OMV Group Report January – June and Q2 2016

including interim consolidated financial statements as of June 30, 2016

- **Q2/16: Clean CCS EBIT at EUR 214 mn, down by 43% vs. Q2/15, Clean CCS net income attributable to stockholders at EUR 222 mn, down by 39% vs. Q2/15**
- **Strong cash flow from operating activities at EUR 1,036 mn, up by 21% vs. Q2/15; positive free cash flow after dividends in Q2/16**
- **Cost reduction of EUR 100 mn planned for 2017, to be achieved ahead of schedule in 2016**
- **Norway production contribution continues to increase, supported by ramp-up of Edvard Grieg and additional wells in Gullfaks and Gudrun**
- **Sale agreement for a 30% stake in the Rosebank field (UK) signed**

Rainer Seele, CEO of OMV:

"In a challenging market environment, in Q2/16 OMV delivered a strong cash flow from operating activities exceeding EUR 1 bn and a positive free cash flow after dividends. However, decreased oil and gas prices and lower refining margins have impacted the results of OMV Group. Clean CCS EBIT dropped by 43% and clean CCS net income attributable to stockholders decreased by 39%. In line with our strategy to optimize the Upstream portfolio, we are divesting a 30% stake in the Rosebank field in the UK. This sale reduces OMV's related future investment commitments. In addition, we continue to focus on cash and costs. The cost reduction program that started this year aimed for a reduction of EUR 100 mn in 2017, but we expect to reach this goal already in 2016. Thus, we have set a new cost reduction target of more than EUR 150 mn in 2017 versus 2015. We have also continued with our rigorous CAPEX discipline and thus reduced our CAPEX guidance to EUR 2.2 bn in 2016. This is lower than the initially announced target of EUR 2.4 bn."

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
48	(300)	222	n.m.	EBIT	(253)	451	n.m.
167	214	375	(43)	Clean CCS EBIT	381	708	(46)
95	(168)	209	n.m.	Net income attributable to stockholders [1]	(73)	372	n.m.
174	222	364	(39)	Clean CCS net income attributable to stockholders [1]	396	600	(34)
0.29	(0.51)	0.64	n.m.	Earnings Per Share (EPS) in EUR	(0.22)	1.14	n.m.
0.53	0.68	1.11	(39)	Clean CCS EPS in EUR	1.21	1.84	(34)
579	1,036	858	21	Cash flow from operating activities	1,615	1,264	28
(145)	172	(433)	n.m.	Free cash flow after dividends	27	(950)	n.m.

[1] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests

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Content

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Directors’ report

Financial highlights

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
3,991	4,614	5,726	(19)	Sales [1]	8,605	11,552	(26)
(103)	(603)	106	n.m.	EBIT Upstream	(706)	135	n.m.
137	362	140	160	EBIT Downstream	499	357	40
(4)	(15)	8	n.m.	EBIT Corporate and Other	(19)	(9)	(121)
18	(44)	(31)	(45)	Consolidation: Elimination of inter-segmental profits	(27)	(32)	17
48	**(300)**	**222**	**n.m.**	**EBIT Group**	**(253)**	**451**	**n.m.**
77	46	177	(74)	thereof EBIT OMV Petrom group	124	288	(57)
(15)	(608)	(198)	n.m.	Special items [2]	(623)	(193)	n.m.
(7)	(18)	(12)	(44)	thereof: Personnel and restructuring	(25)	(17)	(50)
0	(614)	(206)	(198)	Unscheduled depreciation	(614)	(207)	(197)
0	20	0	n.m.	Asset disposal	20	0	n.m.
(8)	4	21	(82)	Other	(5)	30	n.m.
(104)	94	45	109	CCS effects: Inventory holding gains/(losses)	(10)	(64)	84
(97)	0	116	n.m.	Clean EBIT Upstream [3]	(97)	149	n.m.
225	250	269	(7)	Clean CCS EBIT Downstream [3]	475	529	(10)
(4)	(12)	9	n.m.	Clean EBIT Corporate and Other [3]	(16)	(7)	(126)
44	(24)	(19)	(26)	Consolidation: Elimination of inter-segmental profits	20	38	(48)
167	**214**	**375**	**(43)**	**Clean CCS EBIT [3]**	**381**	**708**	**(46)**
92	49	148	(67)	thereof clean CCS EBIT OMV Petrom group [3]	141	281	(50)
41	72	92	(21)	Net financial result	113	69	64
88	(228)	314	n.m.	Profit before tax	(140)	520	n.m.
136	(117)	292	n.m.	Net income	19	513	(96)
95	(168)	209	n.m.	Net income attributable to stockholders [4]	(73)	372	n.m.
174	**222**	**364**	**(39)**	**Clean CCS net income attributable to stockholders [3, 4]**	**396**	**600**	**(34)**
0.29	(0.51)	0.64	n.m.	Earnings Per Share (EPS) in EUR	(0.22)	1.14	n.m.
0.53	0.68	1.11	(39)	Clean CCS EPS in EUR [3]	1.21	1.84	(34)
579	1,036	858	21	Cash flow from operating activities	1,615	1,264	28
1.78	3.17	2.63	21	Cash flow per share in EUR	4.95	3.88	28
4,181	3,992	5,901	(32)	Net debt	3,992	5,901	(32)
29	29	40	(28)	Gearing ratio in %	29	40	(28)
467	489	689	(29)	Capital expenditure	956	1,396	(32)
(10)	–	–	n.m.	ROFA in %	(13)	2	n.m.
(6)	–	–	n.m.	ROACE in %	(9)	2	n.m.
7	–	–	n.m.	Clean CCS ROACE in % [3]	7	8	(16)
(9)	–	–	n.m.	ROE in %	(12)	3	n.m.
(54)	49	7	n.m.	Group tax rate in %	114	1	n.m.
23,687	23,172	24,960	(7)	Employees	23,172	24,960	(7)

Figures in this and the following tables may not add up due to rounding differences.

[1] Sales excluding petroleum excise tax

[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. For more details please refer to Business Segments

[3] Adjusted for special items. Clean CCS figures exclude inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi

[4] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests

Group performance

Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)

Consolidated sales decreased by 19% vs. Q2/15, mainly due to lower Downstream Oil sales reflecting lower product prices. **Clean CCS EBIT** decreased from EUR 375 mn in Q2/15 to EUR 214 mn, which was driven by a lower Upstream result (due to declined oil and gas prices) but was partly offset by a higher Downstream Gas result. **OMV Petrom group's clean CCS EBIT** amounted to EUR 49 mn, less than Q2/15 (EUR 148 mn), as Q2/16 was burdened by lower prices and lower sales volumes. **Net special items** of EUR (608) mn were recorded in Q2/16 (EUR (198) mn in Q2/15), mainly related to the impairment of the 50% stake held in the Rosebank field and write-offs of Upstream licenses in Norway, Madagascar and Romania. Positive **CCS effects** of EUR 94 mn were recognized in Q2/16 as a result of increased oil prices over the quarter. The **Group's reported EBIT** amounted to EUR (300) mn, lower than Q2/15 (EUR 222 mn). **OMV Petrom's** contribution to **the Group's reported EBIT** was EUR 46 mn, 74% lower vs. Q2/15.

The **net financial result** of EUR 72 mn in Q2/16 decreased compared to EUR 92 mn as reported in Q2/15. This development was sustained by a lower contribution from Borealis as well as the income from a legal dispute in OMV Petrom in Q2/15.

Current taxes on Group income of EUR (36) mn and deferred taxes of EUR 147 mn were recognized in Q2/16. The **effective tax rate** in Q2/16 was 49% (Q2/15: 7%); this was primarily due to the strong performance of equity-accounted investments as well as the negative contribution from Norway.

Net income attributable to stockholders was EUR (168) mn vs. EUR 209 mn in Q2/15. Non-controlling and hybrid interests amounted to EUR 51 mn (Q2/15: EUR 83 mn). **Clean CCS net income attributable to stockholders** amounted to EUR 222 mn (Q2/15: EUR 364 mn). **EPS** for the quarter equaled EUR (0.51) and **clean CCS EPS** amounted to EUR 0.68 (Q2/15: EUR 0.64 and EUR 1.11, respectively).

Cash flow from operating activities amounted to EUR 1,036 mn and was higher compared to Q2/15 (EUR 858 mn). This development was mainly due to significant cash inflows from net working capital, despite a lower pricing environment. **Free cash flow after dividends** resulted in a cash inflow of EUR 172 mn (Q2/15: outflow of EUR 433 mn).

Second quarter 2016 (Q2/16) vs. first quarter 2016 (Q1/16)

Consolidated sales increased by 16% vs. Q1/16, mainly due to higher Downstream Oil sales reflecting higher volumes as well as prices. **Clean CCS EBIT** increased from EUR 167 mn in Q1/16 to EUR 214 mn, driven by a higher Upstream result as a consequence of increased oil prices. **OMV Petrom group's clean CCS EBIT** amounted to EUR 49 mn, which was below Q1/16 (EUR 92 mn), and could largely be attributed to a negative effect in the consolidation line and a lower Downstream result. **Net special items** of EUR (608) mn were recorded in Q2/16 (EUR (15) mn in Q1/16), mainly related to the impairment of the 50% stake in the Rosebank field and to write-offs of Upstream licenses in Norway, Madagascar and Romania. Positive **CCS effects** of EUR 94 mn were recognized in Q2/16 because of increased oil prices over the quarter. The **Group's reported EBIT** equaled EUR (300) mn, lower than Q1/16 (EUR 48 mn). **OMV Petrom's** contribution to the **Group's reported EBIT** was EUR 46 mn, 40% lower vs. Q1/16.

The **net financial result** was higher than in the last quarter, mainly driven by higher income from equity accounted investments.

Current taxes on Group income of EUR (36) mn and deferred taxes of EUR 147 mn were recognized in Q2/16. The **effective tax rate** in Q2/16 was 49% (Q1/16: (54)%) and was primarily stimulated by the strong performance of equity-accounted investments as well as by the negative contribution from Norway.

Net income attributable to stockholders was EUR (168) mn vs. EUR 95 mn in Q1/16. Non-controlling and hybrid interests were EUR 51 mn (Q1/16: EUR 41 mn). **Clean CCS net income attributable to stockholders** was EUR 222 mn (Q1/16: EUR 174 mn). **EPS** for the quarter was at EUR (0.51) and **clean CCS EPS** was at EUR 0.68 (Q1/16: EUR 0.29 and EUR 0.53, respectively).

Cash flow from operating activities amounted to EUR 1,036 mn and was above the Q1/16 level (EUR 579 mn), mainly due to working capital effects and an improved pricing environment. **Free cash flow after dividends** resulted in a cash inflow of EUR 172 mn (Q1/16: outflow of EUR 145 mn).

January to June 2016 (6m/16) vs. January to June 2015 (6m/15)

The decrease of 26% in **consolidated sales** vs. 6m/15 was mainly attributable to lower Downstream Oil sales reflecting lower prices. **Clean CCS EBIT** decreased by 46% to EUR 381 mn driven by a lower Upstream result due to decreasing oil and gas prices, but partly offset by lower clean exploration expenses and lower production costs. Additionally, the 6m/16 result was impacted by a lower Downstream Oil result as a consequence of lower refining margins, which was only partly offset by an improved Downstream Gas result. **OMV Petrom group's clean CCS EBIT** amounted to EUR 141 mn, below 6m/15 (EUR 281 mn), as 6m/16 was burdened by lower oil prices and lower sales volumes. **Net special items** of EUR (623) mn were recorded in 6m/16 (EUR (193) mn in 6m/15), mainly related to the impairment of the 50% stake held in the Rosebank field and write-offs of Upstream licenses in Norway, Madagascar and Romania. Negative **CCS effects** of EUR (10) mn were recognized (6m/15: EUR (64) mn). The **Group's reported EBIT** equaled EUR (253) mn, below 6m/15 (EUR 451 mn). **OMV Petrom's** contribution to **the Group's reported EBIT** was EUR 124 mn, 57% lower vs. 6m/15.

In 6m/16, the **net financial result** of EUR 113 mn improved compared to EUR 69 mn in 6m/15, mainly due to a higher income from equity-accounted investments.

Current **taxes** on Group income of EUR (47) mn and deferred taxes of EUR 205 mn were recognized in 6m/16. The **effective tax rate** was 114% in 6m/16 (6m/15: 1%); the main factors in this are the strong performance of equity-accounted investments as well as the negative contribution from Norway.

Net income attributable to stockholders amounted to EUR (73) mn vs. EUR 372 mn in 6m/15. Non-controlling and hybrid interests amounted to EUR 92 mn (6m/15: EUR 141 mn). **Clean CCS net income attributable to stockholders** equaled EUR 396 mn (6m/15: EUR 600 mn). **EPS** equaled EUR (0.22), **clean CCS EPS** amounted to EUR 1.21 (6m/15: EUR 1.14 and EUR 1.84, respectively).

Cash flow from operating activities amounted to EUR 1,615 mn and was higher compared to 6m/15 (EUR 1,264 mn), mainly due to significant cash inflows from net working capital components. **Free cash flow after dividends** resulted in a cash inflow of EUR 27 mn (6m/15: outflow of EUR 950 mn).

Statement of financial position and capital expenditure

Summarized statement of financial position in EUR mn	Jun. 30, 2016	%	Dec. 31, 2015	%
Assets				
Non-current assets	23,437	76	24,054	74
Intangible assets and property, plant and equipment	18,865	61	19,715	60
Equity-accounted investments	2,562	8	2,562	8
Other non-current assets	972	3	927	3
Deferred tax assets	1,038	3	850	3
Current assets	7,154	23	8,516	26
Inventories	1,733	6	1,873	6
Trade receivables	2,590	8	2,567	8
Other current assets	2,831	9	4,076	12
Assets held for sale	229	1	94	0
Equity and liabilities				
Equity	13,840	45	14,298	44
Non-current liabilities	10,233	33	10,314	32
Provisions for pensions and similar obligations	1,078	3	1,045	3
Bonds and other interest-bearing debts	4,593	15	4,592	14
Provisions for decommissioning and restoration obligations	3,335	11	3,342	10
Other provisions and liabilities	1,033	3	1,105	3
Deferred tax liabilities	194	1	229	1
Current liabilities	6,711	22	8,021	25
Trade payables	3,351	11	3,380	10
Bonds and other interest-bearing debts	432	1	494	2
Other provisions and liabilities	2,929	10	4,147	13
Liabilities associated with assets held for sale	36	0	32	0
Total assets/equity and liabilities	**30,820**	**100**	**32,664**	**100**

Capital expenditure decreased to EUR 956 mn in 6m/16 (6m/15: EUR 1,396 mn).

Upstream invested EUR 689 mn in 6m/16 compared to EUR 1,202 mn in 6m/15. CAPEX in **Downstream** amounted to EUR 263 mn (6m/15: EUR 184 mn), of which EUR 255 mn was in Downstream Oil (6m/15: EUR 164 mn) and EUR 8 mn in Downstream Gas (6m/15: EUR 20 mn). CAPEX in the **Co&O** amounted to EUR 4 mn (6m/15: EUR 10 mn).

Compared to year-end 2015, **total assets** decreased by EUR 1,844 mn to EUR 30,820 mn, which could mainly be traced back to a lower derivatives position as well as lower property, plant and equipment as of June 30, 2016.

Equity decreased by 3% in comparison to December 31, 2015. The Group's equity ratio increased to 45% as of June 30, 2016, compared to December 31, 2015 (44%).

The cash position decreased marginally to EUR 1,325 mn (December 31, 2015: EUR 1,348 mn).

Net debt decreased to EUR 3,992 mn compared to EUR 4,038 mn at the end of 2015. On June 30, 2016, the **gearing ratio** stood at 28.8% (December 31, 2015: 28.2%).

Cash flow

Summarized statement of cash flows in EUR mn	6m/16	6m/15	Δ%
Sources of funds	**1,344**	**1,676**	**(20)**
Cash flow from operating activities	1,615	1,264	28
Cash flow from investing activities	(1,209)	(1,685)	28
Free cash flow	**406**	**(421)**	**n.m.**
Cash flow from financing activities	(424)	338	n.m.
Effect of exchange rate changes on cash and cash equivalents	(5)	(8)	40
Net (decrease)/increase in cash and cash equivalents	**(23)**	**(91)**	**75**
Cash and cash equivalents at beginning of period	1,348	649	108
Cash and cash equivalents at end of period	**1,325**	**558**	**138**
Free cash flow after dividends	**27**	**(950)**	**n.m.**

In 6m/16, **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 1,344 mn (6m/15: EUR 1,676 mn). **Net working capital components** in the cash flow statement generated a cash inflow of EUR 271 mn (6m/15: cash outflow of

EUR 411 mn); the positive impact resulted primarily from lower inventories and higher trade payables due to net working capital measures. **Cash flow from operating activities** increased by EUR 350 mn, compared to 6m/15, reaching EUR 1,615 mn.

In 6m/16, **net cash from investing activities** resulted in an outflow of EUR 1,209 mn (6m/15: EUR 1,685 mn), mainly related to investments in Romania and Norway. This position also included cash outflows for the acquisition of FE-Trading GmbH and FE-Trading trgovina d.o.o. of EUR 57 mn, which reflects the cash consideration of EUR 26 mn paid to the seller and also trade and other financial liabilities amounting to EUR 31 mn. Net cash outflow less cash acquired amounted to EUR 54 mn.

Free cash flow (defined as net cash from operating activities less net cash used in investing activities) showed an inflow of funds of EUR 406 mn (6m/15: outflow of EUR 421 mn). **Free cash flow after dividends** resulted in a cash inflow of EUR 27 mn (6m/15: outflow of EUR 950 mn).

Cash flow from financing activities reflected a net outflow of funds amounting to EUR 424 mn (6m/15: net inflow of EUR 338 mn), following repayments of a bond and other long-term debt as well as payments of dividends and hybrid coupons during the period. These effects were partially compensated by drawings of new long- and short-term borrowings. This position also includes a cash inflow from restructuring contributions by former minority shareholders of EconGas GmbH in the amount of EUR 36 mn. The cash consideration paid for the remaining non-controlling interest in EconGas GmbH amounted to 3 Euro.

Risk management

As an international oil and gas company with operations extending from hydrocarbon exploration and production through trading and marketing of mineral products and gas, OMV is exposed to a variety of risks including market and financial risks, operational and strategic risks. A detailed description of risks and risk management activities can be found in the Annual Report 2015 (pages 31-33).

For 2016, the main uncertainties which can influence OMV Group's performance remain the commodity price risk, FX risk, operational risks and also political as well as regulatory risks. The commodity price risk is being monitored constantly and appropriate protective measures for the cash flow are taken, if required. The inherent exposure to safety and environmental risks is monitored through HSSE (Health, Safety, Security and Environment) and risk management programs, which have the clear commitment to maintain OMV's risks in line with industry standards.

See also Outlook section of Director's report below for more information on the current risks.

Transactions with related parties

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

Outlook for the full year 2016

Market environment

For the year 2016, OMV expects the average Brent oil price to be at USD 40/bbl. The Brent-Urals spread is anticipated to be wider than in recent years due to increased supply from Iran and Saudi Arabia. The gas market environment in Europe continues to be characterized by oversupply. Gas prices on European spot markets are expected to remain flat compared to prices at the end of June 2016. Current market forwards, however, show a slight upward trend for the next months.

Group

- CAPEX (incl. capitalized E&A) is expected to decline to EUR 2.2 bn
- Exploration and appraisal expenditure is expected to amount to EUR 450 mn
- The Group expects to reach its goal of reducing costs of EUR 100 mn ahead of schedule already in 2016 (compared with 2015 as the basis). OMV has set a new cost reduction target of more than EUR 150 mn for 2017

Upstream

- OMV expects total production to average slightly above 300 kboe/d
- The combined production of Romania and Austria is expected to average 190-200 kboe/d. In H2/16, OMV has planned an upgrade of surface facilities, including shut-ins at key wells, in the Totea Deep field in Romania
- In Norway, average production is expected to increase to above 60 kboe/d due to additional volumes, resulting mainly from the ramp-up of Edvard Grieg. In Q3/16, the total production level will decline as a result of planned turnarounds
- Production in Libya and Yemen is not expected to restart during the year due to the continuing critical security situation
- Upstream capital expenditure will make up roughly 70% of total Group CAPEX, including drilling and workover activities in Romania and Austria and the following major investment projects: Gullfaks, Aasta Hansteen and Edvard Grieg in Norway, Nawara in Tunisia, Schiehallion in the UK and field redevelopment projects in Romania
- The sale of a 30% stake in the Rosebank field is expected to be completed in Q4/16

Downstream

Oil

- Due to persisting overcapacity in the European markets, refining margins in the second half of 2016 are projected to be below the levels of the first half of 2016
- Capacity utilization (adjusted for turnaround periods) is expected to be above 90%. This is due to strong performance in all sales channels and will support the stable profit and cash contribution from Downstream Oil
- The petrochemical margins are expected to decline from their high levels in 2015
- Due to the decreased oil price, lower product prices are expected to support demand for mineral oil products from commercial and retail customers

Gas

- Natural gas sales margins are expected to remain at low levels, due to oversupply on the European gas market
- Spark spreads in Romania and Turkey are expected to remain weak
- The sale of a stake in Gas Connect Austria of up to 49% is progressing according to plan and the transaction is expected to be signed and closed in the second half of 2016

Business Segments

Upstream

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
(103)	(603)	106	n.m.	EBIT	(706)	135	n.m.
(6)	(603)	(11)	n.m.	Special items	(609)	(14)	n.m.
(97)	0	116	n.m.	Clean EBIT	(97)	149	n.m.
271	373	569	(34)	Clean EBITD	645	956	(33)
373	316	593	(47)	Capital expenditure	689	1,202	(43)
312	316	307	3	Total hydrocarbon production in kboe/d	314	305	3
175	177	181	(2)	thereof OMV Petrom group	176	182	(3)
14.6	14.7	14.0	5	Crude oil and NGL production in mn bbl	29.3	27.6	6
77.6	79.5	78.0	2	Natural gas production in bcf	157.1	154.9	1
33.94	45.59	61.88	(26)	Average Brent price in USD/bbl	39.81	57.84	(31)
30.93	38.70	56.60	(32)	Average realized crude price in USD/bbl	34.69	52.66	(34)
4.80	4.60	5.68	(19)	Average realized gas price in USD/1,000 cf	4.70	5.53	(15)
1.102	1.129	1.105	2	Average EUR-USD FX-rate	1.116	1.116	0
115	49	183	(73)	Exploration expenditure in EUR mn	164	334	(51)
36	653	108	n.m.	Exploration expenses in EUR mn	689	168	n.m.
12.15	11.51	13.59	(15)	OPEX in USD/boe	11.82	13.78	(14)

Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)

- **Lower oil and gas prices negatively impacted clean EBIT in Q2/16**
- **Production increased by 3%, driven by the ramp-up in Norway**
- **Planned spending reductions led to 64% less clean exploration expenses**
- **Successful implementation of the cost reduction program resulted in a 15% decrease in OPEX**

In Q2/16, the average **Brent price** in USD was 26% lower – mainly due to the oversupply in the oil market. The Group's average **realized crude price** decreased by 32%. This mirrored the development in the Brent price and was also impacted by the different crude mix and a negative hedging result in the amount of EUR 18 mn. The average **realized gas price** in USD/1,000 cf decreased by 19% and followed the trend of European spot markets, where an oversupply situation still persisted.

Total OMV daily production of oil, NGL and gas increased by 3% to 316 kboe/d. Production in Norway was up significantly (+24 kboe/d), pushed on by the Edvard Grieg field, which started production at the end of 2015. This increase was partly offset by lower production in Austria, Pakistan and Romania, which, in turn, was mainly due to natural decline. OMV Petrom's total daily oil and gas production decreased by 2%, reflecting the natural decline. **Total sales volumes** decreased by 3%, predominantly due to lower volumes from New Zealand, Romania and Pakistan. In Norway, the strong increase in production was not reflected in the sales volume development due to the lifting schedule.

At USD 11.5/boe, **production costs** excluding royalties (OPEX) in USD/boe were down by 15%, as a result of the successful implementation of the cost reduction program (lower material, personnel and service costs) coupled with higher production. At OMV Petrom, OPEX decreased by 8% to USD 12.1/boe.

Clean EBIT reached break-even vs. EUR 116 mn in Q2/15, carried by the drop in oil and gas prices. Reduced clean exploration expenses and lower production costs partially offset this effect. OMV Petrom contributed EUR 43 mn to clean EBIT. **Clean exploration expenses** decreased to EUR 39 mn from EUR 108 mn in Q2/15 due to decreased activity levels, above all in Romania, Norway, Pakistan and Austria. Reported exploration expenses increased to EUR 653 mn, largely as a result of the impairment of the Rosebank field in the United Kingdom and the write-offs of Upstream licenses in Norway, Madagascar and Romania.

On August 9, 2016, OMV signed an agreement for the sale of a 30% stake in the Rosebank field. Rosebank is an offshore deep water oil and gas field located in the United Kingdom. After this transaction, OMV's interest in the field will amount to 20%. Under the terms of agreement, OMV will receive an initial payment of USD 50 mn on closing. Following the co-venturers approval of the Rosebank project final investment decision, OMV would receive additional consideration of up to USD 165 mn. In connection with this transaction, OMV realized a pre-tax impairment for the 50% stake held in the Rosebank field amounting to EUR 530 mn, which was booked in Q2/16.

Special items recorded for the quarter amounted to EUR (603) mn. This related mainly to the aforementioned impairment as well as write-offs of Upstream licenses. These special items led to a **reported EBIT** of EUR (603) mn (Q2/15: EUR 106 mn).

Upstream **invested** EUR 316 mn (Q2/15: EUR 593 mn) mainly in projects in Norway such as Gullfaks and Aasta Hansteen as well as in Romania, Tunisia and the United Kingdom.

The OMV Group decreased its **exploration expenditure** by 73% to EUR 49 mn, reflecting lower activities across the entire portfolio in line with the revised exploration strategy. Thus, exploration expenditure was lower in Romania, Norway, Pakistan and Austria, although this was partly offset by increased expenditure in Bulgaria (Polshkov-1 well).

Second quarter 2016 (Q2/16) vs. first quarter 2016 (Q1/16)

The average **Brent price** in USD increased by 34% and the Group's average **realized crude price** was up by 25%. The average **realized gas price** in USD/1,000 cf decreased by 4%.

Total OMV daily production of oil, NGL and gas increased by 1% to 316 kboe/d, which can mainly be attributed to higher production in Norway. New wells were brought on stream in Gullfaks and production in Edvard Grieg further increased. **Total sales volumes** were at the same level – mainly due to an underlift situation in Norway.

Production costs excluding royalties (OPEX) in USD/boe decreased by 5% reflecting the successful implementation of the cost reduction program.

Clean EBIT increased significantly from EUR (97) mn in Q1/16 to break-even owing to higher oil prices in Q2/16. In addition, lower production costs supported the result. Slightly higher **clean exploration expenses** in Norway as well as higher depreciation as a result of increased production volumes impacted the result negatively.

January to June 2016 (6m/16) vs. January to June 2015 (6m/15)

The average **Brent price** in USD decreased by 31%. The Group's average **realized crude price** in USD/bbl decreased by 34% to USD 34.69/bbl following the negative Brent price development. This decline was also impacted by the crude mix and a positive hedging result. The average **realized gas price** in USD/1,000 cf decreased by 15%, in line with the trend of the European spot markets.

Total OMV daily production of oil, NGL and gas increased by 3% to 314 kboe/d. Production in Norway increased by 28 kboe/d. This was only partly offset by lower production in Romania, the shut-in in Yemen and declines in Austria and Pakistan. OMV Petrom's total daily oil and gas production decreased by 3% due to natural decline. **Total sales volumes** increased by 2%, driven by higher volumes in Norway.

Production costs excluding royalties (OPEX) in USD/boe decreased by 14% to USD 11.8/boe. Strict cost management (resulting in lower material and personnel costs), higher production volumes and a weaker NOK were responsible for this development. Despite lower production volumes, OMV Petrom reported a decrease of 11% in OPEX to USD 12.2/boe.

Clean EBIT decreased to EUR (97) mn vs. EUR 149 mn in 6m/15, reflecting the significant drop in oil and gas prices. Lower clean exploration expenses, production costs and higher sales volumes could only partly offset this effect. Clean exploration expenses dropped by 55% to EUR 75 mn vs. EUR 168 mn in 6m/15, reflecting the lower activity levels across the portfolio. Reported exploration expenses increased to EUR 689 mn mainly due to the impairment of the Rosebank field in the United Kingdom and the write-offs of Upstream licenses in Norway, Madagascar and Romania. Special items of EUR (609) mn were recorded in 6m/16. These were mainly related to the aforementioned impairment as well as write-offs of Upstream licenses. **Reported EBIT** dropped from EUR 135 mn in 6m/15 to EUR (706) mn.

Upstream **invested** EUR 689 mn (6m/15: EUR 1,202 mn), mostly in field developments and redevelopments, drilling and workover activities in Romania, Norway, Tunisia and the United Kingdom.

In line with the revised exploration strategy, **exploration expenditure** decreased by 51% to EUR 164 mn, reflecting lower activities, primarily in Romania.

Downstream

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
137	362	140	160	EBIT	499	357	40
(9)	(2)	(186)	99	Special items	(12)	(178)	93
(78)	114	57	102	CCS effects: Inventory holding gains/(losses) [1]	36	5	n.m.
225	250	269	(7)	Clean CCS EBIT [1]	475	529	(10)
204	178	286	(38)	thereof Downstream Oil	382	491	(22)
21	72	(17)	n.m.	thereof Downstream Gas	93	38	143
380	410	434	(5)	Clean CCS EBITD [1]	790	854	(7)
92	171	93	84	Capital expenditure	263	184	43
				Downstream Oil KPIs			
5.08	4.67	7.78	(40)	OMV indicator refining margin in USD/bbl	4.87	7.61	(36)
374	357	438	(19)	Ethylene/propylene net margin in EUR/t [2]	364	398	(8)
90	72	92	(21)	Utilization rate refineries in %	81	92	(12)
6.82	7.65	7.56	1	Total refined product sales in mn t	14.47	14.13	2
2.22	2.62	2.63	(1)	thereof retail sales volumes in mn t	4.84	4.86	0
0.60	0.56	0.56	0	thereof petrochemicals in mn t	1.16	1.13	3
				Downstream Gas KPIs			
32.49	24.42	23.05	6	Natural gas sales volumes in TWh	56.92	61.05	(7)
0.78	0.72	0.33	118	Net electrical output in TWh	1.50	1.34	11

[1] Current cost of supply (CCS): Clean CCS figures exclude special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi
[2] Calculated based on West European Contract Prices (WECP)

Second quarter 2016 (Q2/16) vs. second quarter 2015 (Q2/15)

- **Downstream Oil result adversely impacted by significantly diminished refining margins**
- **OMV Petrol Ofisi's contribution increased to EUR 31 mn, supported by better margins**
- **Downstream Gas result was clearly up, mainly due to one-off effects**

Clean CCS EBIT decreased by 7% to EUR 250 mn, driven mainly by a lower contribution of the Downstream Oil business. This was partly offset by the higher Downstream Gas result. Special items amounted to EUR (2) mn. Increased crude prices over the quarter contributed to positive CCS effects of EUR 114 mn. **Reported EBIT** amounted to EUR 362 mn.

Downstream Oil clean CCS EBIT decreased to EUR 178 mn, reflecting the diminished refining margin and the effect of the planned turnarounds at Schwechat and Petrobrazi refineries. The OMV indicator refining margin decreased from USD 7.8/bbl in Q2/15 to USD 4.7/bbl in Q2/16, largely due to lower gasoline and middle distillate spreads. The refinery utilization rate in Q2/16 decreased to 72% (92% in Q2/15) as a result of the planned turnarounds of approximately one month at Schwechat and Petrobrazi. These effects were partially compensated by a better retail result. At EUR 31 mn, OMV Petrol Ofisi made a significantly higher contribution to earnings. At EUR 57 mn, the clean petrochemicals EBIT was down from EUR 68 mn as reported in Q2/15, as a consequence of lower propylene margins. In 2015, petrochemical prices and margins were especially high owing to a supply shortage in the market.

At EUR 72 mn, the **Downstream Gas** clean EBIT was clearly up, largely driven by restructuring efforts, which resulted in one-off effects in the amount of approximately EUR 40 mn. This included valuation gains on forward contracts and a settlement for a gas storage contract that resulted in a gain. Natural gas sales volumes increased by 6% to 24.42 TWh, mostly due to higher sales volumes in Austria. The contribution of the gas transportation business in Austria amounted to EUR 30 mn, broadly in line with the previous year. While the power business remained challenging, the net electrical output increased from 0.33 TWh in Q2/15 to 0.72 TWh in the current quarter. This resulted predominantly from a higher net electrical output in Romania.

The contribution from **Borealis**, which is accounted for at-equity and shown in the financial result of the OMV Group, was strong. However, the result decreased to EUR 111 mn in Q2/16 vs. EUR 127 mn in Q2/15. This was largely attributable to a lower contribution from the fertilizer business and margin pressure at Borouge.

CAPEX in Downstream amounted to EUR 171 mn (Q2/15: EUR 93 mn), of which EUR 166 mn was in Downstream Oil. Downstream Oil investments were mainly related to the turnaround of the refineries as well as the acquisition of FE Trading. OMV spent EUR 6 mn in Downstream Gas.

Second quarter 2016 (Q2/16) vs. first quarter 2016 (Q1/16)

Clean CCS EBIT increased from EUR 225 mn to EUR 250 mn in Q2/16, driven by the higher result from Downstream Gas.

Downstream Oil clean CCS EBIT decreased to EUR 178 mn, reflecting the reduced refining margin and the effect of the planned turnarounds at Schwechat and Petrobrazi refineries. The OMV indicator refining margin decreased from USD 5.1/bbl in Q1/16 to USD 4.7/bbl in Q2/16, which flowed primarily from higher crude prices. The refinery utilization rate in Q2/16 decreased to 72% (90% in Q1/16), as a result of the planned turnarounds at Schwechat and Petrobrazi. At EUR 57 mn, the clean petrochemicals EBIT increased slightly from EUR 53 mn as reported in Q1/16; this was due to a change in product sales mix. In addition, the retail business also reported better results. At EUR 31 mn, OMV Petrol Ofisi made a significantly higher contribution to earnings.

At EUR 72 mn, the **Downstream Gas** clean EBIT was clearly up, largely generated by restructuring efforts, which resulted in one-off effects in the amount of approximately EUR 40 mn. This included valuation gains on forward contracts and a settlement for a gas storage contract, which resulted in a gain. Natural gas sales volumes decreased by 25% to 24.42 TWh, mostly due to seasonality.

The contribution from **Borealis** increased to EUR 111 mn from EUR 92 mn in Q1/16. Borealis reported an improved performance of the olefin and polyolefin businesses as well as a stronger profit contribution from Borouge.

January to June 2016 (6m/16) vs. January to June 2015 (6m/15)

Downstream recorded a strong **clean CCS EBIT** of EUR 475 mn. This 10% decrease can mainly be traced back to a lower contribution from Downstream Oil. Special items of EUR (12) mn were recorded. Increased crude prices over the first half of the year contributed to positive CCS effects of EUR 36 mn. **Reported EBIT** amounted to EUR 499 mn.

At EUR 382 mn, **Downstream Oil** clean CCS EBIT was below the EUR 491 mn achieved in 6m/15, because of the lower refining result. The OMV indicator refining margin decreased from USD 7.6/bbl to USD 4.9/bbl, mainly due to reduced gasoline and middle distillates spreads. This trend was partly compensated by lower crude prices. The refining utilization rate stood at 81% vs. 92% in 6m/15 reflecting the planned turnarounds of approximately one month at Schwechat and Petrobrazi. The clean petrochemicals EBIT was up 10% at EUR 110 mn, reflecting a change in the sales mix to higher ethylene volumes. The ethylene margin was higher than the propylene margin. The retail business showed a very strong performance. At EUR 48 mn, OMV Petrol Ofisi made a significantly higher contribution to earnings.

At EUR 93 mn, **Downstream Gas** clean EBIT was clearly up, largely driven by restructuring efforts and the strong contribution from the gas logistics business. Natural gas sales volumes declined to 56.92 TWh from 61.05 TWh as a result of lower demand. The contribution of the gas transportation business in Austria was stable at EUR 61 mn. While the power business remained challenging, net electrical output increased to 1.50 TWh compared to 1.34 TWh in 6m/15. This resulted mainly from a higher net electrical output in Romania.

The contribution from **Borealis** increased to EUR 203 mn from EUR 176 mn in 6m/15. While the contribution from Borouge was lower, Borealis' olefin and polyolefin businesses achieved better results.

CAPEX in Downstream amounted to EUR 263 mn (6m/15: EUR 184 mn), of which EUR 255 mn were in Downstream Oil (6m/15: EUR 164 mn). Downstream Oil investments related primarily to the turnaround of the refineries and the OMV Petrol Ofisi contract renewals. OMV spent EUR 8 mn in Downstream Gas (6m/15: EUR 20 mn).

Group interim financial statements (condensed, unaudited)

Income statement (unaudited)

Q1/16	Q2/16	Q2/15	Consolidated income statement in EUR mn	6m/16	6m/15
3,991	4,614	5,726	Sales revenues	8,605	11,552
(83)	(84)	(82)	Direct selling expenses	(167)	(164)
(3,497)	(3,823)	(4,987)	Production costs of sales	(7,320)	(10,063)
411	**707**	**657**	**Gross profit**	**1,117**	**1,325**
107	92	94	Other operating income	199	180
(251)	(271)	(223)	Selling expenses	(522)	(447)
(82)	(77)	(98)	Administrative expenses	(159)	(195)
(36)	(653)	(108)	Exploration expenses	(689)	(168)
(6)	(4)	(7)	Research and development expenses	(10)	(11)
(94)	(95)	(93)	Other operating expenses	(190)	(234)
48	**(300)**	**222**	**Earnings Before Interest and Taxes (EBIT)**	**(253)**	**451**
95	117	126	Income from equity-accounted investments	213	171
92	111	127	thereof Borealis	203	176
8	15	12	Dividend income	24	13
22	9	41	Interest income	31	52
(66)	(65)	(71)	Interest expenses	(131)	(140)
(19)	(4)	(16)	Other financial income and expenses	(23)	(26)
41	**72**	**92**	**Net financial result**	**113**	**69**
88	**(228)**	**314**	**Profit before tax**	**(140)**	**520**
47	111	(23)	Taxes on income	159	(7)
136	**(117)**	**292**	**Net income for the period**	**19**	**513**
95	**(168)**	**209**	**thereof attributable to stockholders of the parent**	**(73)**	**372**
26	26	9	thereof attributable to hybrid capital owners	51	19
16	25	73	thereof attributable to non-controlling interests	41	122
0.29	**(0.51)**	**0.64**	**Basic Earnings Per Share in EUR**	**(0.22)**	**1.14**
0.29	(0.51)	0.64	Diluted Earnings Per Share in EUR	(0.22)	1.14

Statement of comprehensive income (condensed, unaudited)

Q1/16	Q2/16	Q2/15	in EUR mn	6m/16	6m/15
136	**(117)**	**292**	**Net income for the period**	**19**	**513**
(31)	31	(447)	Exchange differences from translation of foreign operations	0	191
0	1	(10)	Gains/(losses) on available-for-sale financial assets	1	(1)
(5)	(68)	7	Gains/(losses) on hedges	(73)	44
(29)	19	(26)	Share of other comprehensive income of equity-accounted investments	(10)	78
(65)	**(17)**	**(477)**	**Total of items that may be reclassified ("recycled") subsequently to the income statement**	**(82)**	**312**
0	(55)	0	Remeasurement gains/(losses) on defined benefit plans	(55)	0
0	(18)	0	Share of other comprehensive income of equity-accounted investments	(18)	0
0	**(73)**	**0**	**Total of items that will not be reclassified ("recycled") subsequently to the income statement**	**(73)**	**0**
4	15	3	Income taxes relating to items that may be reclassified ("recycled") subsequently to the income statement	19	(18)
0	2	0	Income taxes relating to items that will not be reclassified ("recycled") subsequently to the income statement	2	(1)
4	**16**	**3**	**Total income taxes relating to components of other comprehensive income**	**21**	**(18)**
(61)	**(74)**	**(474)**	**Other comprehensive income for the period, net of tax**	**(134)**	**294**
75	**(190)**	**(183)**	**Total comprehensive income for the period**	**(115)**	**807**
0	(208)	(224)	thereof attributable to stockholders of the parent	(207)	662
26	26	9	thereof attributable to hybrid capital owners	51	19
49	(8)	32	thereof attributable to non-controlling interests	41	126

Statement of financial position (unaudited)

Statement of financial position in EUR mn	Jun. 30, 2016	Dec. 31, 2015
Assets		
Intangible assets	2,815	3,275
Property, plant and equipment	16,050	16,440
Equity-accounted investments	2,562	2,562
Other financial assets	864	846
Other assets	108	81
Deferred taxes	1,038	850
Non-current assets	**23,437**	**24,054**
Inventories	1,733	1,873
Trade receivables	2,590	2,567
Other financial assets	1,040	2,245
Income tax receivables	94	108
Other assets	371	374
Cash and cash equivalents	1,325	1,348
Current assets	**7,154**	**8,516**
Assets held for sale	229	94
Total assets	**30,820**	**32,664**
Equity and liabilities		
Capital stock	327	327
Hybrid capital	2,231	2,231
Reserves	8,473	9,114
OMV equity of the parent	11,031	11,672
Non-controlling interests	2,809	2,626
Equity	**13,840**	**14,298**
Provisions for pensions and similar obligations	1,078	1,045
Bonds	3,723	3,721
Interest-bearing debts	869	871
Provisions for decommissioning and restoration obligations	3,335	3,342
Other provisions	539	535
Other financial liabilities	335	410
Other liabilities	159	160
Deferred taxes	194	229
Non-current liabilities	**10,233**	**10,314**
Trade payables	3,351	3,380
Bonds	67	295
Interest-bearing debts	365	200
Provisions for income taxes	211	215
Provisions for decommissioning and restoration obligations	117	100
Other provisions	359	418
Other financial liabilities	1,174	2,341
Other liabilities	1,068	1,074
Current liabilities	**6,711**	**8,021**
Liabilities associated with assets held for sale	36	32
Total equity and liabilities	**30,820**	**32,664**

Statement of changes in equity (condensed, unaudited)

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

in EUR mn	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Other reserves [1]	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
January 1, 2015	**327**	**1,503**	**741**	**10,117**	**(1,086)**	**(11)**	**11,591**	**2,924**	**14,514**
Net income for the period				391			391	122	513
Other comprehensive income for the period				(1)	290		290	4	294
Total comprehensive income for the period				**391**	**290**		**681**	**126**	**807**
Dividend distribution and hybrid coupon				(459)			(459)	(72)	(531)
Disposal of treasury shares		1				1	3		3
Share-based payments		(6)		3			(2)		(2)
Increase/(decrease) in non-controlling interests				(1)	(6)		(7)	(4)	(12)
June 30, 2015	**327**	**1,498**	**741**	**10,051**	**(801)**	**(10)**	**11,806**	**2,973**	**14,779**

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

Cash flows (condensed, unaudited)

Q1/16	Q2/16	Q2/15	Summarized statement of cash flows in EUR mn	6m/16	6m/15
136	**(117)**	**292**	**Net income for the period**	**19**	**513**
536	1,157	834	Depreciation, amortization and impairments including write-ups	1,693	1,360
(59)	(147)	(25)	Deferred taxes	(205)	(85)
0	(15)	(9)	Losses/(gains) on the disposal of non-current assets	(15)	(9)
10	(36)	(11)	Net change in long-term provisions	(26)	7
29	(152)	(85)	Other adjustments	(123)	(111)
653	**691**	**995**	**Sources of funds**	**1,344**	**1,676**
258	(124)	(165)	(Increase)/decrease in inventories	133	(63)
(35)	(59)	275	(Increase)/decrease in receivables	(94)	(16)
(259)	499	(225)	(Decrease)/increase in liabilities	241	(230)
(37)	29	(21)	(Decrease)/increase in short-term provisions	(8)	(102)
579	**1,036**	**858**	**Cash flow from operating activities**	**1,615**	**1,264**
			Investments		
(717)	(473)	(790)	Intangible assets and property, plant and equipment	(1,190)	(1,695)
(29)	1	(25)	Investments, loans and other financial assets	(28)	(56)
0	(54)	0	Acquisitions of subsidiaries and businesses net of cash acquired	(54)	0
			Disposals		
21	41	54	Proceeds from sale of non-current assets	62	66
0	0	0	Proceeds from the sale of subsidiaries and businesses, net of cash disposed	0	0
(724)	**(485)**	**(762)**	**Cash flow from investing activities**	**(1,209)**	**(1,685)**
(66)	(242)	160	(Decrease)/increase in long-term borrowings	(307)	141
0	36	(5)	Increase in non-controlling interest	36	(12)
34	192	278	(Decrease)/increase in short-term borrowings	226	738
0	(379)	(529)	Dividends paid	(379)	(530)
0	0	0	Capital increase and hybrid bond	0	0
(32)	**(392)**	**(96)**	**Cash flow from financing activities**	**(424)**	**338**
(2)	(2)	(19)	Effect of exchange rate changes on cash and cash equivalents	(5)	(8)
(179)	**156**	**(18)**	**Net (decrease)/increase in cash and cash equivalents**	**(23)**	**(91)**
1,348	1,169	576	Cash and cash equivalents at beginning of period	1,348	649
1,169	**1,325**	**558**	**Cash and cash equivalents at end of period**	**1,325**	**558**
(145)	**551**	**97**	**Free cash flow**	**406**	**(421)**
(145)	**172**	**(433)**	**Free cash flow after dividends**	**27**	**(950)**

Selected notes to the interim consolidated financial statements

Legal principles

The interim condensed consolidated financial statements for the six months ended June 30, 2016, have been prepared in accordance with IAS 34 Interim Financial Statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2015.

The interim condensed consolidated financial statements for Q2/16 are unaudited and an external review by an auditor was not performed.

The interim condensed consolidated financial statements for Q2/16 have been prepared in million EUR (EUR mn, EUR 1,000,000). Accordingly, there may be rounding differences.

General accounting policies

The accounting policies and valuation methods adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended December 31, 2015, except as described herein.

The following new and amended standards and interpretations have been implemented since January 1, 2016. None has had a material impact on the condensed interim financial statements.

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

Changes in the consolidated Group

Compared with the consolidated financial statements as of December 31, 2015, the consolidated Group changed as follows:

In **Upstream**, OMV Abu Dhabi Offshore GmbH, based in Vienna, was included starting with May 1, 2016.

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

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

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

Fair values acquired in EUR mn	**April 30, 2016**
Intangible assets	16
Property, plant and equipment	19
Inventories	2
Trade receivables	2
Cash in hand and at bank	3
Total assets	**44**
Decommissioning and restoration obligations	(3)
Deferred taxes	(2)
Trade payables	(25)
Provisions for income taxes	(1)
Other financial liabilities	(6)
Total liabilities	**(37)**
Net assets acquired	**6**

Measurement of goodwill in EUR mn	**April 30, 2016**
Consideration given (cash)	26
Net assets acquired	(6)
Goodwill	**20**

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

As of June 30, 2016, FE-Trading GmbH and FE-Trading trgovina d.o.o. contributed EUR 29.4 mn to consolidated sales and EUR 0.1 mn to consolidated net income of OMV Group since their inclusion. If the acquisition had already taken place at the beginning of the year, the calculated value of sales and net income contribution to the OMV Group would have been EUR 82.4 mn and EUR 0.1 mn, respectively.

Changes in ownership of subsidiaries without change in control

On May 20, 2016, OMV increased its interest in EconGas GmbH, based in Vienna, to 100%, by acquiring the remaining non-controlling interest.

Seasonality and cyclicality

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

In addition to the interim financial statements, further information on main items affecting the interim financial statements as of June 30, 2016, is given as part of the description of OMV’s Business Segments in the Director’s Report.

Notes to the income statement

Material impairments

In Upstream, a 30% stake in the exploration and appraisal asset Rosebank (United Kingdom) was reclassified to held for sale as of June 30, 2016. On August 9, 2016, OMV signed an agreement for the sale of the 30% stake. Following the reclassification to held for sale, a pre-tax impairment of EUR 318 mn has been recognized in exploration expenses. The basis for the impairment was the selling price agreed with the buyer considering a best estimate for the contingent consideration (level 3 valuation).
The transaction also triggered a reassessment of the retained 20% stake in Rosebank which led to a pre-tax impairment of EUR 212 mn in Q2/16, impacting exploration expenses. The basis of the valuation was the fair value less costs of disposal derived from the expected sales price of the 30% stake in Rosebank (level 3 valuation).

Income tax

Q1/16	Q2/16	Q2/15	in EUR mn	6m/16	6m/15
47	111	(23)	Taxes on income and profit	159	(7)
(11)	(36)	(48)	Current taxes	(47)	(92)
59	147	25	Deferred taxes	205	85
(54)%	49%	7%	Effective tax rate	114%	1%

Notes to the statement of financial position

Commitments

As of June 30, 2016, OMV had contractual obligations for the acquisition of intangible assets and property, plant and equipment of EUR 1,661 mn (December 31, 2015: EUR 1,909 mn) mainly relating to exploration and production activities in Upstream.

Inventories

During the six months ending June 30, 2016, there were no material write-downs of inventories.

Equity

On May 18, 2016, the Annual General Meeting approved the payment of a dividend of EUR 1.00 per share, resulting in a total dividend payment of EUR 326 mn to OMV Aktiengesellschaft stockholders. Dividend distributions to minorities amounted to EUR 2 mn in 6m/16. An interest payment to hybrid capital owners amounting to EUR 51 mn was also made in 6m/16.

The **total number of own shares** held by the Company as of June 30, 2016, amounted to 824,369 (December 31, 2015: 912,824).

Financial liabilities

As of June 30, 2016, short- and long-term borrowings, bonds and finance leases amounted to EUR 5,318 mn (December 31, 2015: EUR 5,386 mn), of which EUR 286 mn were liabilities for finance leases (December 31, 2015: EUR 290 mn).

Fair value measurement

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

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

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

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

in EUR mn			Jun. 30, 2016			Dec. 31, 2015
Financial instruments on asset side	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Investment funds	7		**7**	7		**7**
Bonds	54	43	**98**	97		**97**
Derivatives designated and effective as hedging instruments	0	35	**35**	0	165	**165**
Other derivatives	141	442	**583**	732	894	**1,626**
Total	**203**	**521**	**724**	**836**	**1,059**	**1,895**

in EUR mn			Jun. 30, 2016			Dec. 31, 2015
Financial instruments on liability side	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Liabilities on derivatives designated and effective as hedging instruments	0	38	**38**	0	91	**91**
Liabilities on other derivatives	187	412	**599**	779	917	**1,696**
Total	**187**	**450**	**637**	**779**	**1,008**	**1,787**

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

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

Bonds and other interest-bearing debts amounting to EUR 5,025 mn (December 31, 2015: EUR 5,087 mn) are valued at amortized cost. The estimated fair value of these liabilities was EUR 5,571 mn (December 31, 2015: EUR 5,449 mn). The carrying amount of other financial liabilities is effectively the same as their fair value, as they are predominantly short-term.

Segment reporting

Intersegmental sales

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
493	573	839	(32)	Upstream	1,066	1,582	(33)
20	47	20	131	Downstream	67	44	54
8	6	8	(20)	thereof Downstream Oil	14	16	(12)
36	33	37	(12)	thereof Downstream Gas	69	81	(15)
(24)	8	(24)	n.m.	thereof intrasegmental elimination Downstream	(16)	(53)	71
91	84	97	(13)	Corporate and Other	175	197	(11)
604	**704**	**956**	**(26)**	**OMV Group**	**1,309**	**1,822**	**(28)**

Sales to external customers

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
213	199	285	(30)	Upstream	412	442	(7)
3,777	4,415	5,440	(19)	Downstream	8,193	11,108	(26)
2,808	3,663	4,775	(23)	thereof Downstream Oil	6,471	8,829	(27)
969	752	665	13	thereof Downstream Gas	1,722	2,279	(24)
0	0	1	n.m.	Corporate and Other	0	2	(99)
3,991	**4,614**	**5,726**	**(19)**	**OMV Group**	**8,605**	**11,552**	**(26)**

Total sales (not consolidated)

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
707	772	1,124	(31)	Upstream	1,478	2,024	(27)
3,797	4,462	5,460	(18)	Downstream	8,260	11,151	(26)
2,816	3,669	4,783	(23)	thereof Downstream Oil	6,485	8,845	(27)
1,006	785	702	12	thereof Downstream Gas	1,790	2,360	(24)
(24)	8	(24)	n.m.	thereof intrasegmental elimination Downstream	(16)	(53)	71
91	84	98	(14)	Corporate and Other	176	199	(12)
4,595	**5,318**	**6,682**	**(20)**	**OMV Group**	**9,913**	**13,374**	**(26)**

Segment and Group profit

Q1/16	Q2/16	Q2/15	Δ%	in EUR mn	6m/16	6m/15	Δ%
(103)	(603)	106	n.m.	EBIT Upstream	(706)	135	n.m.
137	362	140	160	EBIT Downstream	499	357	40
150	289	360	(20)	thereof EBIT Downstream Oil	438	513	(15)
(12)	73	(220)	n.m.	thereof EBIT Downstream Gas	61	(157)	n.m.
(4)	(15)	8	n.m.	EBIT Corporate and Other	(19)	(9)	(121)
30	(256)	253	n.m.	EBIT segment total	(226)	483	n.m.
18	(44)	(31)	(45)	Consolidation: Elimination of intersegmental profits	(27)	(32)	17
48	(300)	222	n.m.	OMV Group EBIT	(253)	451	n.m.
41	72	92	(21)	Net financial result	113	69	64
88	**(228)**	**314**	**n.m.**	**OMV Group profit before tax**	**(140)**	**520**	**n.m.**

Assets [1]

in EUR mn	Jun. 30, 2016	Dec. 31, 2015
Upstream	12,250	13,036
Downstream	6,442	6,492
thereof Downstream Oil	4,976	4,985
thereof Downstream Gas	1,466	1,507
Corporate and Other	174	188
Total	**18,865**	**19,715**

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

Other notes

Transactions with related parties

In 6m/16, there were arm's-length supplies of goods and services between the Group and at-equity accounted companies.

Significant transactions with related parties in EUR mn	6m/16		6m/15	
	Sales and other income	Purchases	Sales and other income	Purchases
Borealis	473	15	654	21
GENOL Gesellschaft m.b.H. & Co	98	1	140	1
Erdöl-Lagergesellschaft m.b.H.	24	26	29	25
Enerco Enerji Sanayi ve Ticaret A.Ş.	0	83	0	114

Balance sheet positions in EUR mn	Jun. 30, 2016	Dec. 31, 2015
Loans receivable	11	19
Trade receivables	32	26
Trade payables	17	28
Prepayments received	162	168

In 6m/16, OMV received dividend income of EUR 153 mn (6m/15: EUR 36 mn) from Borealis AG, EUR 14 mn (6m/15: EUR nil) from Enerco Enerji Sanayi ve Ticaret A.Ş and EUR 9 mn (6m/15: EUR 9 mn) from Trans Austria Gasleitung GmbH.

In June 2015, Borealis received a reassessment decision from the Finnish tax authority for its Finnish subsidiary Borealis Technology Oy with regard to the year 2010. The authority requested Borealis to pay an additional amount of EUR 125 mn, comprising taxes, late payment interest and penalties. This reassessment decision follows the reassessment decision received by Borealis at the end of 2014 for Borealis Technology Oy with regard to the year 2008 requesting Borealis to pay an additional EUR 282 mn. Borealis believes that both reassessment decisions are unjustified and has appealed by filing claims for adjustment with the Finnish tax authority's Board of Adjustment.

At the end of December 2015, Borealis received a reassessment decision from the Finnish tax authority for its Finnish subsidiary Borealis Polymers Oy with regard to the year 2009. The authority is requesting Borealis to pay an additional EUR 153 mn, an amount comprising taxes, late payment interest and penalties. Borealis believes also this reassessment decision is unjustified and has appealed against it by filing a claim for adjustment with the Finnish tax authority's Board of Adjustment.

Subsequent events

On August 9, 2016, OMV signed an agreement for the sale of a 30% stake in the Rosebank field. Rosebank is an offshore deep water oil and gas field located in the United Kingdom. After this transaction, OMV's interest in the field will amount to 20%.

Declaration of the management

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

Vienna, August 10, 2016

The Executive Board

Rainer Seele
Chairman of the Executive Board
and Chief Executive Officer

Reinhard Florey
Chief Financial Officer

Johann Pleininger
Member of the Executive Board
Upstream

Manfred Leitner
Member of the Executive Board
Downstream

Further information

Abbreviations and definitions

bbl: barrel(s), i.e. approximately 159 liters; **bcf**: billion standard cubic feet; **bn**: billion; **boe**: barrel(s) of oil equivalent; **boe/d**: boe per day; **capital employed**: equity including non-controlling interests plus net debt; **CCS / CCS effects / Inventory holding gains / (losses)**: Current Cost of Supply; Inventory holding gains and losses represent the difference between the cost of sales calculated using the current cost of supply and the cost of sales calculated using the weighted average method after adjusting for any changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost. In volatile energy markets, measurement of the costs of petroleum products sold based on historical values (e.g. weighted average cost) can have distorting effects on reported results (EBIT, Net income, etc.). The amount disclosed as CCS effect represents the difference between the charge to the income statement for inventory on a weighted average basis (adjusted for the change in valuation allowances related to net realizable value) and the charge based on the current cost of supply. The current cost of supply is calculated monthly using data from supply and production systems at Downstream Oil level; **Clean CCS EBIT**: Earnings before interest and tax adjusted for special items and CCS effects. Group Clean CCS EBIT is calculated by adding the Clean CCS EBIT of Downstream Oil, the Clean EBIT of the other segments and the reported Consolidation effect adjusted for changes in valuation allowances, in case the net realizable value of the inventory is lower than its cost; **Clean CCS EPS**: Clean CCS Earnings Per Share is calculated as Clean CCS net income attributable to stockholders divided by weighted number of shares; **Clean CCS net income attributable to stockholders**: Net income attributable to stockholders, adjusted for the after tax effect of special items and CCS; **Clean CCS ROACE**: Clean CCS Return On Average Capital Employed is calculated as NOPAT (as a sum of current and last three quarters) adjusted for the after tax effect of special items and CCS, divided by average Capital Employed (on a rolling basis, as an average of last four quarters) (%); **Co&O**: Corporate and Other; **EBITD**: Earnings Before Interest, Taxes, Depreciation and amortization, impairments and write-ups of fixed assets; **EPS**: Earnings Per Share; **EUR**: Euro; **FX**: Foreign Exchange; **gearing ratio**: Net debt divided by equity expressed as a percentage; **kbbl, kbbl/d**: Thousand barrels, kbbl per day; **kboe, kboe/d**: Thousand barrel oil equivalent, kboe per day; **LNG**: Liquefied Natural Gas; **mn**: million; **MWh**: Megawatt hour(s); **n.a.**: not available; **n.m.**: not meaningful; **Net debt**: Interest bearing debts plus finance lease liabilities less cash and cash equivalents; **NGL**: Natural Gas Liquids; **NOPAT**: Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/– result from discontinued operations, +/– tax effect of adjustments; **ROFA**: Return On Fixed Assets. EBIT divided by average intangible and tangible assets expressed as a percentage; **ROACE**: Return On Average Capital Employed. NOPAT divided by average capital employed expressed as a percentage; **ROE**: Return On Equity. Net income for the year divided by average equity expressed as a percentage (ROFA, ROACE and ROE indicators are calculated on a rolling basis based on the previous four consecutive quarters); **RON**: new Romanian leu; **Special items**: Special items are expenses and income reflected in the financial statements that are disclosed separately, as they are not part of underlying ordinary business operations. They are being disclosed separately in order to enable investors to better understand and evaluate OMV Group's reported financial performance; **t**: metric tonne(s); **TRY**: Turkish lira; **TWh**: Terawatt hour(s); **USD**: US dollar

For a full list of abbreviations and definitions please see the OMV Annual Report.

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