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.

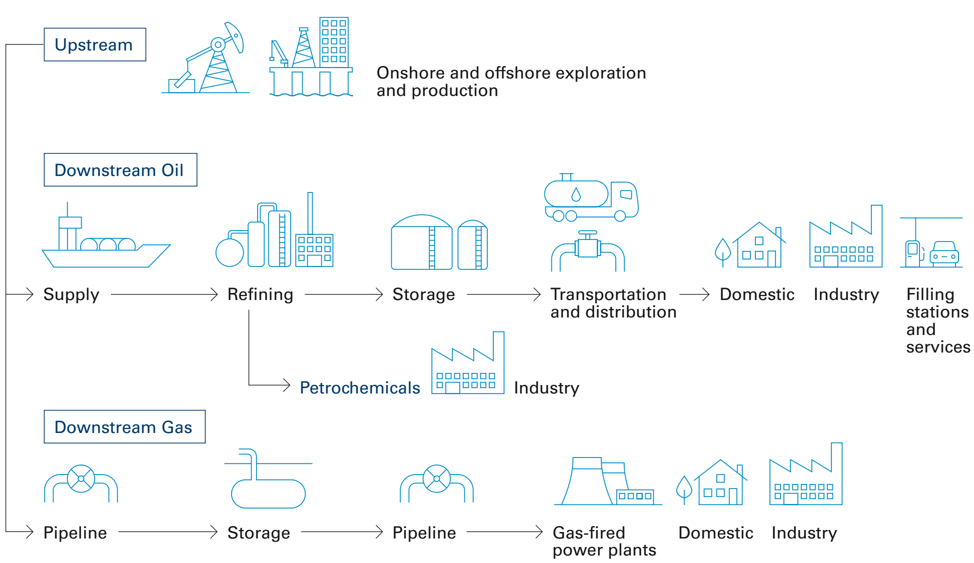
OMV Aktiengesellschaft is Austria's largest listed industrial company

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.

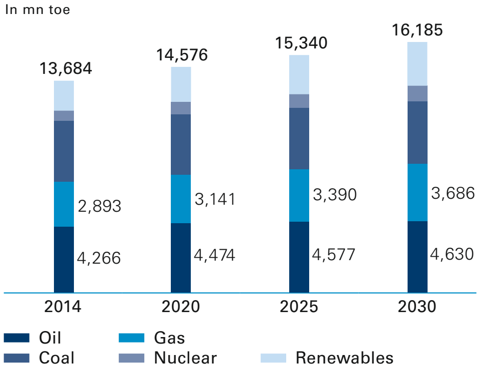
Market perspective

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.

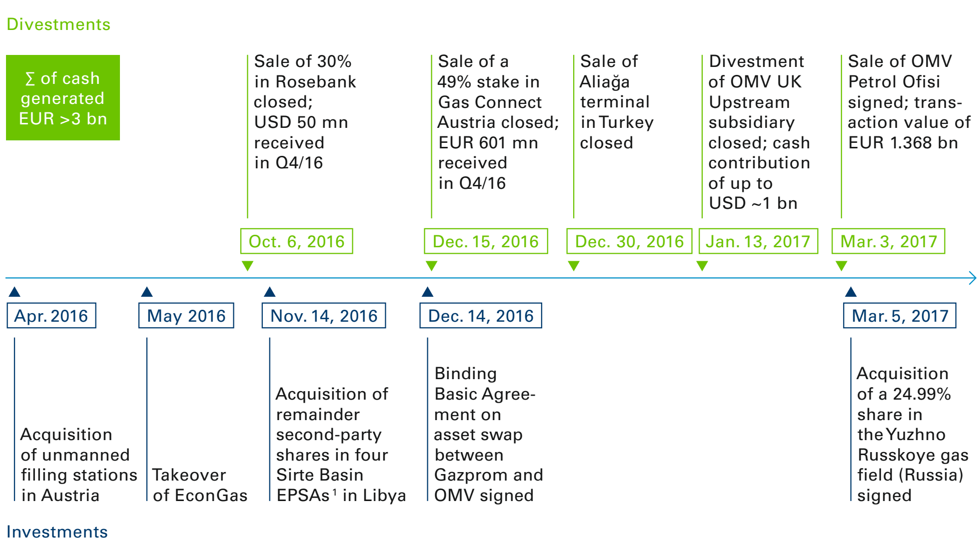
In the gas transportation business, OMV sold 49% of Gas Connect Austria to a consortium of Snam and Allianz in 2016. The total cash consideration of EUR 601 mn paid by the consortium contributed to the Group's financial stability. Through the divestment of tail-end filling stations in the Czech Republic 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).

Positive free cash flow after dividends in 2016

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.

Binding Basic Agreement on asset swap with Gazprom signed

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.

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

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

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

OMV in 2020

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

2015 2016 2017 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.

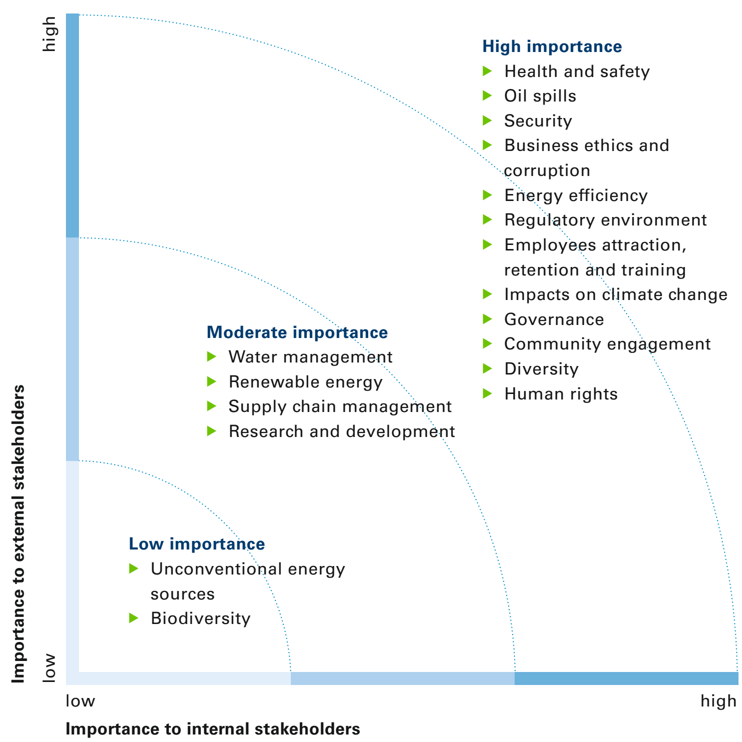
This means that we disclose, with greater prominence and detail, the issues ranked as being of high importance for OMV and its stakeholders: health and safety, oil spills, security, climate change, employees, business ethics, human rights and community relations. We continue to report on topics regarded 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



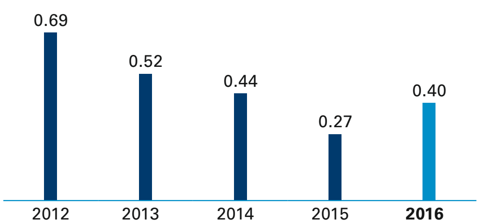
Material areas

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

73 —— 90

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%.

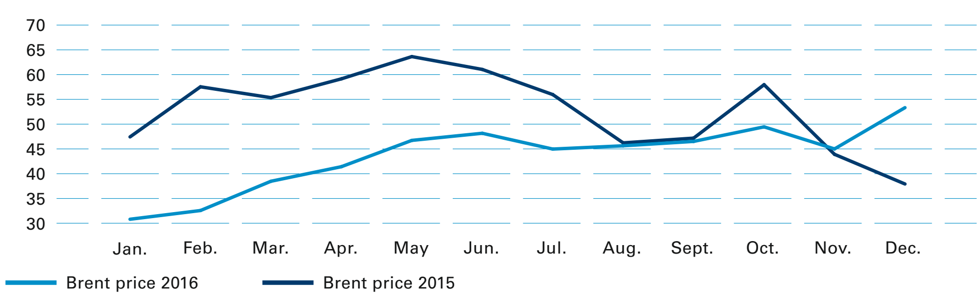
The growth of the Gross Domestic Product (GDP) in the EU-28 countries was 1.8%, while unemployment fell to 10%. Contrary to expectations, the result of the Brexit referendum had not had any negative economic effects as of the end of 2016. In **Germany**, GDP went up by 1.9% on the back of stable domestic 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 CO2 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