The lower cash outflow in 2016 reflected the measures taken to reduce investments.

Cash outflows from the net decrease of short- and long-term borrowings amounted to EUR (98) mn (2015: EUR (190) mn). In 2016, a EUR 250 mn bond was repaid together with other long-term debt, which was partially compensated by new long-term borrowings, of which EUR 147 mn were related to long-term financing provided by the minority shareholders of GAS CONNECT AUSTRIA GmbH. In 2015, there were repayments of the US private placement bond and other long-term debt and finance leases as well as short-term money market lines, partially offset by new drawings of long-term loans.

In 2016, OMV acquired the remaining non-controlling stake in OMV Gas Marketing & Trading GmbH for EUR 3 and received a EUR 36 mn contribution by former minority shareholders of OMV Gas Marketing & Trading GmbH. Also, 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.

In 2015, the Group acquired the remaining non-controlling stake of 1.2% in OMV Petrol Ofisi A.Ş. Cash outflows for dividend payments amounted to EUR 466 mn (2015: EUR 530 mn), of which EUR 326 mn (2015: EUR 408 mn) were paid to OMV shareholders, EUR 2 mn (2015: EUR 71 mn) to shareholders of non-controlling interests and EUR 137 mn (2015: EUR 51 mn) to hybrid capital owners. During 2015, there was a significant net cash inflow of funds following the issuance of the new hybrid notes in the amount of EUR 1,490 mn. **Net cash outflow from financing activities** amounted to EUR 74 mn (2015: net cash inflow EUR 758 mn).

Free cash flow showed an inflow of funds of EUR 1,081 mn (2015: outflow of EUR 39 mn). **Free cash flow after dividends** resulted in a cash inflow of EUR 615 mn (2015: outflow of EUR 569 mn), mainly due to lower investments. **Free cash flow after dividends including changes from non-controlling interests,** which reflects mainly the cash inflow from the divestment of a 49% minority stake in GAS CONNECT AUSTRIA GmbH, amounted to EUR 1,105 mn in 2016.

Outlook 2017

Market environment

For the year 2017, OMV expects the average Brent oil price to be at USD 55/bbl. The gas market environment in Europe continues to be characterized by oversupply. However, average gas prices on European spot markets are expected to show an increase in 2017.

Group

OMV expects to generate a positive free cash flow after dividends in 2017. Capital expenditure (CAPEX) including capitalized exploration and appraisal activities for 2017 is expected to come in at EUR 2 bn. The cost reduction program implemented in 2016 is being continued in 2017 with a target of reducing costs by EUR 250 mn in 2017 compared to 2015. The proposed dividend is EUR 1.20 per share for the 2016 financial year.

Upstream

OMV expects the total production to be 320 kboe/d in 2017, which includes the contribution from Pearl Petroleum Company of close to 8 kboe/d. Production in Libya has partially restarted and is expected to contribute on average 10 kbbl/d in 2017. CAPEX (including capitalized E&A) is expected to come in at EUR 1.4 bn in 2017. Exploration and appraisal expenditure is expected to amount to EUR 300 mn.

On March 5, 2017, OMV signed an agreement to acquire a 24.99% share in the Yuzhno Russkoye natural gas field located in western Siberia from Uniper SE. The purchase price amounts to USD 1,850 mn. This amount is not included in the EUR 2 bn CAPEX guidance for 2017. The transaction is anticipated to close by the end of 2017 and will be retroactively effective as of January 1, 2017.

Downstream

Refining margins are projected to trend downwards due to crude price recovery and persisting overcapacity in the market. The capacity utilization in 2017 is expected to be above 90%. A planned full site turnaround at the Schwechat refinery is scheduled in April for approximately one month. Petrochemical margins are estimated to slightly decrease in 2017 versus 2016 following the oil price recovery. Commercial and retail margins are projected to be below the levels of 2016.

On March 3, 2017, OMV agreed to sell OMV Petrol Ofisi to VIP Turkey Enerji AS, a subsidiary of Vitol Investment Partnership Ltd., for an overall transaction value of EUR 1,368 mn. The closing is expected in Q3/17 at the latest.

Natural gas sales volumes are expected to be flat in 2017 versus 2016. Due to oversupply on the European gas market, natural gas sales margins are expected to be lower in 2017 compared to 2016. Considering the change in tariff regulation, the contribution from the gas transportation business in Austria (Gas Connect Austria) is expected to be significantly lower in 2017 in comparison to 2016.

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.

- **Market and financial risks** arise from volatility in the prices of commodities, foreign exchange (FX) rates or 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 and TRY.

- **Operational risks** include all risks related to physical assets, HSSE, regulatory/compliance risks or project risks.

- **Strategic risks** arise, for example, from changes in technology, risks to reputation or political uncertainties. OMV operates in countries that are subject to political uncertainties, in particular Libya, Yemen, Pakistan, Tunisia and Turkey. Possible political changes may lead to disruptions and limitations in production as well as increased tax burden, restrictions on foreign ownership or even nationalization of property.

It is OMV's view that the Group's overall risk is significantly reduced due to its substantial diversification 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 Corporate Finance 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. The success of OMV's strategy execution is secured through a comprehensive strategic risk management process (top-down exercise) that ensures that uncertainties around the company strategy are properly addressed.

Financial risks (e.g. market prices, currencies) are reviewed quarterly by the Financial Risk Committee. A cross-functional committee with senior management members of the OMV Group – the Risk Committee – ensures that an Enterprise Wide Risk Management (EWRM) program is in place to effectively manage the integrated risks across the OMV Group.

EWRM is continuously enhanced. The main purpose is to deliver value through risk-based management 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.

The risk culture is supported by an IT application facilitating the risk management processes established within OMV Group: 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 with the aid of 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 strategic risks. 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 market price risks, political risks, regulatory and compliance risks, business process risks, foreign exchange risks, project risks, personnel risks and hazard risks.

OMV has extensive experience in the political environment in Central and Eastern Europe (CEE) and Southeastern Europe (SEE). Political developments in all markets where OMV operates are kept under constant observation. Furthermore, country-specific risks are assessed before entering new countries. Risks related to the EU Emission Trading Scheme (EU ETS) are separately recorded and aggregated for the Group as a whole. Furthermore, OMV is monitoring emerging regulations related to climate change 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.

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 and environment, legal matters and compliance, human resources and corporate social responsibility, with special emphasis on human rights and market price risks.

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 as to the potential cash flow impact using a specific risk analysis model that considers portfolio effects. Results of the risk analysis are discussed by the Financial Risk Committee, which is comprised of senior management of the Business Segments and corporate functions. Proposals for hedging strategies are submitted to the Executive Board for approval.

To protect the Group's cash flow from the potential negative impact of falling oil and gas prices, OMV uses derivative instruments for hedging purposes. From the hedging strategy introduced in 2015, a EUR 12 mn valuation gain on the January to June 2016 hedging instruments was recycled to profit and loss from other comprehensive income in 2016. Furthermore, a range of new financial swaps for both oil and gas volumes was entered into during 2016, resulting in a total 2016 EBIT impact from these hedges of EUR (6) mn.

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 taken. Those include margin hedges as well as stock hedges. In addition, Emission Compliance Management takes care of a balanced position of emission allowances via selling the surplus or covering the gap.

The primary foreign currency risks are related to USD, RON, NOK and TRY currency exposure. The Group has a net USD long position, mainly resulting from sales of oil and gas production. To balance the Group's interest rate portfolio, loans can be converted from fixed to floating rates and vice versa according to predefined rules. 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, OMV Petrom and OMV Petrol Ofisi level.

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

Non-financial Performance Measures

Sustainability and HSSE (Health, Safety, Security and Environment)

Sustainability

OMV has a long tradition of responsible behavior towards the environment and society. The OMV sustainability strategy "Resourcefulness" brings together the commitments on health, safety, security, environment, business ethics, human rights, diversity and stakeholder engagement.

Health, Safety and Security

Health, Safety and Security are key values of OMV's business. The physical and mental health, well-being and safety of the people, as well as the integrity of OMV's operating facilities, are of essential importance. Loss prevention and proactive risk management are essential in maintaining OMV's social acceptance and to reach OMV's HSSE vision "ZERO harm – NO losses."

In 2016, the combined Lost-Time Injury Rate (LTIR) for own employees and contractors was 0.40 (2015: 0.27), and the combined Total Recordable Injury Rate (TRIR) was 0.69 (2015: 0.73).

An unstable geopolitical landscape with enduring regional conflicts resulted in the security emphasis for 2016 remaining primarily focused on the Middle East and North Africa. Notwithstanding the challenges of continuing to operate securely in the distressed regions of Libya, Pakistan, Tunisia, Turkey and Yemen, the threat and reality of terrorist attacks on mainland Europe and elsewhere increased significantly. OMV's established crisis management and security travel management procedures provided a reassuring degree of mitigation and control during 2016.

Environmental management

OMV is strongly committed to act on climate change mitigation and responsible resource management and has therefore set targets to manage and reduce the carbon footprint of its operations and products. The key target is to reduce OMV's overall greenhouse gas emission intensity by 10% by 2021 as compared to 2013. Overall, emission savings of more than 50,000 t CO_2 were achieved in 2016 at the refineries.

OMV's business principles and approach

OMV strives to uphold equally high compliance standards at all locations. A dedicated cross-regional compliance organization, consisting of 42 compliance experts, ensures that OMV standards are consistently met across the Group. In 2016, more than 2,100 employees were trained to ensure compliance with internal as well as external regulations and laws. OMV is a signatory of the United Nations Global Compact (UNGC) and fully committed to the UN Guiding Principles on Business and Human Rights.

Community relations and development

OMV has been successful in promoting the social benefits of its operations while running an efficient business in the operating countries. In 2016, more than 3,700 external beneficiaries (2015: 3,700) received training and education for exploiting better economic opportunities.

More information about OMV's Sustainability and HSSE performance can be found in the stand-alone OMV Sustainability Report 2016.

Non-financial performance indicators – safety [1]

	2016	2015
Lost-Time Injury Rate (LTIR) per million hours worked for own employees	0.37	0.26
Lost-Time Injury Rate (LTIR) per million hours worked for contractors	0.42	0.28
Lost-Time Injury Rate (LTIR) per million hours worked, total	**0.40**	**0.27**
Total Recordable Injury Rate (TRIR) per million hours worked for own employees	0.64	0.59
Total Recordable Injury Rate (TRIR) per million hours worked for contractors	0.72	0.79
Total Recordable Injury Rate (TRIR) per million hours worked, total	**0.69**	**0.73**

[1] These are preliminary figures and the final figures after the external assurance will be published in the OMV Sustainability Report 2016

Employees

OMV is committed to having an engaged workforce at all operating locations across the globe. The employees are the basis for success in the longer term. Fair and equal treatment of employees is high on the Human Resources Department agenda and is fundamental in the way employees work together. OMV believes that high-performing, diverse teams and an inspiring work environment lead to better business results and help create a great place to work, based on Principles of Team Spirit, Accountability, Passion, Pioneering Spirit and Performance.

OMV is offering stretching career experiences and assignments, opportunities to learn from others and through targeted skills and competency training. There is a continuous focus on the strong talent pipeline that is key for a more competitive and resilient company.

At OMV, there is no difference in entry salaries with regard to gender, nationality or other criteria, and salary equality is encouraged at all career stages.

OMV is committed to the Group's Diversity Strategy. In terms of gender diversity, the target is to have 30% women in Senior Vice President positions by 2020. As of December 31, 2016, women held 23% of Senior Vice President positions (17% in 2015) and international (non-Austrian) employees held 41% (45% in 2015).

At the end of 2016, OMV employed 22,544 employees in 23 different countries.

Research and development

The innovation effort at OMV is focused on implementing ideas that will bring benefits to OMV customers, the environment and the Company itself. In 2016, OMV prepared the first scale-up step for a project, which uses plastic waste to produce synthetic crude in a pyrolysis process. As part of the research project wind2hydrogen, OMV is working with partners on ways to produce "green hydrogen" from renewable electricity, which can be stored for use, whenever it is convenient for consumers. Together with its partners, OMV is running a pilot plant in Auersthal, Austria, to study dynamic hydrogen production. OMV is also a pioneer of hydrogen filling stations in Austria. The first filling station was opened in 2012 and further stations started operation in Innsbruck and Asten. Additional filling stations are planned to open in 2017 in Graz and Wiener Neudorf. In Germany, there are two OMV hydrogen filling stations in operation, and three OMV hydrogen filling stations have been finalized and will be commissioned in 2017 in Bavaria and Baden-Württemberg. OMV is also preparing options for the long-term future. At the Christian Doppler Laboratory in Cambridge, Erwin Reisner and his team are developing a more environmentally sound process for generating Synthesis Gas (SynGas) from carbon dioxide and water, a process which would be both renewable and CO_2-neutral. SynGas can be transformed into liquid fuel such as petrol or diesel and is widely used as a chemical feedstock.

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 right 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, paragraph 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 17, 2011, the Annual General Meeting authorized the Executive Board to repurchase treasury shares of up to 10% of the capital stock during a period of 30 months from the day of the resolution in question. Treasury shares could be repurchased via the stock exchange, by way of public tender or in any other legally permitted way and for any legally permitted purpose until November 16, 2013. The Executive Board had also been authorized to rescind treasury shares upon repurchase as well as treasury shares currently owned by the Company without any further resolution by the Annual General Meeting until the same date.

c) The Executive Board had also been authorized until May 16, 2016, upon approval by the Supervisory Board but without any further resolution by the Annual General Meeting, to sell or use treasury shares upon repurchase as well as treasury shares currently owned by the Company via the stock exchange, by way of public tender or in any other way. In particular, treasury shares could be utilized (i) to satisfy stock option and Long Term Incentive Plans for employees, executive staff and members of the Executive Board or the management of the Company or affiliated subsidiaries as well as other employees' bonus schemes, (ii) for convertible bonds, if issued, (iii) as a compensation for the acquisition of enterprises, participations or other assets and (iv) for any other legally permitted purpose. The general shareholders' subscription rights could be excluded and this authorization could be exercised wholly or partly.

d) On May 16, 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 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 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 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 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 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 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 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, or through ad hoc audits. The results of those audits are presented to the Audit Committee. 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

Subsequent Events

Please refer to Note 38 in the Consolidated Financial Statements.

Vienna, March 22, 2017

The Executive Board

Rainer Seele | Reinhard Florey | Johann Pleininger | Manfred Leitner

4

CONSOLIDATED CORPORATE GOVERNANCE REPORT

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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 long-term 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 2016 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 corresponding sections in the remuneration report. As for C-rule 36, an explanation concerning the self-evaluation of the Supervisory Board is provided in the section concerning the working practices of the Supervisory Board.

For OMV PETROM S.A., a company consolidated within 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, 2018
Chairman of the Executive Board and Chief Executive Officer.

Responsible for the overall management and coordination of the Group.

Rainer Seele received his Ph. D. in Chemistry at the University of Göttingen and subsequently had senior appointments at 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 OMV Group:

Company	Function
OMV PETROM S.A.	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

David C. Davies, * 1955

Date of initial appointment: April 1, 2002
As of July 31, 2016, David C. Davies resigned as Chief Financial Officer and Deputy Chairman of the Executive Board, being responsible for Finance and OMV Solutions GmbH.

Member of the supervisory boards of Wiener Börse AG and CEESEG Aktiengesellschaft.

David C. Davies graduated from the University of Liverpool, UK, with a degree in Economics in 1978 and began his working life as a chartered accountant. He subsequently held positions with international corporations in the beverage, food and health industries. Before joining OMV, he was Finance Director at a number of British companies.

Functions in major subsidiaries of OMV Group:

Company	Function
OMV PETROM S.A.	Member of the Supervisory Board (until August 1, 2016)
OMV Petrom Global Solutions SRL	President of the Supervisory Board (until August 1, 2016)
OMV Petrol Ofisi A.S.	Deputy Chairman of the Supervisory Board (until August 1, 2016)
OMV Gaz ve Enerji Holding A.S.	Deputy Chairman of the Supervisory Board (until August 1, 2016)
OMV Petrol Ofisi Holding A.S.	Deputy Chairman of the Supervisory Board (until August 1, 2016)
OMV Solutions GmbH	Managing Director (until July 5, 2016)
Central European Gas Hub AG	Deputy Chairman of the Supervisory Board (until August 9, 2016)
OMV Exploration & Production GmbH	Deputy Chairman of the Supervisory Board (until July 14, 2016)
OMV Gas & Power GmbH	Deputy Chairman of the Supervisory Board (until July 14, 2016)
OMV Refining & Marketing GmbH	Deputy Chairman of the Supervisory Board (until July 14, 2016)
OMV Trading GmbH	Deputy Chairman of the Supervisory Board (until July 14, 2016)

Reinhard Florey, * 1965

Date of initial appointment: July 1, 2016
End of the current period of tenure: June 30, 2019
Chief Financial Officer (since July 1, 2016).

Responsible for Finance.

Reinhard Florey graduated 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.

Functions in major subsidiaries of OMV Group:

Company	Function
OMV PETROM S.A.	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
OMV Petrol Ofisi Holding A.S.	Deputy Chairman of the Supervisory Board
OMV Gaz ve Enerji Holding A.S.	Deputy Chairman of the Supervisory Board
Central European Gas Hub AG	Deputy Chairman of the Supervisory Board
OMV Solutions GmbH	Managing Director
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

Johann Pleininger, * 1962
Date of initial appointment: September 1, 2015
End of the current period of tenure: August 31, 2018

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 Executive Board member of OMV Petrom in Bucharest, responsible for Exploration and Production. Most recently he has been the Senior Vice President responsible for the Upstream countries Romania, Austria as well as the development of the Black Sea region.

Member of the supervisory board of FK Austria Wien AG.

Functions in major subsidiaries of OMV Group:

Company	Function
OMV PETROM S.A.	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

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 OMV Group's plastic and chemical interests.

After graduating in Commerce at 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 was Senior Vice President for Downstream Optimization and Supply from 2003 until 2011.

Functions in major subsidiaries of OMV Group:

Company	Function
OMV PETROM S.A.	Member of the Supervisory Board
OMV Petrol Ofisi A.S.	Chairman of the Supervisory Board
OMV Petrol Ofisi Holding A.S.	Member of the Supervisory Board
OMV Gaz ve Enerji Holding A.S.	Chairman of the Supervisory Board
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
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

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

The Executive Board members of OMV are employed under local Austrian terms and conditions, and the salaries are therefore set in EUR (gross). Their employment contracts are concluded with OMV Aktiengesellschaft and governed by Austrian law. Reflecting additional responsibilities in Group companies, David C. Davies had an additional employment contract with OMV Solutions GmbH until July 31, 2016.

The remuneration of OMV's Executive Board members is at competitive levels for the relevant industry, and has a strong performance-related component. Competitive rates are maintained 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.

The performance-related component includes both short- and long-term elements. The measures used are based on financial and non-financial metrics. Specific projects related to the implementation of OMV's strategy are also taken into account.

Annual Remuneration of OMV's Executive Board members

Base salary

The fixed base remuneration of Executive Board members is paid monthly as a salary. The employment contracts stipulate 14 payments per year to be paid 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.

Bonus

The annual bonus consists of two integrated elements. In total, the maximum entitlement is 200% of the annual gross base salary, depending on the achievement. One part of the bonus is paid out in cash (the Cash Bonus), whereas the other part is allocated in shares (the Matching Share Plan). Both elements are equal and subject to the same performance criteria.

The **Cash Bonus** for the year 2016 was approved by the Remuneration Committee of the Supervisory Board. Depending on the achievement, a maximum of 100% of the base salary may be paid as variable cash remuneration in the following financial year.

The **Matching Share Plan** (MSP) for the year 2016 was approved by the Annual General Meeting in 2016 and 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 reduce inappropriate risk-taking. Depending on the achievement, a maximum of 100% of the base salary may be awarded in shares net of taxes in the following financial year. The awarded Company shares shall be transferred to a trustee deposit, managed by the Company, to be held for three years.

The **performance criteria** for the annual bonus may not be amended during the term of the MSP.

Performance measures are agreed and then assessed at the end of the performance year. The performance criteria for the performance year 2016 are made up of the three areas set out below.

Area	Criteria	Weighting
Financial	Clean CCS NOPAT; Free cash flow after dividends and before divestments; Reported RONA	60%
Efficiency	Includes, for example, the execution of capital projects in time and budget and cost savings	40%
Sustainability	General progress	+/– 10% multiplier

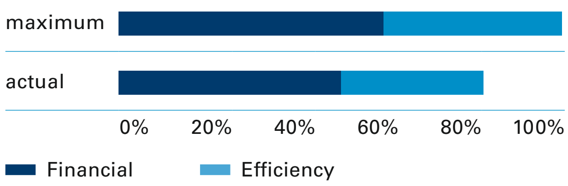
The achievement of targets shall be determined by comparing agreed targets with achieved results. The actual achievements are reviewed by an independent expert. The award of the Cash Bonus is conditional upon the relative achievement of the performance criteria against agreed threshold, target and stretch levels entitling to an award of 25%, 70% or 100% of the annual base salary, respectively.

The actual achievements in 2016 result in a payment of 82% of the base salary to be paid in 2017 and the same percentage also applies to the payments under the MSP in 2017.

Despite the challenging market environment, clean CCS NOPAT and free cash flow targets were fully achieved, whereas reported RONA was burdened by impairments. A weaker performance of project targets was compensated by the successful implementation of the cost savings program. There was no adjustment of the target achievement with regards to sustainability.

2016 bonus achievmvents of base salaries

In %



In the case of a **clawback event**, shares granted will be reduced or may be clawed back upon request from the Supervisory Board. The following reasons are considered to be clawback events: reopening of audited financial statements due to miscalculation, material failure of risk management which leads to significant damages, and serious misconduct of individual Executive Board members which 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.

Summary of annual remuneration

Based on the assumption that the performance criteria for the Cash Bonus and the MSP are reached at target level, the total annual remuneration corresponds to 240% of the base salaries of the Executive Board members.

Long-term remuneration and incentives

Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) has operated since its introduction in 2009 and has been granted on an annual basis since then. The LTIP 2016, as approved by the Annual General Meeting in 2016, is a long-term compensation vehicle for the members of the Executive Board that promotes mid- and long-term value creation in 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 maximum share grant for each Executive Board member is expressed as a percentage of the annual gross base salary: 175% for the Chairman of the Executive Board, 150% for the Deputy Chairman of the Executive Board, 125% for other Executive Board members.

The performance period is three years (January 1, 2016 until December 31, 2018). At the start of the program, weightings were established for key indicators:

Measure	Weighting
Relative Total Shareholder Return (Relative TSR)	70%
Free cash flow after dividends over three years	10%
Sustainability element	10%
Performance in Divestments and Acquisitions	10%

Relative TSR is measured against a well-balanced peer group of twelve oil and gas companies (i.e. Shell, BP, Total, Eni, Statoil, Lundin Petroleum, Repsol, Galp Energia, MOL, Tupras, Neste Oil and PKN Orlen). The achievement of targets shall be determined by comparing agreed indicators with actually achieved results.

To the extent the shareholding requirement is not fulfilled, the payment will be automatically made in the form of shares (net after tax deduction). As far as the shareholding requirement is already fulfilled, the payout can be made in cash. 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, 2016, to March 31, 2016 (EUR 23.92). The LTIP 2016 vests on March 31, 2019. The vesting levels for each performance metric are shown in the tables.

Free cash flow and Sustainability: Level of vesting

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

Relative TSR: Level of vesting

Performance	Vesting
Stretch: at or above upper quartile (≥75th percentile)	100%
Target: at median (= 50th percentile)	25%
Threshold: at lower quartile (= 25th percentile)	0%

Awards will vest on a straight line basis between the performance levels/quartiles.

Based on the assumption that all performance criteria of the LTIP 2016 are reached at target level, the awards will be 67%, 58% and 48% of the base salary for the Chairman of the Executive Board, the Deputy Chairman of the Executive Board, and the other Executive Board members, respectively.

Executive Board members are required to **accumulate an appropriate shareholding** in OMV and have to 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, 150% for other Executive Board members. The shareholding must be accumulated and achieved within five years after start of the current employment contract as Executive Board member. All Executive Board members (except for Reinhard Florey) have already fulfilled at least a part of their minimum shareholding requirement through MSP payouts, previous LTIP investments and/or transfer of private shares (see table).

Executive Board remuneration [1]

In EUR 1,000

Remuneration 2016	Seele	Davies [2] (until July 31,2016)	Florey [1] (from July 1, 2016)	Pleininger	Leitner	Total
Fixed (base salary)	900	506	300	550	700	**2,956**
Variable (Cash Bonus)	324	603	0	132 [3]	504	**1,563**
Benefits in kind (company car, accident insurance and reimbursed expenses)	13	8	80 [4]	12	13	**126**
Total	1,237	1,116	380 [5]	694	1,217	**4,645**
Variable (Matching Share Plan; in shares)	12,975	24,112 [6]	0	5,286	20,184	**62,557**
Fixed/variable ratio [7]	58/42	30/70	100/0	68/32	41/59	**50/50**
LTIP 2013 (in shares)	0	11,496 [9]	0	0 [8]	6,842 [9]	**18,338**

[1] There are discrepancies between individual items and totals due to rounding differences. The variable components relate to target achievement in 2015, for which the bonuses were paid in 2016 (accordingly, no bonus payments were made to Reinhard Florey in 2016). The base salary for David C. Davies includes an annual accommodation allowance. The base salary for David C. Davies was adjusted as of April 1, 2016. This adjustment is linked to the inflation index.
[2] Partly paid out under the employment contract with OMV Solutions GmbH
[3] Johann Pleininger received a cash bonus in the amount of EUR 112 thousand related to his target achievement as a senior manager in 2015.
[4] Including rent, home flights, relocation costs, schooling costs and related taxes
[5] In addition, Reinhard Florey received a one-time payment in the amount of EUR 260 thousand which is linked to an obligation to buy OMV shares for the LTIP shareholding requirements.
[6] Paid out in cash
[7] Fixed includes base salary and benefits in kind; variable includes Cash Bonus and Matching Share Plan
[8] Johann Pleininger was entitled to 3,850 shares based on the senior manager LTIP 2013 (paid out in cash).
[9] Paid out in cash

Shareholding requirement and fulfillment

	Shareholding requirement [1]		Fulfillment	
	In shares	As % salary	In shares (on Company trustee deposit)	As % requirement
Seele	75,790	200%	38,038	50.19%
Florey	37,626	150%	0 [2]	00.00%
Pleininger	34,737	150%	12,979	37.36%
Leitner	44,211	150%	51,249	115.92%

[1] The shareholding requirement for David C. Davies, Jaap Huijskes, and Hans-Peter Floren was no longer valid at year end. The shareholding requirement for Gerhard Roiss is still valid and currently fulfilled.
[2] The purchase of shares was restricted because of potential insider information during the trading windows.

The degree of fulfillment of the LTIP 2014 goals is 10% and the corresponding allocation of shares or cash payment will be made in 2017.

LTIP 2014–2016 achievements

Measure	Weighting
Relative TSR vs. peers	50%
ROACE	40%
Sustainability: Action Item Response Rate	5%
Sustainability: Contractor Management	5%
Total vesting percentage	**10%**

Strategic Incentive Plan

The Strategic Incentive Plan (SIP) is a long-term compensation scheme for Executive Board members (as well as for members of the executive management and selected Upstream experts), promoting a combined focus on the achievement of OMV's strategic objectives. It is based on virtual share grants that are paid out in cash equivalent, subject to achievement of defined performance measures, at the end of the plan period.

It was decided by the Supervisory Board and Executive Board in Q1/16 to terminate the SIP without replacement or compensation as the SIP was considered to be contradictory to the new strategy. The termination was implemented until July 2016. However, the SIP is still in place for three former Executive Board members, for details, please see Termination-related benefits.

Pursuant to C-rules 27 and 28 of the ACCG, for the variable remuneration components, measurable performance criteria shall be fixed in advance. 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 (Cash Bonus, MSP and LTIP) give the Supervisory Board, respectively the Remuneration Committee, in line with the general practice in the oil & gas industry, certain room for discretion to amend individual components in case of significant changes in the underlying circumstances as well as to determine the achievement of individual criteria, always in line with relevant factors and within maximum limits.

Pensions

All members of the Executive Board are entitled to defined contribution pension payments. 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.

Termination-related benefits

David C. Davies resigned as member of the Executive Board effective July 31, 2016, while his contract continues for eight months beyond that date. Gerhard Roiss resigned as member of the Executive Board effective June 30, 2015, with his contract upright for further 21 months. Jaap Huijskes resigned as member of the Executive Board effective August 31, 2015, with a valid contract for another seven months. Hans-Peter Floren resigned effective December 31, 2014. His contract continued for six months. They continued to receive payments (including benefits in kind) under their employment contracts during these periods.

Payments to former Executive Board members

In EUR 1,000

	Davies	Huijskes	Roiss	Floren
Applicable period	Aug.– Dec. 2016	Jan.– Dec. 2016	Jan.– Dec. 2016	Jan.– Dec. 2016
Remuneration entitlements for 2016 (bonus and LTIP) [1]	– [2]	901	858	203
Payments for contractual obligations [3]	385	530	1,694 [4]	–
Total	**385**	**1,431**	**2,552**	**203**
Accruals for outstanding fixed payments	1,087			

[1] (Pro rata) Cash Bonus and MSP related to target achievement in 2015 and LTIP related to target achievement in 2013–2015
[2] Regular remuneration see Executive Board Remuneration table
[3] Base salary and benefits in kind
[4] Including upfront bonus payments for the period January 2016 to March 2017

Based on their employment contracts they will receive additional payments in subsequent years. David C. Davies is entitled to bonus and LTIP payments for the period August 2016 to March 2017 which have been agreed as a lump-sum payment. SIP payments will be settled according to the plan terms for good leavers effective March 31, 2017. LTIP and SIP payments for Gerhard Roiss will be settled according to the plan terms for good leavers effective March 31, 2017. Jaap Huijskes was entitled to salary and bonus payments until March 31, 2016. LTIP payments will be settled according to the plan terms for good leavers effective March 31, 2016. For Hans-Peter Floren LTIP and SIP payments will be settled according to the plan terms for good leavers effective December 31, 2015, and June 30, 2015, respectively. LTIPs will be vested according to the regular schedule (unless otherwise mentioned). SIP payments, if any, are due in 2022 to 2024.

Pension fund contribution

In EUR 1,000

Seele	225
Davies	323
Florey	75
Huijskes	39
Pleininger	138
Leitner	175
Total	**974**

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.

Note 32 provides additional information on the Long Term Incentive Plan, the Matching Share Plan and the Strategic Incentive Plan (valuation and exercise in previous years).

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 out of 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 in respect of their actions in exercise of their duties, except in cases of willful intent or gross negligence.

Policy principles for the remuneration within OMV Group

OMV aims to ensure competitive compensation and benefits packages that best drive and support the strategy. OMV continuously monitors market trends and international best practices in order to attract, motivate and retain best-qualified talent 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 local 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:

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

Some employees at senior management levels of the Group (97 people) are eligible for membership of the Long-Term Incentive Plan. They are also eligible for bonus agreements, as discussed below.

In 2016, a total of some 3,800 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). 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 2016 and their appointments to supervisory boards of other domestic or foreign listed companies are shown below.

Peter Löscher, * 1957
(from May 18, 2016)
Chairman
Seats: Deutsche Bank AG (until May 18, 2017), Sulzer AG (Chairman), and Telefonica, S.A.

Peter Oswald, * 1962
(until May 18, 2016)
(Chief Executive Officer: Europe & International Division, Mondi Group), Chairman
Seats: Mondi plc (UK), Mondi Ltd (UK)

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

Murtadha Al Hashmi, * 1966
(Chief Financial Officer, International Petroleum Investment Company (IPIC)), Deputy Chairman
Seat: Banvit Bandirma Vitaminli Yem Sanayii A. Ş.

Alyazia Ali Saleh Al Kuwaiti, * 1979
(until May 18, 2016)
(Head of Midstream and Upstream Investments, IPIC)

Wolfgang C. Berndt, * 1942
Seats: GfK SE (until May 20, 2016) and Miba Aktiengesellschaft (Chairman)

Helmut Draxler, * 1950
Seat: RHI AG (Deputy Chairman)

Marc H. Hall, * 1958
(from May 18, 2016)

Wolfram Littich, * 1959
(until May 18, 2016)
(Chairman of the Executive Board of Allianz Elementar Versicherungs-AG)

Ahmed Matar Al Mazrouei, * 1972
(from May 18, 2016)
(CEO, Emirates Liquefied Natural Gas L. L. C.)

Karl Rose, * 1961
(from May 18, 2016)
(Managing Director, Strategy Lab GmbH)

Herbert Stepic, * 1946
(until May 18, 2016)
(Senior Advisor, Raiffeisenbank International AG)
Seats: Raiffeisen Bank Aval JSC, Tatra Banka a.s., and PT Matahari Department Store Tbk.

Herbert Werner, * 1948
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)

Delegated by the Group works council (employee representatives)

Christine Asperger, * 1964
Wolfgang Baumann, * 1958
Herbert Lindner, * 1961
Alfred Redlich, * 1966
Martin Rossmann, * 1970
(until September 26, 2016)
Gerhard Singer, * 1960
(from September 26, 2016)

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 45 and 74.

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 2016 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, Peter Oswald, Wolfgang Berndt, Elif Bilgi Zapparoli, Helmut Draxler, Karl Rose, Marc H. Hall, Wolfram Littich, Herbert Stepic, 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 2016 and up to the time of making such declarations. In the cases of Peter Oswald, Wolfram Littich and Herbert Stepic their respective declarations relate to the period up to their leaving office as member of the Supervisory Board on May 18, 2016. Peter Löscher, Peter Oswald, 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 and, subsequently (after being so proposed by the Presidential and Nomination Committee and the Supervisory Board), they were elected as Supervisory Board members.

Name[1] (current members in bold)	Position and committee memberships in 2016[2]	Remuneration (in EUR, for 2015)[5]	Term of office[2]
Peter Löscher	Chairman; Chairman of the Pres. Com. and Remun. Com.; Deputy Chairman of the Proj. Com.; Audit Com. (all since May 18, 2016)	–	May 18, 2016, to 2020 AGM
Peter Oswald	Chairman; Chairman of the Pres. Com., Proj. Com. and Remun. Com.; Audit Com. (all until May 18, 2016)	45,524	May 19, 2015, to May 18, 2016
Gertrude Tumpel-Gugerell	Deputy Chairwoman (since May 18, 2016); Chairwoman of the Audit Com.; Deputy Chairwoman of the Pres. Com.; Proj. Com.	12,170	May 19, 2015, to 2020 AGM
Murtadha Al Hashmi	Deputy Chairman; Deputy Chairman of the Pres. Com., Proj. Com., Audit Com. and Remun. Com.	77,375	May 10, 2012, to 2019 AGM
Wolfgang C. Berndt	Deputy Chairman (until May 18, 2016); Deputy Chairman of the Pres. Com. (until 18 May 2016), Proj. Com. (until 18 May 2016), Audit Com. and Remun. Com	62,629	May 26, 2010, to 2019 AGM
Karl Rose	Chairman of the Proj. Com. (since May 18, 2016)	–	May 18, 2016, to 2019 AGM
Alyazia Ali Saleh Al Kuwaiti	Pres. Com. and Proj. Com. (both until May 18, 2016)	38,250	May 14, 2008, to May 18, 2016
Helmut Draxler	Audit Com. and Remun. Com.	30,600	Oct. 16, 1990, to 2019 AGM
Marc H. Hall	Proj. Com.	–	May 18, 2016, to 2019 AGM
Wolfram Littich	Proj. Com. and Audit Com. (both until May 18, 2016)	30,600	May 23, 2001, to May 18, 2016
Ahmed Matar Al Mazrouei	Pres. Com. and Proj. Com. (both since May 18, 2016)	–	May 18, 2016, to 2019 AGM
Herbert Stepic		14,600	May 18, 2004, to May 18, 2016
Herbert Werner	Audit Com.	22,600	June 4, 1996, to 2019 AGM
Elif Bilgi Zapparoli		18,250	May 13, 2009, to 2019 AGM
Christine Asperger	Proj. Com. (since Sept. 26, 2016)	–[3]	since Jan. 1, 2013[4]
Wolfgang Baumann	Pres. Com., Proj. Com. (until Sept. 26, 2016) and Audit Com.	–[3]	Dec. 16, 1998, to Apr. 1,1999, and again since Nov. 11, 2004[4]
Herbert Lindner	Proj. Com. and Audit Com.	–[3]	since June 1, 2013[4]
Alfred Redlich	Pres. Com. (since Sept. 26, 2016)	–[3]	since June 1, 2013[4]
Martin Rossmann	Pres. Com., Proj. Com. and Audit Com. (all until Sept. 26, 2016)	–[3]	May 5, 2011, to Sept. 26, 2016[4]
Gerhard Singer	Audit Com. and Proj. Com. (both since Sept. 26, 2016)	–[3]	Since Sept. 26, 2016[4]

[1] Members of the Supervisory Board whose term ended in the business year 2015 are not listed herein
[2] Abbreviations: Pres. Com. = Presidential and Nomination Committee; Proj. Com. = Project Committee; Audit Com. = Audit Committee; Remun. Com. = Remuneration Committee; AGM = Annual General Meeting
[3] Members delegated to the Supervisory Board by the Group works council do not receive remuneration but just attendance expenses
[4] 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
[5] Meeting fees in the amount of EUR 365/meeting, as well as any applicable reimbursement of withholding tax, are not included therein

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 2016).

In 2016, the Supervisory Board held nine meetings. In several of these meetings, the Executive Board and the Supervisory Board discussed strategic matters of OMV. With the exception of Elif Bilgi-Zapparoli, no member of the Supervisory Board attended fewer than half of the meetings.

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 business year 2016, the Supervisory Board initiated a thorough self-evaluation of its activities with external support, the results of which will become available in early 2017 and will then be discussed within the Supervisory Board in the first quarter of 2017.

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 2016, 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 2016, the auditors Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (including their network in the meaning of section 271b Code of Commerce) received EUR 2.64 mn for the annual audit, EUR 0.99 mn for other assurance services and EUR 0.22 mn for other engagements.

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 2016, four meetings of the 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 award of bonuses (variable remuneration components) and other such benefits to them. The Remuneration Committee met four times during 2016. 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 as well as 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, PwC provided tax and reporting advice in 2016.

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 2016 AGM adopted the remuneration scale for the 2015 financial year as shown in the table below. The remuneration for members of the Supervisory Board has remained unchanged since the business year 2005.

Remuneration for Supervisory Board members

In EUR [1]

Chairman/Chairwoman	29,200
Deputy Chairman/Chairwoman	21,900
Ordinary member	14,600
Committee Chairman/Chairwoman	12,000
Committee Deputy Chairman/Chairwoman	10,000
Ordinary Committee member	8,000

[1] Meeting fees in the amount of EUR 365/meeting, as well as any applicable reimbursement of withholding tax, are not included therein

The amounts for the financial year 2015 were disbursed to the Supervisory Board members concerned in 2016; these were exclusive of expenses (travel and attendance expenses).

In 2016, the Supervisory Board members' remuneration (for the 2015 financial year and including reimbursement for withholding tax as applicable) accounted for EUR 0.39 mn, attendance expenses for EUR 0.09 mn and travel expenses for EUR 0.4 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 to two or more positions on the Supervisory Board are held at the same General Meeting, separate votes must be held for each position. If elections to 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

Diversity

Diversity is of high importance within OMV's resourcefulness strategy. 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 the target of having 30% female Senior Vice Presidents by 2020. Mariana Gheorghe is the Chairwoman of the Executive Board of OMV Petrom SA, and Lacramioara Diaconu-Pinţea is a member of OMV Petrom's Executive Board since April 2015. Gülsüm Azeri is the Chairwoman of the Executive Board of OMV Petrol Ofisi. There are three female members in the OMV Supervisory Board; this corresponds to about 20% of the members. At the end of 2016, women held 23% of the Senior Vice President positions. The proportion of women in the Group as a whole is about 25%. Within OMV's leadership development programs the proportion of women reached 33% in 2016. Within OMV's integrated graduate development program the proportion of women was 32% in 2016. So far, a variety of measures to foster diversity at OMV has 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. 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 internal communication, OMV is contributing to equal opportunities among men and women. Gender diversity measures include the "Technikqueens" project designed to spark girls' interest in technical careers early. Furthermore, OMV participated in Vienna's Girls' Day and the FIT (Frauen in die Technik) initiative. In 2016, female employees in Upstream 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.

External Evaluation of Corporate Governance

An external evaluation of OMV's compliance with the provisions of the ACCG is being performed each year. Regarding the evaluation for 2016, 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 22, 2017

The Executive Board

Rainer Seele   Reinhard Florey   Johann Pleininger   Manfred Leitner

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CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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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, 2016, 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.

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, 2016 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 Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. 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:

- 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
- Estimation of provision for decommissioning and restoration obligations
- Recoverability of receivable from Romanian State
- Accounting for assets held for sale

[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
Recoverability of intangible exploration and evaluation (E&E) assets The carrying value of intangible E&E assets amounted to € 1,095 mn at 31 December 2016, after a write off (impairment) of € 322 mn in 2016. 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 7 (Depreciation, amortization and impairment losses) 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 € 14,613 mn at 31 December 2016, after an impairment charge of € 355 mn in 2016. The impairment mainly relates to oil & gas assets, a Turkish gas fired power plant and a gas storage facility in Germany. Under IFRS, an entity is required to assess, whether impairment indicators 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 are mainly sensitive to assumptions in future oil and gas prices, production volumes (oil & gas assets), future spark spreads (gas power plant) and future summer/winter spreads (storage facility). OMV Group's disclosures about property, plant and equipment and related impairment testing are included in Note 2 (Estimates and Assumptions), Note 7 (Depreciation, amortization and impairment losses) 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 impairment indicators 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 (oil & gas assets); ▶ Involve our valuation specialists to assist us in performing industry benchmarking and analysis over spark spreads (gas power plant), summer/winter spreads (storage facility) and discount rates; ▶ Assess the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year; and ▶ Review of management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of a range of possible outcomes.

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 7 (Depreciation, amortization and impairment losses) 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 of 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 both internal and external specialists and the objectivity and independence of external specialists, to consider whether they were appropriately qualified to carry out the estimation of oil and gas reserves; ▶ Analyse the report of the external specialists on their review of Group's estimated oil and gas reserves as at 31 December 2015; ▶ Test whether significant additions or reductions in oil and gas reserves were made in the appropriate period 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
Estimation of provision for decommissioning and restoration obligations The total provision for decommissioning and restoration obligations amounted to € 3,412 mn at 31 December 2016. 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 obligation 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 performing industry benchmarking and analysis of discount rates and inflation rates; and ▶ Test the mathematical accuracy of the decommissioning and restoration obligation calculation.

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 S.A., 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 € 542 mn at 31 December 2016. 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

Accounting for assets held for sale

The carrying value of assets held for sale amounted to € 3,405 mn at 31 December 2016, after a write off (impairment) of € 1,155 mn in 2016.

In 2016 OMV Group planned, signed and closed several disposal transactions. We considered the accounting treatment in the financial statements of those transactions that are not closed yet and therefore shown as assets held for sale as a key audit matter because of size, complexity and the judgement required in calculating the impairment due to reclassification to assets held for sale.

Major transactions include the sale of the OMV (U.K.) Limited and the planned sale of OMV Petrol Ofisi, Turkey.

OMV Group's disclosures about planned disposals are included in Note 20 (Assets and liabilities held for sale), Note 7 (Depreciation, amortization and impairment losses) and Note 38 (Subsequent events).

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Review management's assessment of the criteria to reclassify the respective assets as assets held for sale;
- Review whether the loss on disposal was calculated in accordance with the relevant clauses of the Share resp. Asset Purchase Agreement and assessing the net present value of contingent considerations which are linked to future performance of the divested business;
- Assess the valuation of disposal groups based on management's estimate of the expected sale proceeds.

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 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 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.

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 22, 2017

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Alexander Wlasto
Wirtschaftsprüfer / Certified Public Accountant

Katharina Schrenk
Wirtschaftsprüferin / Certified Public Accountant

Consolidated Income Statement for 2016

Consolidated income statement

EUR mn

	Note	2016	2015
Sales revenues		**19,260**	**22,527**
Direct selling expenses		(355)	(327)
Cost of sales		(16,559)	(22,174)
Gross profit		**2,347**	**26**
Other operating income	8	644	392
Selling expenses		(1,004)	(906)
Administrative expenses		(343)	(371)
Exploration expenses		(808)	(707)
Research and development expenses		(28)	(28)
Other operating expenses	9	(1,264)	(413)
Earnings Before Interest and Taxes (EBIT)		**(457)**	**(2,006)**
Income from equity-accounted investments	10	425	345
Dividend income		41	37
Interest income	10	66	89
Interest expenses	10	(261)	(304)
Other financial income and expenses	10	(44)	(70)
Net financial result		**227**	**97**
Profit from ordinary activities		**(230)**	**(1,909)**
Taxes on income	11	47	654
Net income for the year		**(183)**	**(1,255)**
thereof attributable to stockholders of the parent		(403)	(1,100)
thereof attributable to hybrid capital owners		103	42
thereof attributable to non-controlling interests		118	(197)
Basic Earnings Per Share (EPS) in EUR	12	**(1.24)**	**(3.37)**
Diluted Earnings Per Share (EPS) in EUR	12	**(1.23)**	**(3.37)**

Consolidated Statement of Comprehensive Income for 2016

Consolidated statement of comprehensive income

EUR mn

	Note	2016	2015
Net income for the year		**(183)**	**(1,255)**
Exchange differences from translation of foreign operations		**(113)**	**(109)**
Gains/(losses) arising during the year, before income taxes		(114)	(109)
Reclassification of (gains)/losses to net income		2	—
Gains/(losses) on available-for-sale financial assets		**1**	**(1)**
Gains/(losses) arising during the year, before income taxes		1	9
Reclassification of (gains)/losses to net income		0	(10)
Gains/(losses) on hedges		**(102)**	**119**
Gains/(losses) arising during the year, before income taxes		(43)	104
Reclassification of (gains)/losses to net income		(59)	15
Share of other comprehensive income of equity-accounted investments		**63**	**95**
Total of items that may be reclassified (“recycled”) subsequently to the income statement		**(151)**	**103**
Remeasurement gains/(losses) on defined benefit plans		**(67)**	**19**
Share of other comprehensive income of equity-accounted investments		**(18)**	**9**
Total of items that will not be reclassified (“recycled”) subsequently to the income statement		**(86)**	**28**
Income taxes relating to items that may be reclassified (“recycled”) subsequently to the income statement		15	(36)
Income taxes relating to items that will not be reclassified (“recycled”) subsequently to the income statement		2	(5)
Total income taxes relating to components of other comprehensive income	21	**17**	**(41)**
Other comprehensive income for the year, net of tax	21	**(220)**	**90**
Total comprehensive income for the year		**(403)**	**(1,166)**
thereof attributable to stockholders of the parent		(611)	(987)
thereof attributable to hybrid capital owners		103	42
thereof attributable to non-controlling interests		105	(221)

Consolidated Statement of Financial Position as of December 31, 2016

Assets

EUR mn

	Note	2016	2015
Intangible assets	13	1,713	3,275
Property, plant and equipment	14	14,613	16,440
Equity-accounted investments	15	2,860	2,562
Other financial assets	18	947	846
Other assets	19	70	81
Deferred taxes	25	839	850
Non-current assets		**21,042**	**24,054**
Inventories	16	1,663	1,873
Trade receivables	17	2,459	2,567
Other financial assets	18	1,245	2,245
Income tax receivables		32	108
Other assets	19	198	374
Cash and cash equivalents		2,069	1,348
Current assets		**7,666**	**8,516**
Assets held for sale	20	3,405	94
Total assets		**32,112**	**32,664**

Equity and liabilities

EUR mn

	Note	2016	2015
Share capital		327	327
Hybrid capital		2,231	2,231
Reserves		8,357	9,114
OMV equity of the parent [1]		**10,915**	**11,672**
Non-controlling interests	22	3,010	2,626
Total equity	21	**13,925**	**14,298**
Provisions for pensions and similar obligations	23	1,057	1,045
Bonds	24	3,725	3,721
Other interest-bearing debts	24	1,012	871
Provisions for decommissioning and restoration obligations	23	3,320	3,342
Other provisions	23	553	535
Other financial liabilities	24	409	410
Other liabilities	24	155	160
Deferred taxes	25	122	229
Non-current liabilities		**10,354**	**10,314**
Trade payables	24	3,731	3,380
Bonds	24	38	295
Other interest-bearing debts	24	222	200
Income tax liabilities		212	215
Decommissioning and restoration obligations	23	92	100
Other provisions	23	435	418
Other financial liabilities	24	1,169	2,341
Other liabilities	24	828	1,074
Current liabilities		**6,727**	**8,021**
Liabilities associated with assets held for sale	20	1,107	32
Total equity and liabilities		**32,112**	**32,664**

[1] 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 2016

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**

Consolidated statement of changes in equity in 2015 [1]

EUR mn

	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Translation of foreign operations	Available-for-sale financial assets
January 1, 2015	**327**	**1,503**	**741**	**10,117**	**(1,055)**	**0**
Net income for the year	—	—	—	(1,058)	—	—
Other comprehensive income for the year	—	—	—	10	(87)	(1)
Total comprehensive income for the year	**—**	**—**	**—**	**(1,048)**	**(87)**	**(1)**
Capital increase	—	—	1,490	—	—	—
Dividend distribution and hybrid coupon	—	—	—	(459)	—	—
Disposal of treasury shares	—	1	—	—	—	—
Share-based payments	—	(4)	—	3	—	—
Increase/(decrease) in non-controlling interests	—	—	—	(1)	(6)	—
December 31, 2015	**327**	**1,500**	**2,231**	**8,613**	**(1,148)**	**0**

[1] See Note 21

[2] 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
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**

Hedges	Share of other compr. income of equity-accounted investments	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
(27)	**(4)**	**(11)**	**11,591**	**2,924**	**14,514**
—	—	—	(1,058)	(197)	(1,255)
87	104	—	113	(24)	90
87	**104**	**—**	**(945)**	**(221)**	**(1,166)**
—	—	—	1,490	—	1,490
—	—	—	(459)	(72)	(531)
—	—	1	3	—	3
—	—	—	(1)	—	(1)
—	—	—	(7)	(4)	(12)
60	**99**	**(10)**	**11,672**	**2,626**	**14,298**

Consolidated Statement of Cash Flows for 2016

Consolidated statement of cash flows [1]

EUR mn

	2016	2015
Net income for the year	**(183)**	**(1,255)**
Depreciation, amortization and impairments	3,898	5,159
Write-ups of fixed assets	(114)	(6)
Deferred taxes	(178)	(787)
Current taxes	130	133
Income taxes paid	(143)	(310)
Tax refunds	88	61
Losses/(gains) from disposal of non-current assets	(81)	(19)
Income from equity-accounted investments and other dividend income	(466)	(382)
Dividends received from equity-accounted investments and other companies	217	84
Interest expense	119	144
Interest paid	(168)	(166)
Interest income	(56)	(79)
Interest received	26	78
Increase/(decrease) in personnel provisions	(49)	(27)
Increase/(decrease) in long-term provisions	23	260
Other changes	(37)	347
	3,026	**3,234**
Decrease/(increase) in inventories	(110)	207
Decrease/(increase) in receivables	(840)	512
Increase/(decrease) in liabilities	747	(1,004)
Increase/(decrease) in short-term provisions	54	(114)
Cash flow from operating activities	**2,878**	**2,834**
Investments		
Intangible assets and property, plant and equipment	(2,022)	(2,978)
Investments, loans and other financial assets	(66)	(88)
Acquisitions of subsidiaries and businesses net of cash acquired	(54)	—
Disposals		
Proceeds from the sale of non-current assets	331	193
Proceeds from the sale of subsidiaries and businesses, net of cash disposed	14	—
Cash flow from investing activities	**(1,797)**	**(2,874)**
Increase in long-term borrowings	242	332
Repayments of long-term borrowings	(414)	(195)
Increase/(decrease) in short-term borrowings	74	(327)
Increase in non-controlling interest	454	—
Decrease in non-controlling interest	36	(12)
Dividends paid to OMV equity holders	(464)	(459)
Dividends paid to non-controlling interests	(2)	(71)
Hybrid bond	—	1,490
Cash flow from financing activities	**(74)**	**758**
Effect of foreign exchange rate changes on cash and cash equivalents	(42)	(19)
Net increase/(decrease) in cash and cash equivalents	**965**	**700**
Cash and cash equivalents at beginning of year	1,348	649
Cash and cash equivalents at end of year	2,314	1,348
Thereof cash disclosed within Assets held for sale	245	—
Cash and cash equivalents presented in the consolidated statement of financial position	**2,069**	**1,348**

[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 as well as Middle East and Africa 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 and Turkey (Downstream Oil). 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 Company 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 2016 have been prepared in million EUR (EUR mn, EUR 1,000,000). Accordingly, there may be rounding differences.

The consolidated financial statements for 2016 were approved by the Supervisory Board on March 22, 2017.

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.

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. In 2016, an external review was performed by DeGolyer and MacNaughton for the reserves as of December 31, 2015. The results of the external review did not show significant deviations from the internal estimates.

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% (2015: 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.

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 price assumptions and the EUR-USD exchange rate used in the impairment reviews are listed below:

2016

	2017	2018	2019	2020	2021 and thereafter
Brent oil price (USD/bbl)	55	65	70	75	75
EUR-USD exchange rate	1.10	1.15	1.15	1.15	1.15
Brent oil price (EUR/bbl)	50	57	61	65	65

2015

	2016	2017	2018	2019	2020 and thereafter
Brent oil price (USD/bbl)	40	55	65	70	75
EUR-USD exchange rate	1.15	1.15	1.15	1.15	1.15
Brent oil price (EUR/bbl)	35	48	57	61	65

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 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 impairment tests see Notes 7 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, 2016.

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

	2016			2015		
	Full consolidation	Share of assets and liabilities	Equity consolidation	Full consolidation	Share of assets and liabilities	Equity consolidation
At the beginning of the year	**104**	**1**	**11**	**104**	**1**	**11**
Included for the first time	5	—	1	1	—	—
Merged	(2)	—	—	—	—	—
Deconsolidated during the year	(6)	—	—	(1)	—	—
At the end of the year	**101**	**1**	**12**	**104**	**1**	**11**
[thereof domiciled and operating abroad]	[52]	[1]	[6]	[50]	[1]	[6]
[thereof domiciled in Austria and operating abroad]	[23]	[—]	[—]	[25]	[—]	[—]

Consolidated group

In **Upstream**, OMV Abu Dhabi Offshore GmbH, based in Vienna, was included starting from May 1, 2016 and OMV Middle East & Africa GmbH, based in Vienna, was included starting from December 31, 2016.

OMV Petrom Ukraine Finance Services GmbH and OMV Petrom Ukraine E&P GmbH, both based in Vienna, were liquidated and deconsolidated as of May 1, 2016 and June 1, 2016, respectively.

OMV Tellal Hydrocarbons GmbH, OMV (FAROE ISLANDS) Exploration GmbH, OMV Oystercatcher Exploration GmbH and OMV (TUNESIEN) Sidi Mansour GmbH, all based in Vienna, were deconsolidated as of December 31, 2016.

On November 9, 2016, OMV has agreed to sell 100% of the shares in its wholly owned subsidiary OMV (U.K.) Limited to Siccar Point Energy Limited, based in Aberdeen, United Kingdom. The transaction was subject to conditions, including regulatory approval and was closed on January 13, 2017.

In **Downstream**, FE-Trading GmbH, based in Anif (Austria), and FE-Trading trgovina d.o.o., based in Ljubljana (Slovenia), were acquired and included in the consolidation scope starting from April 30, 2016.

PEGAS CEGH Gas Exchange Services GmbH, based in Vienna, has been consolidated at equity starting from September 1, 2016. The company was set up together with Powernext S.A. and Central European Gas Hub AG holds a 49% share. Since OMV has significant influence over the company within the meaning of IAS 28, the company is classified as an associated company and hence consolidated at equity.

OMV Gas Marketing Trading & Finance B.V., based in Amsterdam, was included starting from December 9, 2016.

Adria-Wien Pipeline GmbH and VIVA International Marketing- und Handels-GmbH were merged to OMV Refining and Marketing GmbH as of January 1, 2016, and August 31, 2016, respectively.

All entities included for the first time in 2016 and 2015 were newly formed or existing, wholly owned subsidiaries, except if specifically described otherwise above.

Business combinations

On October 12, 2015, OMV signed a contract to acquire 100% of the shares in FE-Trading GmbH, based in Anif (Austria) and FE-Trading trgovina d.o.o., based in Ljubljana (Slovenia). The companies ("FE Trading") operate a chain of unmanned filling stations in Austria and Slovenia. The transaction was closed on April 30, 2016. FE Trading has been acquired to further extend the unmanned filling station network of OMV.

The following tables show the acquired net assets as well as the calculation of the goodwill related to the transaction:

Fair values acquired

EUR mn

	April 30, 2016
Intangible assets	16
Property, plant and equipment	19
Inventories	2
Trade receivables	2
Cash and cash equivalents	3
Total assets	**44**
Provisions for decommissioning and restoration obligations	(3)
Deferred taxes	(2)
Trade payables	(25)
Income tax liabilities	(1)
Other financial liabilities	(6)
Total liabilities	**(37)**
Net assets acquired	**6**

Measurement of goodwill

EUR mn

	April 30, 2016
Consideration given (cash)	26
Net assets acquired	(6)
Goodwill	**20**

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

The goodwill substantially relates to the integration effect of FE-Trading into the Austrian refinery business as a marketing outlet. The goodwill is not expected to be tax deductible for income tax purposes.

In 2016, FE-Trading GmbH and FE-Trading trgovina d.o.o. contributed EUR 61.5 mn to consolidated sales and EUR 1.0 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 86.9 mn and EUR 0.9 mn, respectively.

On November 15, 2016, OMV increased its stake in four Exploration and Production Sharing Agreements (EPSAs) in the Sirte Basin in Libya. OMV acquired 75% of the Second Party interests and now holds 100% of the Second Party interests in blocks C103, NC29/74, C102 and Nafoora Augila. As a result of the transaction, OMV acquired joint control of the operations.

Changes in ownership of subsidiaries without change of control

In 2016, the Group increased its interest in OMV Gas Marketing & Trading GmbH (former EconGas GmbH) and its wholly owned subsidiaries in Germany, Italy, Hungary and Croatia to 100% (2015: 64.25%) by acquiring the remaining non-controlling interest for a consideration of EUR 3.

OMV also completed the sale of a 49% minority stake in GAS CONNECT AUSTRIA GmbH to a consortium composed of Allianz and Snam S.p.A. The assessment of all relevant facts and circumstances as stated by IFRS 10 led to the conclusion that OMV continues to have control over the investee as it has the ability to direct the relevant activities of GAS CONNECT AUSTRIA GmbH through its decisions and is exposed to variable returns which it can influence. As a consequence, the full consolidation of GAS CONNECT AUSTRIA GmbH was maintained. More details on the impact of the transaction in OMV cash flow can be found in Note 26.

In 2015, the Group increased its interest in OMV Petrol Ofisi A.Ş. to 100% (2014: 98.79%) by acquiring the remaining non-controlling interest.

The following table summarizes the effects described above:

Changes in ownership of subsidiaries – without change of control

EUR mn

	2016	Thereof GAS CONNECT AUSTRIA GmbH	Thereof OMV Gas Marketing & Trading GmbH	2015 [1]
Cash consideration received from/(paid to) non-controlling shareholders	454	454	0	(12)
less transaction costs	(4)	(4)	—	—
Carrying value of related NCI	245	137	108	4
Difference recognized in retained earnings	206	313	(108)	(7)

[1] Entirely related to OMV Petrol Ofisi non-controlling interest acquisition as described above

Changes in ownership of subsidiaries with gain/loss of control

In 2016 and in 2015, the Group did not engage in any transaction leading to gain/loss of control of subsidiaries.

Joint arrangements

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 2016	% ownership 2015
Nafoora – Augila [1]	Onshore development of hydrocarbon reservoirs	Upstream	Libya	100	25
Concession 103 [1]	Onshore development and production of hydrocarbons	Upstream	Libya	100	25
Pohokura	Offshore production of hydrocarbons	Upstream	New Zealand	26	26
Latif	Onshore development and production of hydrocarbons	Upstream	Pakistan	33	33
Mehar [2]	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 [3]	Offshore exploration for hydrocarbons	Upstream	United Kingdom	48	48
Schiehallion [3]	Offshore development of hydrocarbon reservoirs	Upstream	United Kingdom	12	12
Block S(2)	Onshore development and production of hydrocarbons	Upstream	Yemen	44	44
Marmara [4]	Product terminal	Down-stream	Turkey	45	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] OMV has no control over the Mehar joint operation as the minimum percentage for relevant decision taking is 76%
[3] Part of OMV (U.K.) Limited divestment
[4] 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 2016	% ownership 2015
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
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
Rosebank [3]	Offshore exploration for and development of hydrocarbon reservoirs	Upstream	United Kingdom	20	50

[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; joint operation in 2015, joint control lost in 2016 following the divestment of a 30% stake

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

Interests in unconsolidated structured entities

OMV is selling trade receivables in a securitization program to Carnuntum Ltd., based in Dublin, Ireland. In 2016, OMV transferred trade receivables amounting in total to EUR 3,658 mn to Carnuntum Ltd (2015: EUR 4,485 mn).

As at December 31, 2016, OMV held seller participation notes in Carnuntum Ltd. amounting to EUR 110 mn (2015: EUR 97 mn) shown in other financial assets. There were no complementary notes held at the end of 2016 and 2015. As of December 31, 2016, the maximum exposure to loss from the securitization transaction was EUR 123 mn (2015: EUR 104 mn).

The fair value of the seller participation notes and complementary notes corresponds to their book value. The seller participation notes are senior to a loss reserve and a third party investor participation. The complementary notes are of the same seniority as the senior notes issued by the program. 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 23 mn in 2016 (2015: EUR 28 mn). Interest income on the notes held in Carnuntum Ltd. amounted to EUR 3 mn in 2016 (2015: EUR 4 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 Ltd. 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, 2016:

- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41 Agriculture – Bearer Plants
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investments Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

They did not have a material impact on the consolidated financial statements of the Group.

2) New or revised standards and interpretations not yet mandatory

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

- 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. 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.

  The Group is currently assessing the impact of adopting IFRS 9 on the Group's financial statements. IFRS 9 is not expected to significantly change the recognition and measurement of OMV's financial assets and liabilities. The new impairment requirements will, however, generally result in earlier recognition of credit losses and the Group will perform a detailed assessment in 2017 to determine the extent. Based on the preliminary assessment, the types of hedge accounting relationships that the Group currently designates should be capable of meeting the requirements of IFRS 9, provided that certain changes to the internal documentation and monitoring processes are made. It is, however, not planned to apply hedge accounting for any additional hedging strategies at the time of first application. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permissible. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. The Group plans to adopt the new standard on the required effective date.

- 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. The standard is effective for annual periods beginning on or after January 1, 2018.

The Group performed a review of its existing sales contracts in 2016. Key considerations for oil and gas entities are, for example, the accounting for production imbalances in the Upstream business, performance obligations in long-term supply agreements as well as principal versus agent considerations.

As the Group applies the sales method which is generally considered to be in line with IFRS 15, no impact from IFRS 15 is expected on the accounting for production imbalances. 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. IFRS 15 is expected to lead to a change in the allocation of the transaction price to the performance obligations in long-term gas sales contracts with stepped prices. Furthermore, OMV has identified additional transactions, mainly in the Downstream business, in which it 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.

The Group will need to perform further assessments in the future to determine the impact of IFRS 15 to its financial statements. In this assessment the clarifications issued by the IASB in April 2016 are considered and any further developments are monitored. Based on the preliminary assessment IFRS 15 is not expected to have a significant impact on the Group's financial statements. The Group plans to adopt the new standard on January 1, 2018, using the cumulative effect method.

- 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 initial assessment of the potential impact of IFRS 16 on its consolidated financial statements. 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 may 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 and did not decide yet which transitional provision to adopt.

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

Amendments to standards and interpretations	IASB effective date
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 7 Disclosure Initiative	January 1, 2017
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
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 IFRSs 2014–2016 Cycle	January 1, 2018/ January 1, 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
Amendments to IAS 40 Transfers of Investment Property	January 1, 2018

3) 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. 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 is 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 forms part of cost of sales.

d) Research and development expenses
Research and development (R&D) 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. Expenditure related to research activities is shown as R&D expenses in the period in which it is incurred. 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 4.3g) 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 filling stations are disclosed as part of selling expenses, those for exploration assets as exploration expenses, and those for other assets are reported as cost of sales or as other operating expenses.

Useful life		Years
Intangible assets		
Goodwill		Indefinite
Software		3–5
Concessions, licenses, etc.		5–20 or contract duration
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
	Wind power station	10–20
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		5–10

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 mainly 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 combinations accounting.

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, 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 interest rates, 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.

In the case of fair value hedges, changes in the fair value resulting from the risk being hedged for both the underlying and the hedging instrument are recognized as income or expense.

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 4.3r) – 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 and Turkey. 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. A similar method, however on the basis of product groups, is applied in Turkey. 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 4.3e) 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, Matching Share Plan (MSP) and Strategic Incentive Plan (SIP)
Starting with 2009, LTI plans were introduced for the Executive Board, selected senior executives and selected employees with outstanding development potential. In 2013, a MSP 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. In 2014, the SIP was granted to Executive Board members, selected executive managers and selected Upstream experts in the Group. It is based on virtual share grants that are paid out in cash equivalent, subject to achievement of defined performance measures, at the end of the plan period.

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

	2016		2015	
	Statement of financial position date	Average	Statement of financial position date	Average
Australian dollar (AUD)	1.460	1.488	1.490	1.478
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Romanian leu (RON)	4.539	4.490	4.524	4.445
New Zealand dollar (NZD)	1.516	1.589	1.592	1.593
Norwegian krone (NOK)	9.086	9.291	9.603	8.950
Czech crown (CZK)	27.021	27.034	27.023	27.279
Turkish lira (TRY)	3.707	3.343	3.177	3.026
Hungarian forint (HUF)	309.830	311.438	315.980	309.996
US dollar (USD)	1.054	1.107	1.089	1.110

Notes to the Income Statement

6 Personnel expenses

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

Personnel expenses

EUR mn

	2016	2015
Wages, salaries and other employee benefits	1,085	1,185
Costs of defined benefit plans	8	11
Costs of defined contribution plans	28	27
Net expenses for personnel reduction schemes	48	38
Total	**1,169**	**1,260**

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 48 mn (2015: EUR 43 mn).

7 Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses of intangible assets and property, plant and equipment, consisted of:

Depreciation, amortization and impairment losses

EUR mn

	2016	2015
Depreciation and amortization	2,057	2,147
Impairment losses	1,836	3,010
Total	**3,894**	**5,157**

Impairment losses include EUR 1,155 mn related to non-current assets which were reclassified to assets held for sale. More details are provided in Note 20.

Impairment testing in Upstream

The divestment of a 30% stake in Rosebank (more details in Note 20) triggered a reassessment of the retained 20% interest, which led to a pre-tax impairment of EUR 217 mn in 2016, impacting exploration expenses. The basis of the valuation was the fair value less costs of disposal derived from the expected sales price of the 30% stake in Rosebank (Level 3 valuation).

Due to a downward revision of the reserves, a pre-tax impairment loss of EUR 55 mn was incurred on gas fields in Pakistan, which was recognized in cost of sales. The recoverable amount was based on the value in use and amounted to EUR 46 mn. The pre-tax discount rate used was 11.7%.

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).

In 2015, significant impairments have been recognized in the Upstream segment due to a significant drop in the oil and gas prices and the change in OMV's long-term price assumptions, as well as to severe production interruptions in the short and medium term in Libya and Yemen. These impairment losses amounted in total to EUR 2,449 mn, covering exploration assets (EUR 281 mn), assets under production and development (EUR 2,101 mn) and goodwill (EUR 67 mn). The goodwill impairment was related to the goodwill allocated to the former Middle East and Caspian Region, which was fully written off (see Note 13).

The table below summarizes the material impairments, the recoverable amounts of impaired assets and the discount rates used in 2015:

Material Upstream impairments in 2015 [1]

EUR mn

Impairments per country	Impairment	Recoverable amount of impaired assets	After-tax discount rate
Romania	554	820	7.8%
Tunisia	504	129	9.5%
Yemen	402	121	10.8%
New Zealand	255	135	7.7%
Norway	205	1,751	7.0%
Pakistan	143	93	10.5%
Libya	143	331	10.8%
United Kingdom	65	461	8.4%
Kazakhstan	55	109	8.9%

[1] Other impairments not shown above were related to goodwill and to assets in Australia, Austria and Bulgaria

The pre-tax discount rates used ranged from 7% to 48%. The pre-tax discount rates, which were derived by way of iteration, were impacted by high taxation on upstream activities in some countries as well as tax effects such as permanent differences. In addition, there were in 2015 impairments related to unsuccessful exploration wells mainly in Romania (EUR 92 mn), Norway (EUR 29 mn), Tunisia (EUR 15 mn) and Pakistan (EUR 13 mn) and impairments due to unsuccessful workovers and obsolete or replaced assets in Romania (EUR 93 mn).

Impairment testing in Downstream

A decrease in the expected long-term spark spreads in Turkey led to an impairment amounting to EUR 101 mn recognized in cost of sales in 2016. The recoverable amount was computed based on the future use of the power plant over its useful life. The cash flows were based on the mid-term planning assumptions of the Group and on macroeconomic assumptions for the period beyond the mid-term plan time frame. The key valuation assumptions for the recoverable amount are the spark spreads, being the differences between the electricity prices and the gas prices, and the power quantities produced. The recoverable amount was computed based on a pre-tax discount rate of 7.0% (2015: 7.1%) and amounted to EUR 171 mn (2015: EUR 337 mn). A 1 percentage point increase in the discount rate used would lead to an additional impairment of EUR 19 mn. Furthermore, a decrease of EUR 1/MWh of the spark spreads would lead to an additional impairment of EUR 73 mn. The asset was also tested for impairment in 2015, which led to an impairment of EUR 194 mn.

The economic surroundings for the gas storage business have further worsened in 2016 with a significant decrease in the summer/winter spreads, which led to a EUR 73 mn impairment of Etzel gas storage in Germany recognized in cost of sales. The recoverable amount, which was determined on the basis of the value in use, was EUR 74 mn (2015: EUR 143 mn). The pre-tax discount rate used was 3.9 % (2015: 4.5%). The profitability of the Etzel storage facility is mainly dependent on the summer/winter spread of gas prices. The short-term assumptions are based on market data, while the long-term assumptions are based on management expectations and are in line with external studies. A reduction of the summer/winter spread assumption would not lead to an additional impairment loss but to the recognition of a provision for onerous contracts to the extent that the operating costs in connection with the storage exceed the expected revenue. The asset was also tested for impairment in 2015, which led to an impairment of EUR 58 mn.

In addition to the impairments described above, impairment losses have been recognized on reclassification of assets and disposal groups to held for sale both in Upstream and in Downstream (see Note 20).

In the consolidated income statement, the impairment losses are disclosed as follows:

Disclosure of impairment losses

	2016	2015
Cost of sales	349	2,546
Exploration expenses	658	456
Selling and administration expenses	1	3
Other operating expenses	828	5

8 Other operating income

Other operating income

EUR mn

	2016	2015
Other operating income	**644**	**392**
[thereof gains on the disposal and write-up of non-current assets not including financial assets]	[245]	[51]
[thereof exchange gains from operating activities]	[123]	[106]

In 2016, **other operating income** included mainly a write-up of EUR 113 mn related to the reclassification of an asset in the Middle East and Africa region to "held for sale" and a gain of EUR 87 mn in OMV Petrol Ofisi A.Ş. from the sale of Aliağa Terminal.

In 2015, other operating income included gains related to insurance reimbursements resulting from a damage claim in New Zealand in the amount of EUR 44 mn and the positive outcome of a litigation dispute during 2015 in OMV Petrom SA of EUR 25 mn.

9 Other operating expenses

Other operating expenses

EUR mn

	2016	2015
Other operating expenses	**1,264**	**413**
[thereof expenses on disposals of non-current assets not including financial assets]	[32]	[38]
[thereof exchange losses from operating activities]	[133]	[136]
[thereof personnel reduction schemes]	[48]	[34]

In 2016, **other operating expenses** included impairment losses of EUR 827 mn following the reclassification of OMV (U.K.) Limited and OMV Petrol Ofisi disposal groups to held for sale. For further details see Note 20. They also included a valuation allowance for other financial assets considering the uncertainty regarding the expenditure recoverable from Romanian state.

In 2015, other operating expenses included bad debt provisions of EUR 20 mn for receivables from two Romanian customers within the Downstream Gas business.

10 Net financial result

Income from equity-accounted investments included income of EUR 425 mn (2015: EUR 369 mn) and expenses of EUR 1 mn (2015: EUR 24 mn).

Interest income

EUR mn

	2016	2015
Interest income from available-for-sale financial instruments	0	1
Interest income from loans, receivables and cash deposits	27	37
Interest income on discounted receivables	9	10
Other interest income	29	41
Interest income	**66**	**89**

In 2016, there was no income from already impaired receivables (2015: EUR 0.3 mn).

Interest income on discounted receivables is mainly related to the unwinding of receivables from the Romanian State related to decommissioning and environmental provisions. **Other interest income** is mainly related to the positive outcome of a litigation dispute in OMV Petrom SA in both 2016 and 2015.

Interest expenses

EUR mn

	2016	2015
Interest expenses on financial liabilities measured at amortized cost	119	143
Interest expenses component of provisions	134	152
Interest expenses non-financial liabilities	7	8
Interest expenses	**261**	**304**

The **interest expenses component of provisions** contained accrued interest on pension provisions and severance of EUR 20 mn (2015: EUR 22 mn) and interest accrued on provisions for jubilee payments, personnel reduction plans and other employee benefits of EUR 3 mn (2015: EUR 4 mn). The interest expenses on pension provisions were netted against interest income on pension plan assets amounting to EUR 11 mn (2015: EUR 11 mn).

The position also contained the interest component on the provision for decommissioning and restoration obligations in an amount of EUR 78 mn (2015: EUR 85 mn).

Other financial income and expense

EUR mn

	2016	2015
Net foreign exchange gain/(loss)	3	(27)
Financing charges for factoring and securitization	(26)	(32)
Other	(22)	(12)
Other financial income and expense	**(44)**	**(70)**

The position **Other** was mainly related to bank charges amounting to EUR 17 mn (2015: EUR 22 mn) and impairments of financial assets of EUR 5 mn (2015: EUR 1 mn), whereas 2015 was positively impacted by a gain on disposal of financial assets of EUR 11 mn.

In 2016, interest on borrowings amounting to EUR 40 mn (2015: EUR 25 mn) was capitalized, using an average interest rate of 2.6% applied to the carrying value of qualifying assets and was mainly related to the development of oil and gas assets in Norway and the United Kingdom.

11 Taxes on income

In 2016, total tax income recognized in the income statement amounted to EUR 47 mn (2015: EUR 654 mn), thereof EUR 130 mn current tax expenses (2015: EUR 133 mn) and EUR 178 mn deferred tax income (2015: EUR 787 mn). Current tax expenses included tax expenses related to previous years of EUR 4 mn (2015: income of EUR 83 mn).

The reconciliation of deferred taxes was as follows:

Changes in deferred taxes

EUR mn

	2016	2015
Deferred taxes January 1	622	(113)
Deferred taxes December 31 [1]	837	622
Changes in deferred taxes	**215**	**735**
Deferred taxes accounted for in other comprehensive income	(19)	35
Changes in consolidated Group, exchange differences	(18)	17
Deferred taxes per income statement	**178**	**787**
The deferred taxes per income statement comprise the following elements:		
Change in tax rate	4	26
Release of and allocation to valuation allowance for deferred taxes	(17)	(753)
Adjustments within loss carryforwards (not recognized in prior years, expired loss carryforwards and other adjustments)	(33)	(56)
Reversal of temporary differences, including additions to and use of loss carryforwards	224	1,570

[1] Including deferred taxes reclassified to assets or liabilities associated with assets held for sale of EUR 120 mn (2015: EUR 1 mn)

Taxes on income accounted for in other comprehensive income totaled EUR (17) mn (2015: EUR 41 mn), thereof EUR (19) mn deferred taxes (2015: EUR 35 mn) and EUR 2 mn current taxes (2015: EUR 6 mn).

In 2016, tax loss carryforwards of EUR 179 mn (2015: EUR 169 mn) were used. The corresponding deferred tax impact amounted to EUR 22 mn (2015: EUR 44 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). In 2015, two additional foreign subsidiaries (OMV (U.K.) Limited and OMV Slovensko s.r.o.) have been members of the Austrian tax group.

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 2016 as well as in the previous year, a **valuation allowance for deferred tax assets for the Austrian tax group** was 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 as deferred tax expense 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 from ordinary activities – to the extent that the income tax is attributable to profit from ordinary activities. 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

%

	2016	2015
Austrian corporate income tax rate	**25.0**	**25.0**
Tax effect of:		
Differing foreign tax rates	107.0	26.7
Non-deductible expenses	(269.0)	(24.0)
Non-taxable income	160.6	14.5
Change in tax rate	1.7	1.4
Permanent effects within tax loss carryforwards	(1.0)	(0.4)
Tax write-downs and write-ups on investments at parent company level	110.6	25.9
Change in valuation allowance for deferred taxes	(7.4)	(39.4)
Taxes related to previous years	(71.5)	3.7
Other	(35.4)	0.9
Effective Group income tax rate	**20.6**	**34.3**

The Group's effective tax rates in 2016 and 2015 were impacted by impairments.

Non-deductible expenses in 2016 mainly contained permanent effects attributable to impairments, in particular related to assets in the United Kingdom, and permanent effects in depreciation, depletion and amortization from acquisitions. Non-deductible expenses in 2015 mainly comprised permanent effects related to impairments of assets in the Upstream business.

Non-taxable income in 2016 and 2015 was predominantly attributable to tax incentives in Norway and the United Kingdom as well as to the result contribution from equity-accounted investments.

In 2016, the position **tax write-downs and write-ups on investments at parent company level** was predominantly impacted by tax deductible impairments of participations in Downstream companies. In 2015, the position primarily contained tax deductible impairments of participations in Upstream companies as well as in OMV Petrol Ofisi A.Ş., in OMV Petrol Ofisi Holding Anonim Şirketi and in OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş. According to Austrian Corporate Tax Law the tax relief 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 (see Note 3 for further details).

12 Earnings Per Share

Earnings Per Share (EPS)

	2016			2015		
	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	(403)	326,424,527	(1.24)	(1,100)	326,333,966	(3.37)
Diluted	(403)	327,066,226	(1.23)	(1,100)	326,637,889	(3.37)

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 641,699 (2015: 303,923) contingently issuable bonus shares related to the Long Term Incentive and Matching Share Plans.

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
		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)**
Changes in consolidated Group	—	—	—	**—**
Amortization	157	—	—	**157**
Impairments	4	322	—	**326**
Transfers	(1)	(2)	—	**(3)**
Assets held for sale	(493)	(488)	(291)	**(1,272)**
Disposals	(15)	(193)	—	**(208)**
Write-ups	0	0	—	**0**
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**
		2015		
Costs of acquisition and production				
January 1, 2015	**1,793**	**2,531**	**1,078**	**5,402**
Exchange differences	(121)	111	1	**(9)**
Changes in consolidated Group	—	—	—	**—**
Additions	211	422	—	**633**
Internally generated additions	—	3	—	**3**
Transfers	1	(54)	—	**(52)**
Assets held for sale	(10)	0	—	**(10)**
Disposals	(28)	(181)	(67)	**(276)**
December 31, 2015	**1,846**	**2,832**	**1,012**	**5,690**
Development of amortization				
January 1, 2015	**973**	**633**	**343**	**1,949**
Exchange differences	(47)	31	—	**(16)**
Changes in consolidated Group	—	—	—	**—**
Amortization	157	—	—	**157**
Impairments	53	456	67	**576**
Transfers	(13)	—	—	**(13)**
Assets held for sale	(7)	—	—	**(7)**
Disposals	(7)	(157)	(67)	**(230)**
Write-ups	0	(2)	—	**(2)**
December 31, 2015	**1,110**	**962**	**343**	**2,415**
Carrying amount January 1, 2015	820	1,898	735	3,453
Carrying amount December 31, 2015	**736**	**1,870**	**669**	**3,275**

As at the statement of financial position date, there were contractual obligations for the acquisition of intangible assets amounting to EUR 661 mn (2015: EUR 859 mn) out of which EUR 268 mn are related to OMV (U.K.) Limited and OMV Petrol Ofisi disposal groups.

Intangible assets with a total carrying amount of EUR 1,535 mn (2015: EUR 3 mn) were transferred to assets held for sale. For details please see Note 20, Assets and liabilities held for sale.

At the statement of financial position date there are no intangible assets whose title is restricted or which are pledged as security for liabilities.

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

EUR mn

	2016	2015
Exploration write-off (impairments)	658	456
Other exploration costs	150	251
Exploration expenses	**808**	**707**
Total assets – exploration and appraisal expenditure incl. acquisition of unproved reserves	1,095	1,870
Net cash used in operating activities	129	187
Net cash used in investing activities	145	427

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

Goodwill allocation to CGUs

EUR mn

	2016	2015
Northwest Europe, Africa and Australasia [1]	—	365
Middle East and Africa	377	—
Goodwill allocated to Upstream	**377**	**365**
Downstream Gas Austria	38	38
Refining West	51	60
Downstream Oil Turkey	—	199
Retail Slovakia	7	7
Refining Austria [2]	20	—
Goodwill allocated to Downstream	**115**	**304**
Total	**492**	**669**

[1] Former region before the changes in Upstream organizational structure implemented in 2016
[2] Related to the acquisition of FE-Trading as described in Note 3

The goodwill which resulted from the acquisition of Pioneer's subsidiaries in Tunisia in 2011 and was originally allocated to the Northwest Europe, Africa and Australasia region, was reallocated to the Middle East and Africa region due to an internal reorganization within the Upstream Business Segment. The goodwill was tested for impairment based on the value in use using an after-tax discount rate of 9.43% (2015: 7.5%). An increase of 1% point in the discount rate would not lead to an impairment.

The goodwill allocated to OMV Petrol Ofisi A.Ş. (Downstream Oil Turkey) was reclassified to "held for sale" as of December 31, 2016, and following this reclassification an impairment in the amount of EUR 183 mn was recognized (see Note 20).

In 2015, the goodwill allocated to the Middle East and Caspian Region, which originated from the acquisition of OMV Petrol Ofisi A.Ş. in 2010, was fully written off leading to an impairment loss of EUR 67 mn. The after-tax discount rate used in the impairment test was 10.4%.

In case there are changes in the organizational structure that affect regions or groups of CGUs to which goodwill has been allocated, the goodwill is generally reallocated using the relative value approach, unless individual facts and circumstances indicate that another allocation method better reflects the goodwill associated with the reorganized units.

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, 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**
Changes in consolidated Group	0	0	0	0	—	**—**
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

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, 2015	**2,999**	**19,473**	**8,358**	**2,147**	**558**	**33,534**
Exchange differences	(38)	318	(63)	(41)	2	**179**
Changes in consolidated Group	0	0	0	0	0	**0**
Additions	23	2,107	139	86	200	**2,555**
Transfers	17	18	294	76	(352)	**52**
Assets held for sale	(61)	(152)	(71)	(8)	—	**(293)**
Disposals	(47)	(257)	(49)	(63)	(31)	**(447)**
December 31, 2015	**2,892**	**21,507**	**8,607**	**2,198**	**376**	**35,580**
Development of depreciation						
January 1, 2015	**1,361**	**7,681**	**4,552**	**1,402**	**51**	**15,047**
Exchange differences	(3)	225	(15)	(15)	0	**192**
Changes in consolidated Group	—	0	0	0	0	**0**
Depreciation	92	1,404	363	131	—	**1,990**
Impairments	30	2,154	218	7	25	**2,434**
Transfers	(4)	1	13	3	0	**13**
Assets held for sale	(48)	(152)	(55)	(7)	—	**(263)**
Disposals	(7)	(119)	(61)	(53)	(28)	**(268)**
Write-ups	(1)	(1)	0	0	(2)	**(4)**
December 31, 2015	**1,420**	**11,193**	**5,014**	**1,468**	**46**	**19,140**
Carrying amount January 1, 2015	1,638	11,792	3,806	745	507	**18,488**
Carrying amount December 31, 2015	**1,473**	**10,314**	**3,593**	**730**	**330**	**16,440**

Land, land rights and buildings, including buildings on third-party property include land in the amount of EUR 460 mn (2015: EUR 641 mn).

Property, plant and equipment with a total carrying amount of EUR 1,566 mn (2015: EUR 33 mn) was transferred to **assets held for sale**. Assets with a total carrying amount of EUR 1 mn (2015: EUR 3 mn) were reinstated in property, plant and equipment. For details please see Note 20, Assets and liabilities held for sale.

For details on impairments see Note 7, Depreciation, amortization and impairment losses.

At December 31, 2016, there were contractual obligations for the acquisition of property, plant and equipment amounting to EUR 880 mn (2015: EUR 1,049 mn) out of which EUR 16 mn are related to OMV (U.K.) Limited disposal group.

At the statement of financial position date there was no property, plant and equipment whose title was restricted or which was pledged as security for liabilities.

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 as well as power generators in Upstream Romania. 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

	2016			2015		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land, land rights and buildings, including buildings on third-party property	41	23	18	39	21	18
Oil and gas assets	14	5	9	12	5	7
Plant and machinery	270	227	42	276	157	119
Other fixtures, fittings and equipment	1	0	1	4	3	1
Total	**326**	**256**	**70**	**331**	**185**	**146**

In 2016, contingent lease payments under finance lease agreements amounted to EUR 7 mn (2015: EUR 6 mn).

Commitments under existing finance leases as of December 31

EUR mn

	2016			2015		
	≤1 year	1–5 years	>5 years	≤1 year	1–5 years	>5 years
Total future minimum lease commitments	33	98	428	31	109	449
[thereof interest component]	[17]	[63]	[201]	[20]	[67]	[213]
Present value of minimum lease payments	**15**	**36**	**227**	**12**	**42**	**236**

Operating leases

OMV also makes use of operating leases, mainly for land in Upstream Segment, filling station sites, office buildings and vehicle fleets. In 2016, these expenses amounted to EUR 149 mn (2015: EUR 129 mn). There are options to renew the leases for some of the leased filling station sites.

Future minimum lease payments under non-cancellable operating leases

EUR mn

	2016	2015
Payable within 1 year	95	82
Payable between 1 and 5 years	212	194
Payable after more than 5 years	178	205
Total future minimum lease commitments	**485**	**482**

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% 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% 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% (2015: 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% (2015: 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

	2016		2015	
	Borealis	Pearl	Borealis	Pearl
Revenue	7,218	201	7,700	322
Profit from continuing operations	1,109	135	988	(233)
Other comprehensive income	115	—	298	—
Total comprehensive income	1,224	135	1,286	(233)
Group's share	441	14	463	(23)
Dividends received	153	—	36	—

Statement of financial position

EUR mn

	2016		2015	
	Borealis	Pearl	Borealis	Pearl
Current assets	2,828	2,225	2,524	1,950
Non-current assets	7,103	624	6,737	630
Current liabilities	1,669	115	1,486	80
Non-current liabilities	1,767	1	2,078	211
Equity	6,496	2,732	5,697	2,289
Group's share	2,338	273	2,051	229
Goodwill	30	—	30	—
Other adjustments	(8)	61	(5)	81
Group's carrying amount of investment	2,360	334	2,076	310

Carrying amount reconciliation

EUR mn

	2016		2015	
	Borealis	Pearl	Borealis	Pearl
January 1	**2,076**	**310**	**1,649**	**299**
Exchange differences	—	11	—	34
Net income	399	14	356	(23)
Other comprehensive income	41	—	107	—
Dividends and elimination of intercompany profits	(156)	—	(37)	—
December 31	**2,360**	**334**	**2,076**	**310**

Contingent liabilities

On December 30, 2015, **Borealis Polymers Oy (BPOY)**, a Finnish subsidiary of Borealis AG (BAG), received a reassessment decision by the Finnish Tax Authority (FTA) regarding the year 2009. Based on this reassessment decision the taxable income of BPOY has been increased by an amount of EUR 364 mn, leading to an additional requested payment of EUR 153 mn (EUR 95 mn as additional income tax, EUR 58 mn for penalties and interests).

The reassessment decision relates to a license arrangement and other agreements entered into between BPOY and BAG in connection with the conclusion of a toll manufacturing agreement, whereby BPOY's contractual status was amended from that of a full-risk manufacturer to one of a toll manufacturer. The purpose of the toll manufacturing agreement was to align the contractual allocation of risks and responsibilities between BPOY and BAG with the commercial reality of a centralized group management structure of the Borealis group that had gradually evolved over the years. The FTA claims that the license agreement concluded between BPOY and BAG on December 19, 2008 together with the other connected agreements should be considered a sales agreement constituting a transfer of intangibles (including goodwill).

Borealis appealed the reassessment decision to the FTA's Board of Adjustment on February 29, 2016. The decision of the Board of Adjustment is expected for the first half of calendar year 2017. The management of Borealis believes that the FTA's decision is unjustified and is confident that the decision of the FTA will be reversed in one of the next phases of the proceeding.

On December 29, 2014, the management of **Borealis Technology Oy (TOY)**, a Finnish subsidiary of Borealis, which owns intellectual property (IP) for both polyolefin and catalyst technologies, has received a re-assessment decision by the Finnish Tax Authority (FTA) regarding polyolefin IP. Based on this re-assessment the taxable income of TOY in the year 2008 has been increased by an amount of EUR 700 mn. This led to a requested additional total payment of EUR 282 mn, comprising taxes, late payment interest and penalties.

On June 9, 2015, TOY received from the FTA a second re-assessment decision requesting TOY to pay an additional amount of EUR 125 mn in taxes, penalties and interest regarding catalyst IP. The claimed amount is based on an additional taxable income in the year 2010 of EUR 340 mn.

Borealis believes both decisions are unfounded and has filed claims at the FTA's Board of Adjustment both for the re-assessment decision concerning the year 2008 (on February 27, 2015) and for the decision concerning the year 2010 (on November 13, 2015).

On January 5, 2017, the management of TOY received two decisions from the FTA's Board of Adjustment. The Board of Adjustment has confirmed the opinion of the FTA that the license arrangements, entered into between TOY and Borealis AG in 2008 and 2010 should be considered as sales of businesses.

The FTA's Board of Adjustment did however change the amount of taxable income of TOY downward from EUR 700 mn to EUR 541 mn for the year 2008 and from EUR 340 mn to EUR 260 mn for the year 2010 without providing any detail of the rationale for these downward adjustments.

Also the penalties were reduced from 5% of the tax base increase in the re-assessment decision to 3% of the tax base increase in the decisions of the FTA's Board of Adjustment.

This leads to a requested additional total payment of EUR 297 mn compared to an additional payment of EUR 406 mn earlier claimed by the FTA. This amount includes taxes, late payment interest and penalties.

Borealis believes that these decisions fail to properly apply Finnish and International tax law and do not adequately consider the relevant facts of the case. On March 6, 2017, Borealis appealed this decision to the Helsinki Administrative Court. A suspension of payment has been obtained until the final decision.

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

	2016		2015	
	Associates	Joint ventures	Associates	Joint ventures
Revenue	361	33	446	33
Profit from continuing operations	7	6	7	6
Total comprehensive income	10	6	2	6

Carrying amount reconciliation for individually immaterial associates and joint ventures

EUR mn

	2016		2015	
	Associates	Joint ventures	Associates	Joint ventures
January 1	**123**	**53**	**126**	**57**
Exchange differences	(4)	—	(4)	—
Changes in consolidated Group	4	0	—	0
Net income	6	5	7	6
Other comprehensive income	3	0	(4)	0
Disposals and other changes	(1)	—	(2)	—
Dividends and elimination of intercompany profits	(15)	(9)	0	(9)
December 31	**116**	**49**	**123**	**53**

There are no other unrecognized commitments for the individually immaterial associates and joint ventures.

16 Inventories

Inventories at December 31 were as follows:

Inventories

EUR mn

	2016	2015
Crude oil	648	523
Natural gas	149	205
Other raw materials	203	231
Work in progress: Petroleum products	86	114
Other work in progress	2	2
Finished petroleum products	536	768
Other finished products	39	31
Total	**1,663**	**1,873**

The write-down of inventories recognized as an expense during the period amounted to EUR 35 mn (2015: EUR 104 mn) and was related to write-down of inventories to net realizable value and to inventory losses.

Cost of materials and goods purchased for processing and resale recognized as an expense during 2016 amounted to EUR 10,742 mn (2015: EUR 13,646 mn).

17 Trade receivables

Trade receivables (carrying amounts)

EUR mn

	2016	2015
Receivables from equity-accounted companies	39	26
Receivables from other companies	2,420	2,542
Total	**2,459**	**2,567**

The carrying amounts of trade receivables approximate their fair values.

Valuation allowances for trade receivables

EUR mn

	2016	2015
January 1	**114**	**95**
Additions/(releases)	(4)	27
Disposals	(8)	(6)
Foreign exchange rate differences and changes in consolidated Group	(3)	(2)
December 31	**98**	**114**

Carrying amount of impaired trade receivables

EUR mn

	2016	2015
Before impairments	131	140
Net of impairments	33	26

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

Carrying amounts of trade receivables past due but not impaired

EUR mn

	2016	2015
Up to 60 days overdue	72	57
61 to 120 days overdue	3	1
More than 120 days overdue	4	6
Total	**79**	**64**

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]
			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	—	101	1,123	**1,224**	[425]	[800]
Total	**777**	**243**	**1,173**	**2,193**	**[1,245]**	**[947]**
			2015			
Investments in other companies	—	—	44	**44**	[—]	[44]
Investment funds [1]	—	7	—	**7**	[—]	[7]
Bonds	—	97	—	**97**	[62]	[35]
Derivatives designated and effective as hedging instruments	—	165	—	**165**	[164]	[1]
Other derivatives	1,626	—	—	**1,626**	[1,558]	[67]
Loans	—	—	25	**25**	[3]	[22]
Other receivables from equity-accounted investments	—	—	5	**5**	[5]	[—]
Other sundry receivables	—	—	1,122	**1,122**	[454]	[669]
Total	**1,626**	**269**	**1,196**	**3,091**	**[2,245]**	**[846]**

[1] Credit lines for “Abwasserverband Schwechat” are secured by pledged financial instruments (A&P investment fund) amounting to EUR 2 mn (2015: EUR 2 mn)

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

The carrying amount of other financial assets at fair value through profit or loss as at December 31, 2016, was EUR 777 mn (2015: EUR 1,626 mn). These consist exclusively of financial assets held for trading. The carrying amount of available-for-sale financial assets at December 31, 2016 was EUR 243 mn (2015: EUR 149 mn). The other sundry receivables contain a receivable resulting from the disposal of a 30% stake in Rosebank, which represents the fair value of the contingent consideration expected to be received and it is measured at fair value through other comprehensive income (Level 3). The amount of the contingent consideration and the related encashment timeline are dependent on the date when the Rosebank project co-venturers approve the final investment decision.

Loans include shareholder loans to equity-accounted investments, for which more details are provided in Note 37.

Other sundry receivables include a claim amounting to EUR 542 mn (2015: EUR 568 mn) against the Romanian State related to obligations for decommissioning and restoration costs in OMV Petrom SA. The receivables consist of EUR 72 mn (2015: EUR 53 mn) for costs relating to environmental cleanup and EUR 469 mn (2015: EUR 515 mn) for costs relating to decommissioning. 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 certain well decommissioning and environmental restoration obligations amounting to approximately EUR 34 mn. Starting with the serving of the notice of dispute, based on the Privatisation Agreement, OMV and the Romanian State had 180 days to amicably resolve this dispute. This deadline expired on October 19, 2016 and on March 7, 2017, OMV initiated arbitration proceedings against the Romanian State, in accordance with the ICC Rules (International Chamber of Commerce, Paris/France).

Amortized costs of securities

EUR mn

	2016	2015
Investments in other companies	39	44
Investment funds	6	6
Bonds	96	97

Valuation allowances for other financial receivables [1]

EUR mn

	2016	2015
January 1	196	179
Additions/(releases)	56	12
Disposals	0	(1)
Foreign exchange rate differences	0	5
December 31	**252**	**196**

[1] Related to other sundry receivables included in item other financial assets

Carrying amount of impaired other financial receivables

EUR mn

	2016	2015
Before impairments	292	210
Net of impairments	40	14

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

EUR mn

	2016	2015
Up to 60 days overdue	13	7
61 to 120 days overdue	11	6
More than 120 days overdue	0	17
Total	**24**	**29**

19 Other assets

Other assets

EUR mn

	2016		2015	
	Short-term	Long-term	Short-term	Long-term
Prepaid expenses	47	9	57	20
Advanced payments on fixed assets	27	0	78	0
Other payments on account	52	0	54	0
Receivables other taxes / social securities	45	57	87	52
Other non-financial assets	27	3	98	9
Other assets	**198**	**70**	**374**	**81**

20 Assets and liabilities held for sale

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 an Upstream asset in the Middle East and Africa region and marginal fields in Romania. The position also included a wind park in Downstream Gas, as well as filling stations in Czech Republic and other non-core assets within Downstream Oil.

As of December 31, 2016, the Management expects that these transactions will be closed within the following twelve months.

The 30% stake in the exploration and appraisal asset Rosebank (United Kingdom) was reclassified to "held for sale" as of June 30, 2016. Following the reclassification to "held for sale," a pre-tax impairment of EUR 326 mn has been recognized in exploration expenses in 2016. The basis for the impairment was the selling price agreed with the buyer considering a best estimate for the contingent consideration (Level 3 valuation). The sales transaction of the 30% stake in Rosebank was closed on October 6, 2016.

An ongoing divestment process led to the reclassification of an Upstream asset in the Middle East and Africa region to "held for sale" as of September 30, 2016, that triggered a pre-tax write-up of the asset in the amount of EUR 113 mn in 2016, impacting other operating income. The basis of the valuation was the fair value less costs of disposal derived from the expected sales price (Level 3 valuation).

The net assets of OMV (U.K.) Limited were reclassified to "held for sale" as of September 30, 2016. Following the reclassification to "held for sale," a pre-tax impairment of the disposal group amounting to EUR 493 mn has been recognized in other operating expenses in 2016. The basis for the impairment was the selling price agreed with the buyer considering a best estimate for the contingent consideration (Level 3 valuation).

The divestment process of OMV Petrol Ofisi that was started in 2016 led to the reclassification to "held for sale" of the net assets of OMV Petrol Ofisi A.Ş., OMV Petrol Ofisi Holding Anonim Şirketi, Petrol Ofisi Havacilik Operasyonlari A.Ş., Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi and Erk Petrol Yatırımları A.Ş. as of December 31, 2016. Following the reclassification to "held for sale," a pre-tax impairment of the disposal group amounting to EUR 334 mn, thereof goodwill in amount of EUR 183 mn, has been recognized in other operating expenses. The basis of the valuation was the fair value less costs of disposal derived from the agreed sales price (Level 2 valuation).

The major classes of assets and liabilities of OMV Petrol Ofisi and OMV (U.K.) Limited disposals groups at the end of the reporting period were as follows:

Major classes of assets and liabilities classified as held for sale

EUR mn

	OMV Petrol Ofisi	OMV (U.K.) Ltd.
Intangible assets	393	228
Property, plant and equipment	269	662
Other financial and non-financial assets	4	—
Deferred taxes	2	178
Non-current assets	**669**	**1,069**
Inventories	281	3
Trade receivables	809	1
Other financial and non-financial assets	66	4
Cash in hand and at bank	236	9
Current assets	**1,392**	**16**
Total assets	**2,060**	**1,085**
Decommissioning and restoration obligations	—	137
Other provisions	5	5
Other financial and non-financial liabilities	2	—
Deferred taxes	73	—
Non-current liabilities	**80**	**142**
Trade payables	466	4
Interest-bearing debt	8	0
Income tax liabilities	11	—
Other provisions	21	—
Other financial and non-financial liabilities	189	26
Current liabilities	**695**	**29**
Total liabilities	**775**	**171**

OMV equity of the parent 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.

In 2015, the main parts of assets held for sale and liabilities associated with assets held for sale consisted of cushion gas and a wind park in Downstream Gas as well as of the Upstream assets Howe and Bardolino in the United Kingdom. The position also included filling stations in Czech Republic and other non-core assets within Downstream Oil.

For the retail assets in Czech Republic, cushion gas in Austria and a wind park in Romania an impairment loss of EUR 34 mn was recognized prior to their reclassification to assets and liabilities held for sale in 2015. With regard to fair value hierarchy, the basis for the impairment recognized was the agreed selling price for the Czech filling stations (Level 2), quoted market prices for the cushion gas (Level 2) and market price indications received for the wind park (Level 2).

Assets and liabilities held for sale

EUR mn

	2016	2015
Non-current assets	1,785	58
Deferred taxes	193	1
Other current assets	1,181	35
Cash and cash equivalents	245	—
Assets held for sale	**3,405**	**94**
Provisions	331	30
Deferred taxes	73	—
Liabilities	703	2
Liabilities associated with assets held for sale	**1,107**	**32**

Assets held for sale amounted to EUR 1,301 mn (2015: EUR 10 mn) in the Upstream Business Segment and to EUR 2,104 mn (2015: EUR 84 mn) in the Downstream Business Segment.

Liabilities associated with assets held for sale in the Upstream Business Segment amounted to EUR 325 mn (2015: EUR 25 mn) and in the Downstream Business Segment to EUR 782 mn (2015: EUR 7 mn).

21 OMV equity of the parent

The **capital stock** of OMV Aktiengesellschaft consists of 327,272,727 (2015: 327,272,727) fully paid no par value shares with a total nominal value of EUR 327,272,727 (2015: 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 2016, 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 750,000,000 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 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 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 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 May 17, 2011, the Annual General Meeting authorized the Executive Board to repurchase treasury shares of up to 10% of the capital stock during a period of 30 months from the day of the resolution in question. Treasury shares could be repurchased via the stock exchange, by way of public tender or in any other legally permitted way and to any legally permitted purpose until November 16, 2013. The Executive Board had also been authorized to rescind treasury shares upon repurchase as well as treasury shares currently owned by the Company without any further resolution by the Annual General Meeting until the same date.

The Executive Board had also been authorized until May 16, 2016, upon approval by the Supervisory Board but without any further resolution by the Annual General Meeting, to sell or use treasury shares upon repurchase as well as treasury shares currently owned by the Company via the stock exchange, by way of public tender, or in any other way. In particular, treasury shares could be utilized (i) to satisfy stock option and long term incentive plans for employees, executive staff and members of the Executive Board or the management of the Company or affiliated subsidiaries as well as other employees' bonus schemes, (ii) for convertible bonds, if issued, (iii) as a compensation for the acquisition of enterprises, participations or other assets and (iv) to any other legally permitted purpose. The general shareholders' subscription rights could be excluded and this authorization could be exercised wholly or partly.

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 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 16, 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 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

	2016			2015		
	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	(113)	(2)	(115)	(109)	(6)	(115)
Gains/(losses) on available-for-sale financial assets	1	0	1	(1)	0	(1)
Gains/(losses) on hedges	(102)	17	(85)	119	(30)	88
Remeasurement gains/(losses) on defined benefit plans	(67)	2	(65)	19	(5)	14
Share of other comprehensive income of equity-accounted investments	45 [2]	n.a.	45	104 [2]	n.a.	104
Other comprehensive income for the year	**(237)**	**17**	**(220)**	**131**	**(41)**	**90**

[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 2016, the Executive Board of OMV Aktiengesellschaft proposed a dividend of EUR 1.20 per eligible share, which is subject to confirmation by the Annual General Meeting in 2017. The dividend for 2015 was paid in May 2016 and amounted to EUR 326 mn (EUR 1.00 per share). In 2015, the payment amounted to EUR 408 mn (EUR 1.25 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, 2015	**1,015,102**	**11.1**
Disposals	(102,278)	(1.1)
December 31, 2015	**912,824**	**10.0**
Disposals	(88,455)	(1.0)
December 31, 2016	**824,369**	**9.1**

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

Number of shares in issue

	Number of shares	Treasury shares	Shares in issue
January 1, 2015	**327,272,727**	**1,015,102**	**326,257,625**
Used for share-based compensations	—	(102,278)	102,278
December 31, 2015	**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**

22 Non-controlling interests

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

Subsidiaries with material NCI

EUR mn

		2016			2015		
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%**	**113**	**2,838**	**49%**	**(76)**	**2,736**
OMV PETROM SA	Romania	49%	64	2,786	49%	(71)	2,684
OMV PETROM MARKETING SRL	Romania	49%	44	205	49%	39	196
TASBULAT OIL CORPORATION LLP	Kazakhstan	49%	(1)	(87)	49%	(19)	(84)
KOM MUNAI LLP	Kazakhstan	52%	(13)	(145)	52%	(32)	(127)
Others	n.a.	—	19	79	—	6	67
OMV Gas Marketing & Trading (OGMT) group	**n.a.**	**—**	**(4)**	**—**	**36%**	**(124)**	**(140)**
OMV Gas Marketing & Trading GmbH [1]	Austria	—	(4)	—	36%	(125)	(141)
Others	n.a.	—	0	—	36%	0	1
Gas Connect group	**n.a.**	**49%**	**3**	**140**	**n.a**	**—**	**—**
GAS CONNECT AUSTRIA GmbH	Austria	49%	2	139	n.a	—	—
AGGM Austrian Gas Grid Management AG	Austria	74%	0	0	n.a	—	—
Subsidiaries with individually immaterial non-controlling interests	**n.a.**	**—**	**6**	**33**	**—**	**3**	**30**
OMV GROUP	**n.a.**	**n.a**	**118**	**3,011**	**n.a**	**(197)**	**2,626**

[1] Former EconGas 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) 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%.

In 2016, OMV has taken over the non-controlling interests in OMV Gas Marketing & Trading GmbH (formerly EconGas GmbH) in a transaction closed on May 20, 2016. The main activities of the **OMV Gas Marketing & Trading (OGMT) group** are supply and trading of gas in Central Europe (Austria, Germany, Italy, Hungary and Croatia).

On December 15, 2016, OMV has completed a transaction of selling a minority stake in **GAS CONNECT AUSTRIA GmbH** maintaining an interest of 51% and control over the subsidiary. 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

	2016			2015	
	OMV Petrom SA	OGMT [1]	GAS CONNECT AUSTRIA GmbH	OMV Petrom SA	OGMT [1]
Revenue	2,698	1,909	236	3,083	2,217
Net income for the year	219	(5)	100	(18)	(348)
Total comprehensive income	209	(5)	95	(30)	(348)
Attributable to NCI	103	(5)	2	(15)	(125)
Dividends paid to NCI	0	—	—	69	—

[1] Former EconGas GmbH

The amounts included in the table above are full year amounts, irrespective of the date of the change in non-controlling interest. The net income attributable to non-controlling interests is determined for the period when the NCI is effective.

Statement of financial position

EUR mn

	2016			2015	
	OMV Petrom SA	OGMT [1]	GAS CONNECT AUSTRIA GmbH	OMV Petrom SA	OGMT [1]
Current assets	1,210	1,979	55	951	1,346
Non-current assets	8,032	33	663	8,217	59
Current liabilities	845	1,443	75	960	1,398
Non-current liabilities	2,118	389	367	2,138	397

[1] Former EconGas GmbH

Statement of cash flows

EUR mn

	2016			2015	
	OMV Petrom SA	OGMT [1]	GAS CONNECT AUSTRIA GmbH	OMV Petrom SA	OGMT [1]
Operating cash flow	872	58	143	1,302	(79)
Investing cash flow	(558)	(459)	(36)	(996)	0
Financing cash flow	(50)	402	(107)	(371)	80
Net increase /(decrease) in cash and cash equivalents	264	0	0	(65)	0

[1] Former EconGas GmbH

There are no protective rights of non-controlling interests which significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

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, 2016	**1,045**	**3,442**	**953**	**5,440**
Exchange differences	0	48	4	**52**
Changes in consolidated Group	0	144	3	**147**
Used	(62)	(66)	(211)	**(339)**
Payments to funds	(15)	0	0	**(15)**
Allocations	119	124	244	**487**
Transfers	(24)	0	24	**0**
Liabilities associated with assets held for sale	(5)	(281)	(30)	**(315)**
December 31, 2016	1,057	3,412	988	5,457
[thereof short-term as of December 31, 2016]	[—]	[92]	[435]	**[527]**
[thereof short-term as of January 1, 2016]	[—]	[100]	[418]	**[517]**

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

	2016	2015	2014	2013	2012
Present value of funded obligations	764	728	745	668	639
Market value of plan assets	(453)	(460)	(471)	(461)	(460)
Provision for funded obligations	**311**	**268**	**274**	**207**	**179**
Present value of unfunded obligations	479	497	530	508	493
Provision for unfunded obligations	**479**	**497**	**530**	**508**	**493**
Present value of obligations of severance payments	**144**	**150**	**163**	**146**	**109**
Total	**935**	**915**	**967**	**861**	**780**

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

	2016	2015	2014	2013	2012
Provision for jubilee payments	**33**	**31**	**32**	**30**	**30**
Provision for personnel reduction schemes	**119**	**127**	**138**	**134**	**166**
[thereof short-term personnel reduction schemes]	[52]	[51]	[49]	[39]	[59]
Provision for other employee benefits	**22**	**23**	**28**	**36**	**60**
Total	**174**	**182**	**198**	**200**	**256**

Present value of obligations

EUR mn

	2016		2015	
	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	**1,375**	**182**	**1,438**	**198**
Exchange difference	0	0	(1)	0
Liabilities associated with assets held for sale	(5)	0	—	—
Current service cost	9	3	12	3
Interest cost	31	3	33	4
Benefits paid	(92)	(54)	(90)	(49)
Expected defined benefit obligations as per December 31	**1,319**	**134**	**1,391**	**155**
Actual defined benefit obligations as per December 31	**1,388**	**174**	**1,375**	**182**
Remeasurements of the period (OCI)	**69**	—	**(16)**	—
thereof changes in demographic assumptions	1	—	—	—
thereof changes in financial assumptions	93	—	(13)	—
thereof experience adjustments	(25)	—	(3)	—
Remeasurements recognized in profit & loss	—	40	—	26

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

Market value of plan assets

EUR mn

	2016			2015		
	VRG IV	VRG VI	**Total**	VRG IV	VRG VI	**Total**
Market value of plan assets as of January 1	**301**	**159**	**460**	**300**	**171**	**471**
Interest income	7	4	**11**	7	4	**11**
Allocation to funds	4	11	**15**	6	6	**12**
Benefits paid	(19)	(16)	**(35)**	(19)	(17)	**(37)**
Remeasurements of the period (OCI)	5	(3)	**2**	8	(5)	**3**
Market value of plan assets as of December 31	**298**	**155**	**453**	**301**	**159**	**460**

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

Provisions and expenses

EUR mn

	2016		2015	
	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	**915**	**182**	**967**	**198**
Expense for the year	30	6	33	7
Payments to funds	(15)	—	(12)	—
Benefits paid	(57)	(54)	(53)	(49)
Exchange difference	0	0	(1)	0
Liabilities associated with assets held for sale	(5)	—	—	—
Remeasurements for the year	67	—	(19)	—
thereof changes in demographic assumptions	1	—	—	—
thereof changes in financial assumptions	91	—	(13)	—
thereof experience adjustments	(25)	—	(6)	—
Remeasurements recognized in profit & loss	—	40	—	26
Provision as of December 31	**935**	**174**	**915**	**182**
Current service cost	9	3	12	3
Net interest cost	20	3	22	4
Expenses of defined benefit plans for the year	**30**	**6**	**33**	**7**

In 2016, the total pension fund contributions for the Executive Board and former members of the Executive Board amounted to EUR 1 mn (2015: EUR 1 mn).

Expenses for interest accrued on personnel reduction schemes of EUR 1 mn (2015: EUR 2 mn) have been included under interest expense.

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

	2016			2015		
	Pensions	Severance	Jubilees	Pensions	Severance	Jubilees
Capital market interest rate	1.61%	1.13%	1.36%	2.25%	2.25%	2.25%
Future increases in salaries	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%
Future increase in pensions	1.6–1.8%	—	—	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

	2016					
	Capital market interest rate		Future increases in salaries		Fluctuation	
	+0.50%	(0.50)%	+0.25%	(0.25)%	double	half
Pensions	(5.71)%	6.31%	3.22%	(3.06)%	—	—
Severance	(3.99)%	4.26%	2.03%	(1.97)%	—	—
Jubilees	(4.88)%	5.34%	2.56%	(2.46)%	(3.96)%	2.28%

Duration profiles and average durations were as follows:

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

EUR mn

	2016			
	Duration profiles			Duration
	1–5 years	6–10 years	>10 years	in years
Pensions	341	276	626	12
Severance	41	40	64	8
Jubilees	13	7	14	10

Cash duration profiles and average duration as of December 31

EUR mn

	2016			
	Duration profiles			Duration
	1–5 years	6–10 years	>10 years	in years
Pensions	354	312	909	14
Severance	46	53	117	12
Jubilees	14	9	54	17

Allocation of plan assets as of December 31

	2016		2015	
	VRG IV	VRG VI	VRG IV	VRG VI
Asset category				
Equity securities	22.59%	9.34%	23.36%	6.22%
Debt securities	61.86%	11.87%	59.19%	29.26%
Cash and money market investments	12.03%	78.79%	14.22%	64.52%
Other	3.52%	—	3.23%	—
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.

The funds of the asset allocation and risk group VRG IV 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 is to outperform the benchmark (20% global equity, 65% global bonds, 5% cash, 5% alternatives, 5% real estate) and to cover existing and future entitlement payments of the VRG IV. The assets of the VRG IV 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 section 25. The asset allocation and the regional allocation of the VRG IV can and will deviate from the benchmark allocation if this in the judgment of APK is 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 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 will be lower than that of the benchmark.

The investment management policy for the funds of VRG VI is a value-at-risk approach. The process involves 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 is very flexible and model-driven. At the same time, the opportunity of benefiting from positive stock market performance shall be partly maintained. The long-term investment objective of the VRG VI is to provide stable, predictable returns that to the greatest possible extent cover the existing and future entitlement payments of the VRG VI. To increase the efficiency of the portfolio management and for cost considerations the portfolio is set up as a base portfolio consisting of short maturity government bonds and a futures overlay strategy. Active quoted prices are available for all assets of the VRG VI.

The actual returns of individual VRGs deviate from the target returns on the plan assets, due to their different maturities and to different developments in the capital markets. In 2016, the performance of VRG IV was slightly below the target return with a performance of +5.4%. The performance of VRG VI was slightly positive with +1.1%.

In 2017, defined benefit related contributions for 2016 to APK-Pensionskasse AG of EUR 9 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, 2016	**3,442**
Exchange differences	48
Changes in consolidated Group	144
New obligations	44
Increase arising from revisions in estimates	65
Reduction arising from revisions in estimates	(74)
Unwinding of discounting	89
Liabilities associated with assets held for sale	(281)
Used	(66)
December 31, 2016	**3,412**
[thereof short-term as of December 31, 2016]	[92]
[thereof short-term as of January 1, 2016]	[100]

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

The provision for decommissioning and restoration costs includes obligations in respect of OMV Petrom SA amounting to EUR 1,787 mn (2015: EUR 1,804 mn). Part of the obligations is to be recovered from the Romanian State in accordance to the privatization agreement. As of December 31, 2016, OMV Petrom SA holds receivables from the Romanian state amounting to EUR 542 mn (2015: EUR 568 mn), which are disclosed as other financial assets (please refer to Note 18).

Other provisions

EUR mn

	2016		2015	
	Short-term	Long-term	Short-term	Long-term
Environmental costs	16	78	22	37
Other personnel provisions	124	18	130	13
Other	295	457	265	485
Other provisions	**435**	**553**	**418**	**535**

Other personnel provisions include short-term costs of staff reductions amounting to EUR 52 mn (2015: EUR 51 mn). Other provisions contain EUR 3 mn (2015: EUR 3 mn) short-term and EUR 52 mn (2015: EUR 66 mn) long-term litigation provisions due to litigations with former and current employees for various types of claims due to differing interpretations of some of the clauses of the Collective Bargaining Agreements applicable at OMV Petrom SA.

The position Other includes provisions for onerous contracts amounting to EUR 467 mn (2015: EUR 413 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, 2016 was EUR 318 mn (2015: EUR 336 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 4.4% (2015: 4.5%). A 50% decrease in either LNG volumes or margin would lead to an additional provision of EUR 193 mn. Furthermore, a 1 percentage point decrease in the discount rate would lead to an additional provision of EUR 22 mn.

The provision for the related non-cancellable transportation commitments of OMV Gas Marketing & Trading GmbH amounted to EUR 98 mn (2015: EUR 62 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 4.4% (2015: 4.5%). 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 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 5,223,388 free emissions certificates in 2016 (2015: 6,169,811), thereof 2,608,152 received by OMV Petrom SA (2015: 2,611,848). As of December 31, 2016, the market value of emissions certificates amounted to EUR 53 mn (December 31, 2015: EUR 86 mn).

As of December 31, 2016, the Group held 8,106,822 emissions certificates. In 2017, OMV expects to surrender 6,177,866 emissions certificates for (not yet externally verified) emissions in 2016.

Emissions certificates

	2016	2015
Certificates held as of January 1	**10,446,287**	**9,135,247**
Free allocation for the year	5,223,388	6,169,811
Certificates surrendered according to verified emissions for the prior year	(7,443,829)	(5,633,323)
Net purchases and sales during the year [1]	(119,024)	774,552
Certificates held as of December 31	**8,106,822**	**10,446,287**

[1] Purchases are valued at their acquisition cost

A shortfall in emissions certificates would be provided for. Neither as of December 31, 2016, nor as of December 31, 2015 was the Group short of certificates.

24 Liabilities

Liabilities

EUR mn

	2016			2015		
	Short-term	Long-term	**Total**	Short-term	Long-term	**Total**
Bonds	38	3,725	**3,763**	295	3,721	**4,016**
Other interest-bearing debts	222	1,012	**1,234**	200	871	**1,071**
[thereof to banks]	[222]	[865]	**[1,087]**	[200]	[871]	**[1,071]**
Trade payables	3,731	—	**3,731**	3,380	—	**3,380**
[thereof to equity-accounted investments]	[37]	[—]	**[37]**	[28]	[—]	**[28]**
Other financial liabilities	1,169	409	**1,578**	2,341	410	**2,750**
Other liabilities	828	155	**983**	1,074	160	**1,234**
[thereof to equity-accounted investments]	[11]	[146]	**[157]**	[11]	[157]	**[168]**
Liabilities associated with assets held for sale	1,107	—	**1,107**	32	—	**32**
Total	**7,095**	**5,301**	**12,396**	**7,320**	**5,162**	**12,482**

Bonds

Bonds issued

				2016	2015
	Nominal	Coupon	Repayment	Carrying amount December 31 EUR mn	Carrying amount December 31 EUR mn
International corporate bond	EUR 250,000,000	5.25% fixed	06/22/2016	—	257
	EUR 750,000,000	0.60% fixed	11/19/2018	750	750
	EUR 500,000,000	1.75% fixed	11/25/2019	499	498
	EUR 500,000,000	4.375% fixed	02/10/2020	518	518
	EUR 500,000,000	4.25% fixed	10/12/2021	501	501
	EUR 750,000,000	2.625% fixed	09/27/2022	748	747
	EUR 750,000,000	3.5% fixed	09/27/2027	747	746
Total				**3,763**	**4,016**

Bonds and other interest-bearing debts

Some of the Group’s interest-bearing debts involve financial covenants, which relate mainly to adjusted equity ratios, cash flow from operating activities excluding interest expense, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).

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

Bonds and other interest-bearing debts

EUR mn

	2016	2015
Short-term loan financing	99	33
Short-term component of long-term financing	161	461
Total short-term	**260**	**494**
Maturities of long-term financing		
2017/2016 (short-term component of long-term financing)	161	461
2018/2017	1,157	98
2019/2018	754	1,148
2020/2019	578	598
2021/2020	565	570
2022/2021 and subsequent years	1,682	2,178
Total for 2017/2016 onwards	**4,898**	**5,053**

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

EUR mn

		2016		2015	
			Weighted average interest rate		Weighted average interest rate
Bonds and other long-term interest-bearing debts [1]					
Fixed rates	EUR	4,077	2.73%	4,313	2.97%
	USD	38	2.28%	37	2.28%
Total		**4,114**	**2.73%**	**4,349**	**2.96%**
Variable rates	EUR	531	1.06%	543	1.21%
	USD	253	2.15%	161	2.29%
Total		**784**	**1.41%**	**704**	**1.46%**
Other short-term interest-bearing debts					
EUR		60	0.53%	19	0.50%
USD		39	1.48%	—	—
RON		1	0.50%	—	—
TRY		—	—	12	8.35%
HUF		—	—	0	2.18%
NOK		—	—	2	1.40%
Total		**99**	**0.91%**	**33**	**3.40%**

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

Bonds issued and other interest-bearing debts amounting to EUR 4,997 mn (2015: EUR 5,087 mn) are valued at amortized cost.

The fair value of the issued bonds was EUR 4,228 mn (2015: EUR 4,348 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 1,288 mn (2015: EUR 1,101 mn).

The estimated fair value of bonds and other-interest bearing debts was in total EUR 5,515 mn (2015: EUR 5,449 mn), of which EUR 4,616 mn (2015: EUR 4,709 mn) was at fixed rates and EUR 899 mn (2015: EUR 739 mn) was at floating rates.

Other financial liabilities

Other financial liabilities

EUR mn

	Short-term	Long-term	Total
		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**
		2015	
Liabilities to equity-accounted investments	1	0	**1**
Liabilities on derivatives designated and effective as hedging instruments	91	0	**91**
Liabilities on other derivatives	1,604	93	**1,696**
Liabilities on finance leases	12	278	**290**
Other sundry financial liabilities	634	39	**672**
Total	**2,341**	**410**	**2,750**

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 403 mn (2015: 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
		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**
		2015		
Bonds	365	2,142	2,244	**4,751**
Other interest bearing debts	208	735	196	**1,138**
Trade payables	3,380	—	—	**3,380**
Derivative financial liabilities	1,680	93	—	**1,772**
Other financial liabilities	657	133	448	**1,239**
Total	**6,290**	**3,102**	**2,889**	**12,281**

Other liabilities

Other liabilities

EUR mn

	Short-term	Long-term	Total
		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**
		2015	
Other taxes and social security liabilities	797	—	**797**
Payments received in advance	170	158	**329**
Other sundry liabilities	106	1	**108**
Total	**1,074**	**160**	**1,234**

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

The carrying amount of other liabilities is effectively the same as their fair value because they are predominantly short-term.

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
	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
Untaxed reserves	—	—	—	—
Provisions for pensions and similar obligations	176	132	44	8
Provisions for decommissioning, restoration obligations and environmental costs	1,006	52	953	—
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

EUR mn

	Deferred tax assets (incl. deferred tax assets not recognized)	Deferred tax assets not recognized	Deferred tax assets recognized	Deferred tax liabilities
		2015		
Intangible assets	174	84	89	347
Property, plant and equipment	262	171	91	1,524
Other financial assets	9	6	2	18
Inventories	29	1	27	14
Derivatives	160	47	113	192
Receivables and other assets	50	11	38	32
Deferred taxes reclassified to assets and liabilities associated with assets held for sale	2	—	2	1
Untaxed reserves	—	—	—	1
Provisions for pensions and similar obligations	166	123	43	6
Provisions for decommissioning, restoration obligations and environmental costs	987	83	905	0
Other provisions	118	69	48	34
Liabilities	41	11	30	7
Tax impairments according section 12 (3)/2 of the Austrian Corporate Income Tax Act (KStG)	863	418	444	—
Tax loss carryforwards	1,610	644	966	—
Total	**4,470**	**1,671**	**2,798**	**2,176**
Netting (same tax jurisdictions)			(1,947)	(1,947)
Deferred taxes reclassified to assets and liabilities associated with assets held for sale			(1)	—
Deferred taxes as per statement of financial position			**850**	**229**

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 2016, deferred taxes reclassified to assets and liabilities associated with assets held for sales 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 540 mn, thereof EUR 221 mn is attributable to the Austrian tax group (2015: EUR 327 mn, thereof Austrian tax group EUR 263 mn). The recoverability of the recognized deferred tax assets was assessed based on detailed tax plannings.

As of December 31, 2016, OMV recognized **tax loss carryforwards** of EUR 4,566 mn before allowances (2015: EUR 4,226 mn), thereof EUR 1,971 mn (2015: EUR 1,775 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	
	2016	2015	**2016**	2015
2016		10		10
2017	5	6	3	5
2018	35	40	27	36
2019	115	192	89	112
2020	36	213	34	94
2021	103		90	
After 2021/2020	152	148	108	124
Unlimited	4,121	3,618	2,244	2,069
Total	**4,566**	**4,226**	**2,595**	**2,451**

As of December 31, 2016, 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 3,866 mn (2015: EUR 3,660 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

Cash and cash equivalents are described in the Note 4.3q) and primarily consisted of cash at banks in 2016 and 2015. Within OMV Supply & Trading Limited, the cash balance is not entirely available for use, EUR 53 mn being blocked as collateral for a documentary letter of credit.

The net cash outflows from the acquisitions of subsidiaries are shown in the table below and are related to the acquisition of FE-Trading GmbH and FE-Trading trgovina d.o.o. of EUR 54 mn, which reflects the cash consideration of EUR 26 mn paid to the seller and also the redemption of trade and other financial liabilities amounting to EUR 31 mn less cash acquired.

Net cash outflows for subsidiaries acquired

EUR mn

	2016	2015
Consideration paid	26	—
Redemption of financial liabilities	31	—
less cash acquired	(3)	—
Net cash outflows from subsidiaries acquired	**54**	—

Net cash outflow from financing activities amounted to EUR 74 mn (2015: net cash inflow EUR 758 mn). In 2016, a EUR 250 mn bond was repaid together with other long-term debt, which was partially compensated by new long-term borrowings, EUR 147 mn of which being related to long term financing provided by the minority shareholders of GAS CONNECT AUSTRIA GmbH. During 2015, there was a significant net cash inflow of funds following the issuance of the new hybrid notes in the amount of EUR 1,490 mn and other new drawings of long-term loans, partially offset by repayments of the US private placement bond and other long-term debt and finance leases as well as short-term money market lines.

In 2016, OMV acquired the remaining non-controlling interest in OMV Gas Marketing & Trading GmbH (former EconGas GmbH) for EUR 3. Furthermore, a EUR 36 mn contribution by former minority shareholders of OMV Gas Marketing & Trading GmbH was received. Also, 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. In 2015, the Group acquired the remaining non-controlling stake of 1.2% in OMV Petrol Ofisi A.Ş in the amount of EUR 12 mn.

In 2016 as well as in 2015, non-cash additions to fixed assets included mainly effects related to the reassessment of decommissioning and restoration obligations.

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.

OMV has EUR 27 mn (2015: EUR 48 mn) contingent liabilities related to deferred considerations from the acquisition of an increased share in licenses in the West of Shetland area (United Kingdom) in 2014. The contingent obligations are dependent on drilling a successful well in Blackrock exploration prospect.

In 2016, the Bulgarian Commission for Protection of Competition (CPC) announced the initiation of several investigations regarding the infringement of competition rules on the fuel market, with OMV Bulgaria OOD being one of the investigated companies. The CPC issued a general Statement of Objections and six Disclosure Rulings addressed to each investigated company. OMV Bulgaria OOD appealed against the Disclosure Ruling issued by CPC. Taking into account all legal means of attack, a final court decision on a potential fine (limited to maximum 10% of the total turnover of the respective undertaking for the financial year preceding the date of the fining decision) should not be expected earlier than three years. At the date of these financial statements, a reliable estimation of the potential outflow of resources cannot be made and such outflow of resources is not considered probable by the management. Therefore, no provision was recorded in this respect.

In Romania, group activities related to the 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 the Arpechim refinery site, at the date of these financial statements, a reliable estimation of the amount required to settle a potential remediation obligation cannot be made, as the performance of specialized studies to determine the degree of contamination, if any, is prevented by the physical existence of the installations; consequently, no provision has been booked in OMV's financial statements in this respect.

OMV Petrom SA is subject to a partial tax audit started in late 2016, having the oil and gas royalties for the period 2011–2015 as its scope. Due to various interpretations of the legal provisions with regard to calculation of gas royalties, the tax audit has been suspended until clarification of such legal basis. OMV Petrom SA considers that it has fully observed all applicable legal provisions enforced by relevant regulatory authorities and therefore assesses that it is not probable that an outflow of resources embodying economic benefits will be required. Considering all the above, OMV did not reflect any provision in the financial statements in relation to this matter. Risk management

28 Risk management

Capital risk
Capital risk management at the OMV Group is part of value management and is based on two key performance measures: Return On Average Capital Employed (ROACE) and the gearing ratio. OMV commits to a long-term gearing ratio target of up to 30%.

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. 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, 2016, the average weighted maturity of the Group's debt portfolio has been 4.6 years (as of December 31, 2015: slightly above five 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
The Group operates in countries that have recently been and may continue to be subject to political uncertainties in particular Libya, Yemen, Pakistan, Tunisia and Turkey. The possible political changes may lead to disruptions and limitations in production, as well as increased tax burden, restrictions on foreign

ownership or even nationalization of property, having as a result consequences on the Group’s financial condition.

Market risk

Derivative and non-derivative instruments are used to manage market risks resulting from changes in interest rates, foreign exchange rates and commodity prices which could have a negative effect on assets, liabilities or expected future cash flows. As a general rule, derivatives are mainly used for the purpose of reducing market risks on underlying transactions.

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 management

To protect the Group's cash flow from the potential negative impact of falling oil and gas prices, OMV uses derivative instruments for hedging purposes. In 2016, a range of financial swaps for both oil and gas volumes were entered into, resulting in a total EBIT impact of EUR (18) mn (oil: EUR 18 mn, gas: EUR (36) mn). For these derivatives 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 EBIT impact from these hedges amounted to EUR (6) mn (oil: EUR 30 mn, gas: EUR (36) mn).

In 2015, OMV used a zero premium collar program to hedge the proceeds from oil sales for the period July 2015 – June 2016. The transaction was accounted for as a cash flow hedge until August 2015, when OMV monetized the oil price hedges for the period Q4/15 through Q2/16, leading to a positive EBIT impact of EUR 74 mn in 2015. Furthermore, a EUR 12 mn valuation gain on the January – June 2016 hedging instruments was reported within other comprehensive income.

Operational risk management

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, limited use is made of derivative instruments 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) – being the difference between crude oil prices and bulk product prices.

Limited proprietary trading activities are performed for the purpose of creating market access within the oil, power and gas markets.

Exchange-traded oil futures as well as OTC contracts (contracts for difference and swaps) are used in supply, marketing and trading to hedge short-term purchase and sales market price risks. Gains and losses on hedging transactions are allocated to Downstream Oil and calculated using fair values.

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

	2016		2015	
	Nominal	Fair value	Nominal	Fair value
Upstream				
Commodity options	—	—	2,213	0
Commodity Oil swaps	325	(4)	—	—
Commodity Gas swaps	615	(39)	—	—
Downstream				
Downstream Oil				
Commodity futures	4,124	(16)	6,289	26
Commodity swaps	4,344	(17)	6,865	14
Downstream Gas				
Commodity swaps	15	6	8	0
Commodity futures	51	0	411	(73)
Commodity forwards	6,756	(25)	4,689	37

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

Fair values

EUR mn

	2016			2015		
	Nominal	Fair value assets	Fair value liabilities	Nominal	Fair value assets	Fair value liabilities
Cash flow hedges						
Downstream Oil swaps	1,228	38	(70)	664	171	(94)
Derivatives held for trading						
Upstream options	—	—	—	2,213	68	(68)
Upstream Oil swaps	325	1	(5)	—	—	—
Upstream Gas swaps	615	8	(47)	—	—	—
Downstream Oil futures	4,124	189	(205)	6,289	729	(703)
Downstream Oil swaps	3,116	67	(51)	6,201	255	(318)
Downstream Gas swaps	15	6	0	8	0	0
Downstream Gas futures	51	3	(3)	411	3	(76)
Downstream Gas forwards	6,756	501	(526)	4,689	564	(527)

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]
		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)]
		2015	
Upstream price risk hedge			
Brent options	until Q2/16	12	[(38)]
Downstream Oil price risk hedge			
Swaps fix to floating – Brent	until Q4/16	110	[68]
Swaps fix to floating – products	until Q4/17	(4)	[(15)]
Downstream Gas price risk hedge			
Swaps fix to floating – gas	until Q1/15	0	[0]

Downstream Oil cash flow hedges can be distinguished into refinery margin hedges and stock hedges.

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.

The hedging of future cash flows is accounted for as a cash flow hedge, and the effective part of the change in value of the derivative is 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 3 mn (2015: EUR (7) 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 from ordinary activities before taxes

EUR mn

	2016		2015	
	Market price +10%	Market price (10)%	Market price +10%	Market price (10)%
Upstream				
Commodity Oil swaps	(33)	33	—	—
Commodity Gas swaps	(55)	55	—	—
Downstream				
Downstream Oil				
Commodity futures	(16)	16	(31)	31
Commodity swaps	9	(9)	19	(19)
Downstream Gas				
Commodity swaps	2	(2)	0	0
Commodity futures	0	0	25	(25)
Commodity forwards	(24)	24	(17)	17

Sensitivity analysis for open derivatives affecting equity

EUR mn

	2016		2015	
	Market price +10%	Market price (10)%	Market price +10%	Market price (10)%
Operational risk management				
Downstream Oil				
Commodity swaps	(27)	27	(20)	20

Foreign exchange risk management

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

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 a 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

	2016		2015	
	Nominal	Fair value	Nominal	Fair value
Currency forwards	296	(2)	157	0
Currency swaps	100	1	43	0

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.

Cash flow hedging for currency derivatives

In 2016, OMV did not enter into any centrally managed foreign currency hedges. The same holds true for 2015.

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, TRY and NOK denominated assets against the EUR.

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, 2016, 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 from ordinary activities before taxes [1]

EUR mn

	2016		2015	
	10% appreciation of the EUR	10% depreciation of the EUR	10% appreciation of the EUR	10% depreciation of the EUR
EUR-RON	14	(14)	7	(7)
EUR-TRY	(5)	5	(27)	27
EUR-USD	2	(2)	(37)	37
EUR-NOK	14	(14)	1	(1)

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

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 are generally used to convert fixed rate debt into floating rate debt, and vice versa. As of December 31, 2016, OMV did not have any open position, since no interest rate swaps were entered during the year 2016 (2015: no open position).

Interest sensitivities
OMV Petrom SA 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 as of December 31, 2016, would have been a EUR 25 mn reduction in the market value of these financial assets (2015: EUR 22 mn). A 0.5 percentage points fall in the interest rate as of December 31, 2016 would have led to an increase in market value of EUR 27 mn (2015: EUR 23 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 constituting a material risk.

On the Group's floating rate net debt as of December 31, 2016, the respective net interest result would rise or fall by EUR 7 mn (December 31, 2015: EUR 3 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 limits for all counterparties, banks and security providers. On the basis of a risk assessment all 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 procedures are governed by guidelines at OMV level. The main counterparties with contracts involving derivative financial instruments have investment grade credit ratings. For the sake of risk diversification, large financial agreements are always spread between different banks.

Credit risk versus financial counterparties in foreign exchange rate risk management, interest rate risk management and liquidity management amounted to a maximum of EUR 1,464 mn as of December 31, 2016 (2015: EUR 884 mn). In the Downstream Oil business credit risk versus financial counterparties and other third parties in operational risk management amounted to a maximum of EUR 806 mn (2015: EUR 344 mn). In Downstream Gas this risk amounted to a maximum of EUR 253 mn (2015: EUR 104 mn).

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).

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.

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

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.

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**
Total	**219**	**699**	**—**	**919**

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**

Fair value hierarchy 2015

EUR mn

	2015			
Financial assets	Level 1	Level 2	Level 3	**Total**
Investment funds	7	—	—	**7**
Bonds	97	—	—	**97**
Derivatives designated and effective as hedging instruments	—	165	—	**165**
Other derivatives	732	894	—	**1,626**
Total	**836**	**1,059**	**—**	**1,895**

Fair value hierarchy 2015

EUR mn

	2015			
Financial liabilities	Level 1	Level 2	Level 3	**Total**
Liabilities on derivatives designated and effective as hedging instruments	—	91	—	**91**
Liabilities on other derivatives	779	917	—	**1,696**
Total	**779**	**1,008**	**—**	**1,787**

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 2016

EUR mn

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

Offsetting of financial liabilities 2016

EUR mn

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

Offsetting of financial assets 2015

EUR mn

	2015					
	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	1,870	(80)	1,791	(1,408)	**383**
Trade receivables	17	2,567	—	2,567	(711)	**1,857**
Other sundry receivables	18	1,165	(43)	1,122	(90)	**1,032**
Total		**5,603**	**(122)**	**5,480**	**(2,209)**	**3,271**

Offsetting of financial liabilities 2015

EUR mn

	2015					
	Note	Financial instruments (gross)	Amounts set off in the statement of financial position	Financial instruments in the statement of financial position (net)	Assets with right of set-off (not offset)	**Net**
Derivative financial instruments	24	1,867	(80)	1,787	(1,498)	**289**
Trade payables	24	3,380	—	3,380	(711)	**2,669**
Other sundry financial liabilities	24	715	(43)	672	—	**672**
Total		**5,962**	**(122)**	**5,839**	**(2,209)**	**3,630**

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
			2016		
Dividend income	**41**	—	41	—	—
Interest income	**66**	—	0	37	—
Interest expense	**(261)**	0	—	—	(119)
Other financial income and expenses	**(44)**	**3**	**(5)**	**(26)**	**—**
Results from the disposal of financial instruments	—	—	—	—	—
Results from the disposal of other investments	—	—	—	—	—
Impairments of financial instruments	**(5)**	—	(5)	—	—
Expenses on the sale of trade receivables	**(26)**	—	—	(26)	—
Foreign exchange result	**3**	3	—	—	—
Other (mainly banking fees)	**(17)**	—	—	—	—
Financial result	**(198)**	**3**	**36**	**11**	**(119)**

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
			2015		
Dividends	**37**	—	37	—	—
Interest income	**89**	(1)	1	47	1
Interest expense	**(304)**	0	—	—	(143)
Other financial income and expenses	**(70)**	**0**	**—**	**(32)**	**—**
Results from the disposal of financial instruments	**0**	—	—	—	—
Results from the disposal of other investments	**11**	—	—	—	—
Impairments of financial instruments	—	—	—	—	—
Expenses on the sale of trade receivables	**(32)**	—	—	(32)	—
Foreign exchange result	**(27)**	0	—	—	—
Other (mainly banking fees)	**(22)**	—	—	—	—
Financial result	**(248)**	**0**	**38**	**16**	**(142)**

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

The **interest income** not allocated to IAS 39 categories refers mainly to the positive outcome of a litigation dispute in OMV Petrom SA during 2015 and reversal of provisions in 2016.

The **interest expense** not allocated to the IAS 39 categories mainly refers to the unwinding of provisions in amount of EUR 134 mn (2015: EUR 152 mn).

In addition to the result on available-for-sale financial instruments shown in the table above, a gain of EUR 1 mn (2015: loss of EUR 1 mn) was recognized directly in other comprehensive income in 2016.

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 2016, yearly LTI plans were granted, with similar conditions. The holding period for participants of the plan 2011 ended with end of March, 2016. 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 2016 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. For new plans, the expense is spread over the three-year vesting period. As of December 31, 2016, the provision amounted to EUR 19 mn (2015: EUR 15 mn), and the net increase was EUR 4 mn (2015: EUR 4 mn). A discount rate of 0.16% was used for the provision calculations.

Main conditions

	2016 plan	2015 plan	2014 plan	2013 plan
Start of plan	1/1/2016	1/1/2015	1/1/2014	1/1/2013
End of performance period	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Vesting date	3/31/2019	3/31/2018	3/31/2017	3/31/2016
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	75% of gross base salary	75% of gross base salary	75% of gross base salary	75% of gross base salary
Personal investment held in shares				
Active executive Board members				
Seele	38,038 shares	32,200 shares	—	—
Florey	—	—	—	—
Pleininger[1]	12,979 shares	8,462 shares	—	—
Leitner	51,249 shares	37,163 shares	28,207 shares	27,406 shares
Former executive Board members				
Davies	—	54,626 shares	46,070 shares	46,070 shares
Floren	—	31,929 shares	22,725 shares	16,226 shares
Huijskes	—	38,419 shares	28,095 shares	21,298 shares
Roiss	81,831 shares	80,600 shares	60,173 shares	60,173 shares
Total — Executive Board	**184,097 shares**	**283,399 shares**	**185,270 shares**	**171,173 shares**
Other senior executives	317,840 shares	287,397 shares	263,809 shares	271,434 shares
Total personal investment	**501,937 shares**	**570,796 shares**	**449,079 shares**	**442,607 shares**
Expected bonus shares as of December 31, 2016	**569,140 shares**	**994,211 shares**	**77,101 shares**	—
Maximum bonus shares as of December 31, 2016	**964,726 shares**	**1,169,714 shares**	**771,409 shares**	—
Fair value of plan (EUR mn) as of December 31, 2016	**19**	**33**	**3**	—

[1] Johann Pleininger also takes part in the 2013 to 2015 plans in his position as senior executive. His personal investment for the 2013 and 2014 plans was 8,217 shares

Strategic Incentive Plan (SIP)

In 2014, the Strategic Incentive Plan (SIP) was granted to Executive Board members, selected executive managers and selected Upstream experts in the Group. In March 2016, the Supervisory Board and the Executive Board decided to terminate the SIP without replacement or compensation as the SIP was considered to be contradictory to the new strategy. The termination was implemented until July 2016. However, the SIP is still in place for three former Executive Board members, for details please refer to Note 37 Related Parties.

The SIP is a long-term compensation scheme and is based on virtual share grants that are paid out in cash equivalent, subject to achievement of defined performance measures, at the end of the plan period. Further conditions apply in combination as a prerequisite for any payout (grant period 2014-2018, performance period 2014-2021, payout period 2022-2024).

Each potential participant had to declare at the beginning of the program, if he or she wanted to participate in the SIP. Furthermore, Executive Board members and participating senior executives had to declare if they would participate with an additional personal investment ("Investment Shares"). These declarations were then effective for the entire term of the plan.

Each participant will receive a grant from OMV ("OMV Grant") in virtual shares that reflect the performance of the underlying OMV shares (the "Phantom Shares") in up to five consecutive annual tranches between 2014 and 2018. If Investment Shares are contributed, the OMV Grant will be supplemented by OMV with a complementary grant (the "Complementary Grant") in a ratio of 1:2 i.e. each Phantom Share of the OMV Grant will be supplemented with two additional Phantom Shares under the Complementary Grant.

As of December 31, 2016, the maximum number of Phantom Shares granted amounted to nil (2015: 697,801).

Provision is made for the expected future costs of the Strategic Incentive 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 using a Monte Carlo simulation. Expected dividends were incorporated into the measurement according to the Company's mid-term planning. For new plans, the expense is spread over the vesting period. As of December 31, 2016, the provision amounted to EUR nil (2015: EUR 2 mn) due to the fact that the production forecast is significantly below the minimum threshold.

Matching Share Plan (MSP)

The Matching Share Plans for the years 2015 and 2016, as approved by the Annual General Meeting in 2015, respectively 2016, are an integral part of the annual bonus agreement and 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 reduce inappropriate 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 criteria for the annual bonus may not be amended during the term of the MSP. On determination of the annual cash bonus by the Remuneration Committee, an equivalent matching bonus 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.

Executive Board members can choose for the Matching Share Plan 2015 between cash payment or shares if and to the extent that they have already fulfilled the minimum shareholding requirements for the LTI Plans 2012 to 2016. The payment for the Matching Share Plan 2016 will be made in the form of restricted shares. As of December 31, 2016, an amount of EUR 2 mn was recorded in equity (2015: provision of EUR 2 mn).

Total expense

In 2016, total expense of EUR 16 mn (2015: EUR 13 mn) has been recognized arising from share-based payment transactions, thereof EUR 10 mn (2015: EUR 3 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 as well as Middle East and Africa 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 and via the filling station network in Turkey. 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 Earnings Before Interest and Taxes (EBIT) 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**
					2016				
Sales [1]	3,285	18,379	14,630	3,779	(30)	370	**22,034**	(2,774)	**19,260**
Intra-group sales	(2,272)	(136)	(28)	(139)	30	(366)	**(2,774)**	2,774	**—**
External sales	1,013	18,243	14,603	3,640	—	4	**19,260**	—	**19,260**
Segment assets [2]	11,250	4,915	3,710	1,205	—	161	**16,326**	—	**16,326**
Investments in PPE/IA	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**
					2015				
Sales [1]	3,900	21,589	17,323	4,382	(116)	397	**25,886**	(3,359)	**22,527**
Intra-group sales	(2,883)	(83)	(32)	(167)	116	(393)	**(3,359)**	3,359	**—**
External sales	1,017	21,506	17,290	4,215	—	4	**22,527**	—	**22,527**
Segment assets [2]	13,036	6,492	4,985	1,507	—	188	**19,715**	—	**19,715**
Investments in PPE/IA	2,570	599	537	62	—	21	**3,190**	—	**3,190**
Depreciation and amortization	1,467	640	539	101	—	39	**2,147**	—	**2,147**
Impairment losses	2,728	281	11	270	—	0	**3,010**	—	**3,010**

[1] Including intra-group sales
[2] Property, plant and equipment (PPE), intangible assets (IA)

Segment and Group profit

EUR mn

	2016	2015
EBIT Upstream	(1,059)	(2,371)
EBIT Downstream	695	334
thereof EBIT Downstream Oil	744	890
thereof EBIT Downstream Gas	(49)	(555)
EBIT Co&O	(56)	(48)
EBIT segment total	**(421)**	**(2,085)**
Consolidation: Elimination of intersegmental profits	(36)	79
OMV Group EBIT	**(457)**	**(2,006)**
Net financial result	227	97
OMV Group profit from ordinary activities	**(230)**	**(1,909)**

Information on geographical areas

EUR mn

	Austria	Germany	Romania	Turkey	Rest of CEE	Rest of Europe	Rest of world [2]	Total
				2016				
External sales	4,884	2,777	3,006	4,817	2,477	931	369	**19,260**
Allocated assets [1]	2,962	1,027	6,542	175	433	2,818	1,942	**15,899**
Not allocated assets	—	—	—	—	—	—	—	**427**
Segment assets								**16,326**
				2015				
External sales	5,787	3,595	3,307	5,638	2,669	914	616	**22,527**
Allocated assets [1]	2,976	1,144	6,749	1,560	411	4,847	1,604	**19,291**
Not allocated assets	—	—	—	—	—	—	—	**424**
Segment assets								**19,715**

[1] Property, plant and equipment (PPE), intangible assets (IA)
[2] Rest of world: principally Australia, Kazakhstan, Libya, Madagascar, Namibia, New Zealand, Pakistan, Tunisia, Yemen and Kurdistan Region of Iraq

EUR 427 mn (2015: EUR 424 mn) of the goodwill deriving from the acquisition of OMV Petrol Ofisi and Tunisian subsidiaries have not been allocated to geographical areas but to cash-generating units that are operating in more than one geographical area.

Other Information

35 Average number of employees

Average number of employees [1]

	2016	2015
OMV Group excluding OMV Petrom group	7,883	8,238
OMV Petrom group	15,288	16,579
Total Group	**23,171**	**24,817**

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

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

	2016	2015
Audit of Group accounts and year-end audit	2.64	2.60
Other assurance services	0.99	1.25
Tax advisory services	0.00	0.03
Other services	0.22	0.10
Total	**3.85**	**3.99**

In 2016, 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 (2015: EUR 0.81 mn), for other assurance services EUR 0.73 mn (2015: EUR 0.95 mn), for tax advisory services EUR nil (2015: EUR nil) and for other services EUR 0.12 mn (2015: EUR 0.09 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 2016, there were arm's-length supplies of goods and services between the Group and equity-accounted companies. The supplies of goods and services relate to the following companies included at-equity:

Related enterprises

EUR mn

	2016		2015	
	Sales and other income	Receivables	Sales and other income	Receivables
Borealis	1,015	10	1,262	10
GENOL Gesellschaft m.b.H. & Co	237	20	285	14
Erdöl-Lagergesellschaft m.b.H.	46	0	44	0
Trans Austria Gasleitung GmbH	36	8	21	1
Enerco Enerji Sanayi Ve Ticaret A.Ş.	2	0	—	—
PEGAS CEGH Gas Exchange Services GmbH	8	0	—	—
Total	**1,343**	**39**	**1,612**	**26**

In 2016, OMV received dividend income of EUR 153 mn (2015: EUR 36 mn) from Borealis AG, EUR 14 mn (2015: EUR nil) from Enerco Enerji Sanayi ve Ticaret A.Ş, EUR 9 mn (2015: EUR 9 mn) from Trans Austria Gasleitung GmbH and EUR 1 mn (2015: EUR 1 mn) from Freya Bunde-Etzel GmbH & Co. KG.

In 2016, goods or services in the amount of EUR 157 mn (2015: EUR 219 mn) were received from Enerco Enerji Sanayi ve Ticaret A.Ş., EUR 62 mn (2015: EUR 49 mn) from Erdöl-Lagergesellschaft m.b.H., EUR 35 mn (2015: EUR 41 mn) from Borealis, EUR 26 mn (2015: EUR 26 mn) from Deutsche Transalpine Oelleitung GmbH and EUR 11 mn (2015: EUR 7mn) from Trans Austria Gasleitung GmbH.

The outstanding trade payables to Enerco Enerji Sanayi ve Ticaret A.Ş. amounted to EUR 16 mn (2015: EUR 18 mn), Borealis EUR 10 mn (2015: EUR 10 mn) and Erdöl-Lagergesellschaft m.b.H. EUR 7 mn (2015: EUR nil).

At December 31, 2016, EUR 2 mn loan to Pearl Petroleum Company Limited was outstanding (2015: EUR 19 mn).

The balance of prepayments received from Erdöl-Lagergesellschaft m.b.H. amounted to EUR 157 mn at December 31, 2016 and is related to a long-term contract for the rendering of services (2015: EUR 168 mn).

In September 2016, OMV sold the gas exchange business held in Central European Gas Hub AG to PEGAS CEGH Gas Exchange Services, a company newly established together with Powernext S.A., in which Central European Gas Hub AG has an interest of 49% and significant influence. The gain from the transfer of this business amounted to EUR 8 mn and was recognized in full in OMV's financial statements, in line with the requirements of IAS 28 related to downstream transaction involving assets that constitute a business.

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

	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 [6,7]	Huijskes [8]	Roiss [9,10]	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 [11]	**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 [11]	**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 is 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 and payments under the Strategic Incentive Plan until March 31, 2017
[6] Hans-Peter Floren resigned from the Executive Board effectively December 31, 2014
[7] Hans-Peter Floren is entitled to bonus payments under the Strategic Incentive Plan until June 30, 2015
[8] Jaap Huijskes resigned from the Executive Board effectively August 31, 2015
[9] Gerhard Roiss resigned from the Executive Board effectively June 30, 2015
[10] In addition to the remuneration received in 2016, Gerhard Roiss is entitled to bonus payments under the Long Term Incentive Plans and the Strategic Incentive Plan until March 31, 2017 based on target achievement
[11] Including upfront bonus payments for the period January 2016 to March 2017

Remuneration received by the Executive Board

EUR mn

	2015							
	active members of the Executive Board as of December 31, 2015				former members of the Executive Board			
	Seele	Davies	Pleininger	Leitner	Floren [4,5]	Huijskes [8,9]	Roiss [10,11]	**Total**
Short term benefits	**2.04**	**1.25**	**0.19**	**0.97**	**0.87**	**0.79**	**0.90**	**7.01**
Fixed (base salary)	1.97 [1]	0.88	0.18	0.70	0.30	0.46	0.48	**4.97**
Variable (cash bonus)	—	0.36	—	0.26	0.57 [6]	0.32	0.41	**1.93**
Benefits in kind	0.07 [2]	0.01	0.00	0.01	0.00	0.01	0.01	**0.11**
Post employment benefits	**0.11**	**0.32**	**0.05**	**0.18**	**0.30**	**0.18**	—	**1.14**
Pension fund contributions	0.11	0.32	0.05	0.18	0.30	0.18	—	**1.14**
Termination benefits	—	—	—	—	**0.75**	**0.37**	**1.22**	**2.34**
Termination benefits	—	—	—	—	0.75	0.37	1.22	**2.34**
Share based payments	—	**0.68**	—	**0.46**	**0.77**	**0.53**	**0.83**	**3.27**
Variable (Matching Share Plan)	—	0.40	—	0.29	0.60 [7]	0.36	0.46	**2.13**
Variable (LTIP)	—	0.28	— [3]	0.17	0.17	0.17	0.37	**1.15**
Total	**2.15**	**2.26**	**0.24**	**1.60**	**2.69**	**1.87**	**2.95**	**13.77**

1 Including EUR 1.52 mn linked to an obligation to buy OMV shares for the LTIP shareholding requirements
2 Including rent, parking, home flights, rental car, relocation costs and related taxes
3 Johann Pleininger was entitled to EUR 0.09 mn based on the senior manager LTIP 2012 (partly paid out in cash)
4 Hans-Peter Floren resigned from the Executive Board effectively December 31, 2014
5 Hans-Peter Floren is entitled to bonus payments under the Strategic Incentive Plan until June 30, 2015
6 Including variable cash bonus for 2015 EUR 0.30 mn
7 Including EUR 0.30 mn for Matching Share Plan 2015
8 Jaap Huijskes resigned from the Executive Board effectively August 31, 2015
9 In addition to the remuneration received in 2015, Jaap Huijskes is entitled to salary and pension fund payments until March 31, 2016 amounting to EUR 0.22 mn, to cash bonus and to payments under the Long Term Incentive Plans and the Strategic Incentive Plan until March 31, 2016 based on target achievement
10 Gerhard Roiss resigned from the Executive Board effectively June 30, 2015
11 In addition to the remuneration received in 2015, Gerhard Roiss is entitled to a bonus payment (covering cash bonus and Matching Share Plan bonus) for 2015 until March 31, 2017 amounting to EUR 2.17 mn, payable on June 30, 2016 and payments under the Long Term Incentive Plans and the Strategic Incentive Plan until March 31, 2017 based on target achievement

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 2016, the total remuneration including share-based compensations of 47 top executives, excluding the Executive Board (2015: 51) amounted to EUR 29.9 mn (2015: EUR 26.3 mn), of which basic remuneration such as salaries and bonuses was EUR 21.4 mn (2015: EUR 19.3 mn) and EUR 1.5 mn (2015: EUR 1.8 mn) was related to pension fund contributions. Severance benefits amounted to EUR 4.0 mn (2015: EUR 2.2 mn), and other long-term benefits to EUR 0.1 mn (2015: EUR 0.1 mn).

See Note 32 for details on Long Term Incentive Plans, Matching Share Plan and Strategic Incentive Plan.

In 2016, remuneration expenses for the Supervisory Board amounted to EUR 0.5 mn (2015: EUR 0.5 mn).

38 Subsequent events

On January 13, 2017, OMV closed the sale of 100% of the shares held in OMV (U.K.) Limited to Siccar Point Energy Limited, Aberdeen, following the fulfillment of the agreed conditions, including regulatory approval. The consideration received amounted to approximately USD 870 mn. The transaction documentation provides for further contingent purchase price elements depending on the co-venturers' approval of the Rosebank project final investment decision.

On February 2, 2017, the Supreme Administrative Court dismissed OMV Bulgaria OOD's appeal against the Commission for Protection of Competition (CPC) ruling regarding the disclosure of confidential information. Administrative procedures regarding CPC investigation are still ongoing. These subsequent events do not change the designation as contingent liability, as presented in Note 27.

On March 3, 2017, OMV signed an agreement to sell 100% of the shares in OMV Petrol Ofisi to VIP Turkey Enerji AS, a subsidiary of Vitol Investment Partnership Ltd. The transaction is subject to conditions, including the relevant regulatory approvals and is anticipated to close in Q3/17 at the latest.

On March 5, 2017, OMV signed an agreement to acquire a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The purchase price amounts to USD 1,850 mn (approx. EUR 1,749 mn based on an agreed exchange rate of EUR 1 = USD 1.0575). The transaction is anticipated to close by year end and will be retroactively effective as of January 1, 2017. The implementation of the transaction is subject to further conditions, including co-shareholder consent as well as merger control and foreign investment control clearance in Russia.

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, 2016	Equity interest in % as of December 31, 2015
Upstream				
ENERGY PRODUCTION ENHANCEMENT SRL, Bucharest	PETROM	NC	99.99	
	ROMAN		0.01	
KOM MUNAI LLP, Aktau	PETROM	C	95.00	95.00
OMV Abu Dhabi E&P GmbH, Vienna	OMVEP	C	100.00	100.00
OMV Abu Dhabi Offshore GmbH, Vienna [4]	OMVEP	C	100.00	100.00
OMV (AFRICA) Exploration & Production GmbH in Liqu., Vienna (OAFR) [4, 6]	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 [4]	OMVEP	NC	100.00	100.00
OMV (Gnondo) Exploration GmbH in Liqu., Vienna [6]	OAFR	C	100.00	100.00
OMV (Gnondo) Exploration S.A., Libreville	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 [6]	OAFR	C	100.00	100.00
OMV (Manga) Exploration S.A., Libreville	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
OMV (Mbeli) Exploration GmbH in Liqu., Vienna [6]	OAFR	C	100.00	100.00
OMV (Mbeli) Exploration S.A., Libreville	OWEAFR	C	100.00	100.00
OMV Middle East & Africa GmbH, Vienna [4, 7]	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 [6]	OAFR	C	100.00	100.00
OMV (Ntsina) Exploration S.A., Libreville	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 [6]	OMVEP	NC	100.00	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

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, 2016	Equity interest in % as of December 31, 2015
OMV Orient Hydrocarbon GmbH, Vienna	OMVEP	NC	100.00	
OMV Orient Upstream GmbH, Vienna	OMVEP	NC	100.00	100.00
OMV Oystercatcher Exploration GmbH, Vienna [4]	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 Tellal Hydrocarbons GmbH in Liqu., Vienna [4, 6]	OMVEP	NC	100.00	100.00
OMV (Tunesien) Production GmbH, Vienna (OTNPRO)	OMVEP	C	100.00	100.00
OMV (TUNESIEN) Sidi Mansour GmbH, Vienna [4]	OMVEP	NC	100.00	100.00
OMV (U.K.) Limited, London	OMVEP	C	100.00	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	OTNPRO	NAE	50.00	50.00
Tasbulat Oil Corporation BVI, Saint Helier	PETROM	NC	100.00	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
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 [6]	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
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)	POAS	C	100.00	100.00
FE-Trading GmbH, Anif	OMVRM	C	100.00	
FE-Trading trgovina d.o.o., Ljubljana	FETRAT	C	100.00	

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

	Parent company	Type of consolidation [1]	Equity interest in % as of December 31, 2016	Equity interest in % as of December 31, 2015
FRANCIZA PETROM 2001 SA, Piteşti	PETROM	NAE	40.00	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
Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi, Istanbul	POAS	JO	45.00	45.00
OMV BULGARIA OOD, Sofia	PETROM	C	99.90	99.90
	OMVRM		0.10	0.10
OMV Česká republika, s.r.o., Prague [5]	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) [5]	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) [5]	OTHOLD	C	100.00	55.40
	OMV AG		0.00	44.60
OMV PETROM Aviation S.A.,Otopeni	PETROM	C	99.99	99.99
	OMVRM		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 SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o., Koper [5]	OMVRM	C	92.25	92.25
OMV Slovensko s.r.o., Bratislava [5]	OMVRM	C	99.99	99.99
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	POAS	C	100.00	100.00
PETROM NADLAC SRL, Nadlac	PETROM	NC	98.51	100.00
	ROMAN		1.49	
Petrom-Moldova S.R.L., Chisinau [7]	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
SIOT Società Italiana per l'Oleodotto Transalpino S.p.A., Trieste	OMVRM	AE	25.00	25.00
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 [7]	PETROM	NC	80.00	80.00
Transalpine Ölleitung in Österreich Gesellschaft m.b.H., Matrei in Osttirol	OMVRM	AE	25.00	25.00

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, 2016	Equity interest in % as of December 31, 2015
Downstream Gas				
ADRIA LNG d.o.o., Zagreb [6]	OGI	NAE	32.47	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	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	80.90
	OMV AG			19.10
NABUCCO Gas Pipeline International GmbH in Liqu., Vienna (NABUC) [6]	OGI	NAE	35.86	35.86
OMV Enerji Ticaret Anonim Şirketi, Istanbul	OTHOLD	C	90.40	90.40
	GPTHOL		9.60	9.60
OMV Gas & Power GmbH, Vienna (OGI)	OMV AG	C	100.00	100.00
OMV Gas Marketing & Trading d.o.o., Zagreb [7]	ECOGAS	C	100.00	100.00
OMV Gas Marketing & Trading Deutschland GmbH, Regensburg [7]	ECOGAS	C	100.00	100.00
OMV Gas Marketing & Trading GmbH, Vienna (ECOGAS) [7]	OGI	C	100.00	64.25
OMV Gas Marketing & Trading Hungária Kft., Budapest [7]	ECOGAS	C	100.00	100.00
OMV Gas Marketing & Trading Italia S.r.l., Milan [7]	ECOGAS	C	100.00	100.00
OMV Gas Marketing Trading & Finance B.V., Amsterdam	OFS	C	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]	GPTHOL	C	100.00	100.00
OMV Gaz Ve Enerji Holding Anonim Şirketi, Istanbul (GPTHOL)	OTHOLD	C	100.00	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	PETROM	C	100.00	99.99
OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş., Istanbul (BORASC)	OGI	C	100.00	100.00
OMV Switzerland Holding AG, Zug [7]	OGI	C	100.00	100.00
OMV Trading GmbH, Vienna	OGI	C	100.00	100.00
PEGAS CEGH Gas Exchange Services GmbH, Vienna	CEGH	AE	49.00	
South Stream Austria GmbH, Vienna	OGI	NAE	50.00	50.00
Trans Austria Gasleitung GmbH, Vienna [3]	OGG	AE2	15.53	15.53

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, 2016	Equity interest in % as of December 31, 2015
Corporate and Other				
Amical Insurance Limited, Douglas (AMIC)	OMV AG	C	100.00	100.00
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII, Bucharest	PETROM	NAE	20.00	20.00
Diramic Insurance Limited, Gibraltar	AMIC	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)	OMV AG	C	100.00	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	100.00	99.99
Petrom				
OMV PETROM SA, Bucharest (PETROM) [2]	OMV AG	C	51.01	51.01

[1] Type of consolidation:
- C Consolidated subsidiary
- AE Investments 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
- JO Joint Operation, OMV's share of assets, obligation for liabilities, share of income and expenses

[2] OMV Petrom is assigned to the relevant segments in the segment reporting
[3] Economic share 10.78%
[4] Type of consolidation was changed compared to 2015
[5] Parent company was changed compared to 2015
[6] In liquidation
[7] Registered name of the company was changed compared to 2015

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).

Starting with 2016 the regional structure of OMV has been revised in order to reflect the new managerial organization. Comparative amounts for 2015 and 2014 have been restated to reflect the new structure. The new regional structure is presented below:

Romania and Black Sea	Kazakhstan and Romania
Austria Region	Austria and Ukraine
North Sea	Faroe Islands, Norway and United Kingdom
Australasia	Australia and New Zealand
Middle East and Africa	Algeria, Bulgaria, Gabon, Iran, Kurdistan Region of Iraq, Libya, Madagascar, Namibia, Pakistan, Tunisia, United Arab Emirates and Yemen

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.

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. Due to recent developments of arbitration proceedings, OMV was able to recognize Pearl's reserves for the first time in 2016. The company is geographically part of the Middle East and Africa region. The disclosures below are for the 10% interest of OMV in the company.

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

	2016	2015	2014
Unproved oil and gas properties	2,392	2,832	2,531
Proved oil and gas properties	23,561	22,333	20,271
Total	**25,952**	**25,164**	**22,802**
Accumulated depreciation	(14,266)	(12,572)	(8,792)
Net capitalized costs	**11,686**	**12,592**	**14,010**

Capitalized costs – share of equity method investees

EUR mn

	2016	2015	2014
Unproved oil and gas properties	237	—	—
Proved oil and gas properties	119	—	—
Total	**356**	**—**	**—**
Accumulated depreciation	(16)	—	—
Net capitalized costs	**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

	Subsidiaries						Share of equity method investees
	Romania and Black Sea	Austria Region	North Sea	Australasia	Middle East and Africa	**Total**	
				2016			
Acquisition of proved properties	—	—	1	—	302	**304**	—
Acquisition of unproved properties	—	—	1	—	—	**1**	—
Decommissioning costs	35	21	11	37	118	**222**	—
Exploration costs [1]	77	5	106	18	103	**307**	—
Development costs	422	60	515	43	188	**1,228**	0
Costs incurred	**533**	**86**	**634**	**97**	**711**	**2,062**	**0**
				2015			
Acquisition of proved properties	—	—	—	—	—	**—**	—
Acquisition of unproved properties	—	—	22	—	—	**22**	—
Decommissioning costs	161	14	(19)	16	30	**202**	—
Exploration costs [1]	331	26	123	6	120	**607**	—
Development costs	599	110	888	94	202	**1,894**	—
Costs incurred	**1,092**	**149**	**1,014**	**117**	**353**	**2,725**	**—**
				2014			
Acquisition of proved properties	0	—	4	—	—	**4**	—
Acquisition of unproved properties	15	—	89	—	70	**174**	—
Decommissioning costs	295	30	39	2	4	**370**	—
Exploration costs [1]	290	31	183	70	119	**693**	—
Development costs	950	273	934	127	226	**2,510**	—
Costs incurred	**1,550**	**334**	**1,250**	**199**	**418**	**3,751**	**—**

[1] In Norway, exploration represents the costs less a 78% refund of the deductible 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

	Subsidiaries						Share of equity method investees
	Romania and Black Sea	Austria Region	North Sea	Australasia	Middle East and Africa	**Total**	
				2016			
Sales to unaffiliated parties [3]	93	13	673	145	88	**1,013**	20
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**	**20**
Production costs	(637)	(98)	(254)	(58)	(84)	**(1,130)**	(5)
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)**	(3)
Other costs [4]	(29)	(1)	(1)	0	(8)	**(38)**	1
	(1,490)	**(293)**	**(2,010)**	**(174)**	**(347)**	**(4,314)**	(7)
Results before income taxes	**138**	**11**	**(1,153)**	**69**	**(168)**	**(1,090)**	**14**
Income taxes [1]	(20)	(1)	(5)	(11)	(10)	**(47)**	—
Results from oil and gas properties	**118**	**10**	**(1,158)**	**58**	**(179)**	**(1,150)**	**14**
Storage fee [2]	—	44	—	—	—	**44**	—

Results of operations of oil and gas producing activities

EUR mn

	Subsidiaries						
	Romania and Black Sea	Austria Region	North Sea	Australasia	Middle East and Africa	**Total**	Share of equity method investees
			2015				
Sales to unaffiliated parties [3]	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 [4]	(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 [1]	48	(38)	90	(35)	(6)	**59**	—
Results from oil and gas properties	**(345)**	**63**	**(217)**	**(228)**	**(1,458)**	**(2,184)**	**—**
Storage fee [2]	—	45	—	—	—	**45**	—
							—
			2014				—
Sales to unaffiliated parties	134	34	686	205	403	**1,462**	—
Intercompany sales and sales to affiliated parties	2,707	626	186	139	436	**4,094**	—
Result from asset sales	0	(1)	2	—	(8)	**(7)**	—
	2,840	**659**	**874**	**344**	**831**	**5,548**	**—**
Production costs	(799)	(109)	(238)	(66)	(123)	**(1,335)**	—
Royalties	(306)	(140)	—	(40)	(4)	**(490)**	—
Exploration expenses	(49)	(19)	(140)	(101)	(151)	**(460)**	—
Depreciation, amortization and impairment losses	(735)	(141)	(348)	(105)	(243)	**(1,572)**	—
Other costs	(40)	(7)	(32)	1	(28)	**(105)**	—
	(1,929)	**(416)**	**(756)**	**(311)**	**(549)**	**(3,961)**	**—**
Results before income taxes	**912**	**243**	**118**	**33**	**282**	**1,587**	**—**
Income taxes [1]	(178)	(72)	13	(15)	(257)	**(509)**	—
Results from oil and gas properties	**734**	**170**	**131**	**18**	**25**	**1,078**	**—**
Storage fee [2]	—	48	—	—	—	**48**	—

[1] Income taxes in North Sea, Australasia and Middle East and Africa include corporation tax and special petroleum tax.
[2] Intersegmental rental fees before taxes received from Downstream Gas for providing gas storage capacities
[3] Includes hedging and derivative effect
[4] Includes change in stock in Norway and New Zealand

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

	Subsidiaries						Share of equity method investees
	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Middle East and Africa	**Total**	
Proved developed and undeveloped reserves as of January 1, 2014	**386.6**	**47.5**	**77.2**	**13.2**	**109.7**	**634.3**	**—**
Revisions of previous estimates	14.5	3.6	(1.0)	2.6	12.4	**32.0**	—
Purchases	—	—	—	—	—	**—**	—
Disposal	—	—	—	—	—	**—**	—
Extensions and discoveries	1.6	0.1	3.7	—	1.8	**7.3**	—
Production	(30.9)	(5.8)	(8.5)	(3.3)	(9.2)	**(57.8)**	—
Proved developed and undeveloped reserves as of December 31, 2014	**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**	—
Purchases	—	—	0.0	—	—	**0.0**	—
Disposal	—	—	—	—	—	**—**	—
Extensions and discoveries	0.0	0.1	0.0	0.0	0.0	**0.1**	—
Production	(30.4)	(5.7)	(11.6)	(4.1)	(3.5)	**(55.4)**	—
Proved developed and undeveloped reserves 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**	9.4
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)**	(0.8)
Proved developed and undeveloped reserves as of December 31, 2016	**351.5**	**41.2**	**78.7**	**8.5**	**138.9**	**618.9**	**8.6**
Proved developed reserves							
as of December 31, 2014	331.1	43.2	27.9	12.5	98.3	**513.1**	—
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**	8.6

Gas

bcf

	Subsidiaries						Share of equity method investees
	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Middle East and Africa	**Total**	
Proved developed and undeveloped reserves as of January 1, 2014	**1,847.2**	**301.2**	**394.9**	**124.3**	**109.1**	**2,776.6**	**—**
Revisions of previous estimates	39.8	13.0	(1.4)	2.7	17.9	**72.1**	—
Purchases	—	—	0.0	—	—	**—**	—
Disposals	—	—	—	—	—	**—**	—
Extensions and discoveries	23.5	2.0	50.8	—	43.2	**119.4**	—
Production	(188.5)	(37.3)	(29.6)	(21.1)	(33.1)	**(309.7)**	—
Proved developed and undeveloped reserves as of December 31, 2014 [1]	**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**	—
Purchases	—	—	—	—	—	**—**	—
Disposals	—	—	—	—	—	**—**	—
Extensions and discoveries	10.9	1.0	—	—	—	**12.0**	—
Production	(187.9)	(35.9)	(36.4)	(19.0)	(30.3)	**(309.5)**	—
Proved developed and undeveloped reserves 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**	142.5
Purchases	—	—	—	—	—	**—**	—
Disposals	—	—	(0.6)	—	—	**(0.6)**	—
Extensions and discoveries	1.1	1.1	—	—	7.0	**9.1**	—
Production	(187.0)	(31.2)	(52.3)	(20.3)	(24.1)	**(314.9)**	(11.5)
Proved developed and undeveloped reserves as of December 31, 2016 [1]	**1,375.9**	**230.3**	**360.1**	**72.8**	**93.9**	**2,133.0**	**131.0**
Proved developed reserves							
as of December 31, 2014	1,330.2	191.6	147.6	105.8	83.1	**1,858.2**	—
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**	131.0

[1] 2016: Including approximately 72 bcf of cushion gas held in storage reservoirs
2015: Including approximately 72 bcf of cushion gas held in storage reservoirs
2014: Including approximately 71 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						Share of equity method investees
	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Middle East and Africa	**Total**	
				2016			
Future cash inflows	15,489	2,481	4,697	597	5,056	**28,321**	264.0
Future production and decommissioning costs	(11,266)	(1,668)	(2,540)	(598)	(1,416)	**(17,488)**	(64.1)
Future development costs	(2,009)	(336)	(421)	(34)	(662)	**(3,462)**	(3.1)
Future net cash flows, before income taxes	**2,214**	**478**	**1,736**	**(35)**	**2,978**	**7,370**	**196.8**
Future income taxes	(360)	(46)	226	17	(1,694)	**(1,856)**	0.0
Future net cash flows, before discount	**1,854**	**432**	**1,962**	**(18)**	**1,284**	**5,514**	**196.8**
10% annual discount for estimated timing of cash flows	(730)	(114)	(470)	54	(579)	**(1,839)**	(87.1)
Standardized measure of discounted future net cash flows	**1,124**	**318**	**1,491**	**36**	**705**	**3,675**	**109.7**
				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	(701)	(292)	(133)	(71)	(2,758)	**(3,955)**	—
Future net cash flows, before discount	**3,639**	**584**	**2,506**	**203**	**1,594**	**8,527**	**—**
10% annual discount for estimated timing of cash flows	(1,632)	(148)	(775)	(10)	(668)	**(3,232)**	—
Standardized measure of discounted future net cash flows	**2,008**	**436**	**1,731**	**194**	**926**	**5,295**	**—**

Standardized measure of discounted future net cash flows

EUR mn

	Subsidiaries						Share of equity method investees
	Romania and Black Sea	Austria Region	North Sea	Austral-asia	Middle East and Africa	**Total**	
				2014			
Future cash inflows	31,953	5,047	7,876	1,458	9,738	**56,071**	—
Future production and decommissioning costs	(15,161)	(3,240)	(2,819)	(710)	(1,241)	**(23,171)**	—
Future development costs	(2,775)	(822)	(958)	(60)	(679)	**(5,294)**	—
Future net cash flows, before income taxes	**14,017**	**985**	**4,099**	**688**	**7,818**	**27,606**	**—**
Future income taxes	(2,239)	(496)	(1,403)	(211)	(4,760)	**(9,108)**	—
Future net cash flows, before discount	**11,778**	**488**	**2,696**	**477**	**3,058**	**18,498**	**—**
10% annual discount for estimated timing of cash flows	(5,655)	233	(799)	(54)	(1,090)	**(7,365)**	—
Standardized measure of discounted future net cash flows	**6,123**	**721**	**1,897**	**423**	**1,968**	**11,133**	**—**

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

Changes in the standardized measure of discounted future net cash flows – subsidiaries

EUR mn

	2016	2015	2014
Beginning of year	**5,295**	**11,133**	**11,818**
Oil and gas sales and transfers produced, net of production costs	(1,842)	(4,193)	(4,186)
Net change in prices and production costs	(3,719)	(9,915)	(1,384)
Net change due to purchases and sales of minerals in place	294	0	0
Net change due to extensions and discoveries	3	9	469
Development and decommissioning costs incurred during the period	999	1,224	1,556
Changes in estimated future development and decommissioning costs	(351)	(214)	(685)
Revisions of previous reserve estimates	1,246	1,344	2,107
Accretion of discount	492	1,063	1,087
Net change in income taxes	1,356	4,371	459
Other [1]	(98)	474	(110)
End of year	**3,675**	**5,295**	**11,133**

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

For the equity method investees no change in standardized measure of discounted future net cash flows was included as no previous year measures are available.

Vienna, March 22, 2017

The Executive Board

Rainer Seele
Chairman

Reinhard Florey

Johann Pleininger

Manfred Leitner

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FURTHER INFORMATION

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Consolidated Report on the Payments Made to Governments

Section 267b of the Austrian Commercial Code

Section 267b 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; where OMV is not the operator, only OMV's proportional contribution to the host government's production entitlement will be disclosed as a footnote to the relevant country

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, 2016, 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, 2016.

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	37,811	55,264		93,075
Kazakhstan	8,318		743	9,061
Norway	(60,253)		9,665	(50,588)
New Zealand	22,719	32,354		55,073
Pakistan	10,146	5,485	1,068	16,699
Romania	97,603	129,081	12,675	239,359
Tunisia	7,415	5,926	112	13,453
United Kingdom	(10,592)		2,186	(8,406)
Total	**113,167**	**228,110**	**26,449**	**367,726**

No payments have been reported for Libya for the year 2016 as OMV was not the operator. OMV's proportional contribution to the host governments production entitlement for 2016 would have been EUR 111.5 mn for 2.57 mn bbl of crude oil valued using the average monthly price per boe.

Payments by country

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Austria				
Governments				
Federal Ministry of Science, Research and Economy		55,264		55,264
Federal Ministry of Finance	37,811			37,811
Total	**37,811**	**55,264**		**93,075**
Projects				
Lower Austria	37,811	55,264		93,075
Total	**37,811**	**55,264**		**93,075**

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Kazakhstan				
Governments				
State Revenue Committee	8,318			8,318
Akimat of Mangistau Region			146 [1]	146
Training centers universities			597 [2]	597
Total	**8,318**		**743**	**9,061**
Projects				
Tasbulat	4,447		609	5,056
Komsomolskoe	3,871		134	4,005
Total	**8,318**		**743**	**9,061**

[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
Norway				
Governments				
Oljedirektoratet			9,665	9,665
Skatteetaten	(60,253)			(60,253)
Total	**(60,253)**		**9,665**	**(50,588)**
Projects				
Norway exploration projects			9,665	9,665
Payments not attributable to projects	(60,253) [3]			(60,253)
Total	**(60,253)**		**9,665**	**(50,588)**

[3] Refund is the result of tax losses due to exploration activities

	Taxes	Royalties	Fees	Total
New Zealand				
Governments				
Crown Minerals		32,354		32,354
Inland Revenue	22,566			22,566
Ministry of Business and Innovation	153			153
Total	**22,719**	**32,354**		**55,073**
Projects				
Maari	5	6,378		6,383
Maui		162		162
Pohokura		25,814		25,814
New Zealand exploration projects	148			148
Payments not attributable to projects	22,566			22,566
Total	**22,719**	**32,354**		**55,073**

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
Pakistan				
Governments				
Federal Board of Revenue Government of Pakistan	10,146			10,146
Director General of Petroleum Concessions		5,485	751	6,236
Local Government, District Khairpur			125	125
Local Government, District Sukker			192	192
Total	**10,146**	**5,485**	**1,068**	**16,699**
Projects				
Mehar		121	276	397
Miano		1,296	360	1,656
Sawan		4,068	182	4,250
Pakistan exploration projects			250	250
Payments not attributable to projects	10,146			10,146
Total	**10,146**	**5,485**	**1,068**	**16,699**
Romania				
Governments				
State budget	97,603	129,081		226,684
Local councils			3,163	3,163
National Agency for Mineral Resources (ANRM)			716	716
National Company of Forests			8,696	8,696
CONPET SA			100	100
Total	**97,603**	**129,081**	**12,675**	**239,359**
Projects				
Onshore production zones		98,340	12,651	110,991
Offshore Black Sea		30,741	24	30,765
Payments not attributable to projects	97,603			97,603
Total	**97,603**	**129,081**	**12,675**	**239,359**
Tunisia				
Governments				
Receveur des Finances	6,169		112	6,281
Receveur des Douanes	1,246			1,246
Entreprise Tunisienne d'Activites Petrolieres		4,817 [4]		4,817
Tresorerie Generale de Tunisie		1,109		1,109
Total	**7,415**	**5,926**	**112**	**13,453**
Projects				
Ashtart	434			434
TPS	2,091			2,091
South Tunisia	4,890	5,926 [4]	112	10,928
Total	**7,415**	**5,926**	**112**	**13,453**

[4] Includes payments in kind for 122,000 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 2016 would have been EUR 10.4 mn for 281,000 bbl of crude oil valued using the average monthly price per boe.

Payments by country

In EUR 1,000

	Taxes	Royalties	Fees	Total
United Kingdom				
Governments				
Department of Energy and Climate Change			2,186	2,186
HM Revenue and Customs	(10,592) [5]			(10,592)
Total	**(10,592)**		**2,186**	**(8,406)**
Projects				
United Kingdom exploration and development projects	(10,592)		2,186	(8,406)
Total	**(10,592)**		**2,186**	**(8,406)**

[5] Refund is the result from the carry-back of tax losses, resulting in a refund of taxes paid in prior years

Vienna, March 22, 2017

The Executive Board




Rainer Seele | Reinhard Florey | Johann Pleininger | Manfred Leitner

Abbreviations and Definitions

A

ACC
Austrian Company Code

ACCG
Austrian Code of Corporate Governance

AGM
Annual General Meeting

B

bbl, bbl/d
Barrel (1 barrel equals approximately 159 liters), barrels per day

bcf, bcm
Billion standard cubic feet (60 °F/16 °C), billion standard cubic meters (32 °F/0 °C)

bn
Billion

boe, boe/d
Barrel of oil equivalent, boe per day

C

CAPEX
Capital Expenditure

capital employed
Equity including non-controlling interests plus net debt

cbm, cf
Standard cubic meters (32 °F/0 °C), 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 (EBIT, 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

Clean CCS EBIT
Earnings Before Interest and Taxes adjusted for special items and CCS effects. Group clean CCS EBIT is calculated by adding the clean CCS EBIT of Downstream Oil, the clean EBIT 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

EBIT
Earnings Before Interest and Taxes

EBITD
Earnings Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets

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

gearing ratio
Net debt divided by equity, expressed as a percentage

G

GDP
Gross Domestic Product

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, kbbl/d
Thousand barrels, thousand bbl per day

kboe, kboe/d
Thousand barrels of oil equivalent, thousand boe per day

km²
Square kilometer

KPI
Key Performance Indicator

L

LNG
Liquefied Natural Gas

LTIR
Lost-Time Injury Rate per million hours worked

M

mn
Million

MW
Megawatt

MWh
Megawatt hour

N

n.a.
Not available

n.m.
Not meaningful

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

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

SEE
Southeastern Europe

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, toe
Metric tonne, 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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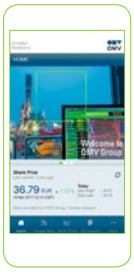

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In the interest of a fluid style that is easy to read, non-gender-specific terms have been used in the notes chapter of this annual report.

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This report contains forward-looking statements. Forward-looking statements 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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