Quarterly Report 2017

Q4

OMV Aktiengesellschaft

The energy for a better life.

OMV

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February 21, 2018

OMV Group Report January–December and Q4 2017 including condensed consolidated financial statements as of December 31, 2017

Key Performance Indicators [1]

Group

- Clean CCS Operating Result increased by 67% to EUR 688 mn
- Clean CCS net income attributable to stockholders amounted to EUR 367 mn, clean CCS Earnings Per Share were EUR 1.12
- Strong free cash flow after dividend payments at EUR 1 bn in 2017
- High cash flow from operating activities of EUR 3.4 bn in 2017
- Cost savings target exceeded: In 2017, cost savings of EUR 330 mn versus 2015 achieved
- Clean CCS ROACE at 14%
- Dividend Per Share of EUR 1.50 [2] proposed; increase of 25% compared with the previous year

Upstream

- Record level of production at 377 kboe/d, up by 63 kboe/d
- Production cost decreased by 15% to USD 8.8/boe

Downstream

- OMV indicator refining margin at USD 5.7/bbl
- Natural gas sales increased to 31 TWh

Key events

- On November 30, 2017, OMV completed the acquisition of a 24.99% share in the Yuzhno Russkoye natural gas field located in Western Siberia from Uniper SE. The purchase price paid by OMV to Uniper amounts to EUR 1,719 mn (includes customary closing adjustments). The transaction takes retroactive economic effect as of January 1, 2017, and was largely funded out of proceeds generated from disposals and OMV's strong cash flow.
- On December 6, 2017, OMV closed the purchase of 40% in SMATRICS, Austria's leading complete provider for all services related to electro-mobility, having fulfilled the pre-agreed conditions including approval from the authorities.

[1] Figures reflect the Q4/17 period; all comparisons described relate to the same quarter in the previous year except where mentioned otherwise
[2] As proposed by the Executive Board; subject to confirmation by the Supervisory Board and the Annual General Meeting 2018

Directors' Report (condensed, unaudited)

Group performance

Financial highlights

In EUR mn (unless otherwise stated)

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
4,906	4,646	5,407	(9)	Sales [2]	20,222	19,260	5
688	**804**	**412**	**67**	**Clean CCS Operating Result [3]**	**2,958**	**1,535**	**93**
344	300	91	n.m.	Clean Operating Result Upstream [3]	1,225	40	n.m.
356	510	362	(2)	Clean CCS Operating Result Downstream [3]	1,770	1,533	15
14	(4)	(27)	n.m.	Clean Operating Result Corporate and Other [3]	(16)	(50)	68
(27)	(3)	(14)	(87)	Consolidation: elimination of inter-segmental profits	(21)	12	n.m.
28	19	42	(35)	Clean Group tax rate in %	25	7	n.m.
448	592	203	120	Clean CCS net income [3]	2,035	1,230	65
367	**472**	**153**	**140**	**Clean CCS net income attributable to stockholders [3, 4]**	**1,624**	**995**	**63**
1.12	1.45	0.47	140	Clean CCS EPS in EUR [3]	4.97	3.05	63
688	**804**	**412**	**67**	**Clean CCS Operating Result [3]**	**2,958**	**1,535**	**93**
(115)	**(55)**	**(601)**	**81**	**Special items [5]**	**(1,281)**	**(1,574)**	**19**
58	9	20	198	CCS effects: inventory holding gains/(losses)	55	6	n.m.
631	**758**	**(169)**	**n.m.**	**Operating Result Group**	**1,732**	**(32)**	**n.m.**
294	247	(28)	n.m.	Operating Result Upstream	1,218	(1,046)	n.m.
384	517	(90)	n.m.	Operating Result Downstream	584	1,106	(47)
(13)	(5)	(29)	55	Operating Result Corporate and Other	(48)	(56)	14
(34)	0	(21)	(63)	Consolidation: elimination of inter-segmental profits	(21)	(36)	42
(69)	(66)	(59)	(16)	Net financial result	(246)	(198)	(24)
562	692	(228)	n.m.	Profit before tax	1,486	(230)	n.m.
25	21	(45)	n.m.	Group tax rate in %	43	21	107
421	544	(331)	n.m.	Net income	853	(183)	n.m.
311	439	(378)	n.m.	Net income attributable to stockholders [4]	435	(403)	n.m.
0.95	1.35	(1.16)	n.m.	Earnings Per Share (EPS) in EUR	1.33	(1.24)	n.m.
742	792	611	21	Cash flow from operating activities	3,448	2,878	20
(1,445)	478	436	n.m.	Free cash flow before dividends	1,681	1,081	56
(1,532)	478	349	n.m.	Free cash flow after dividends	1,013	615	65
				Dividend Per Share (DPS) in EUR [6]	1.50	1.20	25
2,005	450	2,969	(32)	Net debt	2,005	2,969	(32)
14	3	21	(34)	Gearing ratio in %	14	21	(34)
2,290	388	519	n.m.	Capital expenditure [7]	3,376	1,878	80
14	12	7	88	Clean CCS ROACE in % [3]	14	7	88
6	1	0	n.m.	ROACE in %	6	0	n.m.
20,721	20,747	22,544	(8)	Employees	20,721	22,544	(8)

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

[1] Q4/17 compared to Q4/16

[2] Sales excluding petroleum excise tax

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

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

[5] The disclosure of special items is considered appropriate in order to facilitate analysis of the ordinary business performance; to reflect comparable figures, certain items affecting the result are added back or deducted; special items from equity-accounted companies are included; starting with Q1/17, temporary effects from commodity hedging for material Downstream and Upstream transactions are included; negative net special items recorded in Q4/16 were mainly attributable to impairments due to the divestment of OMV Petrol Ofisi of EUR (334) mn as well as to impairments of the Samsun power plant of EUR (101) mn and of the Etzel gas storage in the amount of EUR (73) mn; negative net special items recorded in 2016 were mostly related to impairments due to the divestment of the 30% stake in the Rosebank field (EUR (544) mn), OMV (U.K.) Limited (EUR (493) mn) and OMV Petrol Ofisi (EUR (334) mn)

[6] 2017: as proposed by the Executive Board; subject to confirmation by the Supervisory Board and the Annual General Meeting 2018

[7] Capital expenditure including acquisitions; notably OMV completed the acquisition of a 24.99% share in the Yuzhno Russkoye field in the amount of EUR 1,719 mn on November 30, 2017

Fourth quarter 2017 (Q4/17) compared to fourth quarter 2016 (Q4/16)

Consolidated sales decreased by 9% to EUR 4,906 mn compared to Q4/16, predominantly due to the divestment of OMV Petrol Ofisi. The **clean CCS Operating Result** was up from EUR 412 mn to EUR 688 mn, mainly driven by a significantly higher Upstream result. This was largely supported by higher sales volumes following the production ramp-up in Libya as well as by higher realized oil and gas prices. OMV Petrom's clean CCS Operating Result amounted to EUR 122 mn (Q4/16: EUR 102 mn). The **clean Group tax rate** was 28% compared to 42% in Q4/16. The **clean CCS net income** reached EUR 448 mn. **Clean CCS net income attributable to stockholders** increased to EUR 367 mn (Q4/16: EUR 153 mn). **Clean CCS Earnings Per Share** rose to EUR 1.12 (Q4/16: EUR 0.47).

Net **special items** of EUR (115) mn were recorded in Q4/17 (Q4/16: EUR (601) mn). In Upstream, net special items amounted to EUR (50) mn and were mostly related to unrealized hedging losses. **CCS effects** of EUR 58 mn were recognized in Q4/17. OMV Group's reported **Operating Result** came in at EUR 631 mn, significantly higher than in Q4/16 (EUR (169) mn). OMV Petrom's contribution to the Group's reported Operating Result was EUR 193 mn (Q4/16: EUR 76 mn).

The **net financial result** was EUR (69) mn (Q4/16: EUR (59) mn). The decrease was mainly related to FX losses. With a **Group tax rate** of 25% (Q4/16: (45)%), **net income** amounted to EUR 421 mn. **Net income attributable to stockholders** rose substantially to EUR 311 mn (Q4/16: EUR (378) mn). **Earnings Per Share** for the quarter increased significantly to EUR 0.95 (Q4/16: EUR (1.16)).

Cash flow from operating activities grew to EUR 742 mn from EUR 611 mn in Q4/16. This was predominantly supported by an improved market environment and net working capital effects. **Free cash flow after dividends** stood at EUR (1,532) mn compared to EUR 349 mn in Q4/16 and was significantly impacted by the acquisition of an interest in the Yuzhno Russkoye field that led to a net cash outflow of EUR (1,644) mn (net of cash acquired).

Net debt decreased to EUR 2,005 mn compared to EUR 2,969 mn on December 31, 2016, primarily because of a higher cash position. On December 31, 2017, the **gearing ratio** stood at 14% (December 31, 2016: 21%).

Capital expenditures totaled EUR 2,290 mn (Q4/16: EUR 519 mn) with the majority dedicated to Upstream. This includes the acquisition of a 24.99% interest in the Yuzhno Russkoye field in the amount of EUR 1,719 mn.

January to December 2017 compared to January to December 2016

Consolidated sales increased by 5% compared to 2016, mainly due to higher market prices in Downstream. The **clean CCS Operating Result** rose from EUR 1,535 mn in 2016 to EUR 2,958 mn. This was mainly driven by a higher Upstream result due to higher realized oil and gas prices and sales volumes in Libya and Norway. OMV Petrom group's clean CCS Operating Result rose to EUR 718 mn (2016: EUR 380 mn). With a **clean group tax rate** in 2017 of 25% (2016: 7%), the **clean CCS net income** increased to EUR 2,035 mn. **Clean CCS net income attributable to stockholders** amounted to EUR 1,624 mn (2016: EUR 995 mn). **Clean CCS Earnings Per Share** rose to EUR 4.97 (2016: EUR 3.05).

Net **special items** of EUR (1,281) mn were recorded in 2017 (2016: EUR (1,574) mn), primarily related to the divestment of OMV Petrol Ofisi. Upon closing of the divestment, a recycling of FX losses was recorded in OMV Group's net income in the amount of EUR 1.2 bn. This stems from the negative development of the Turkish lira against the euro since the acquisition of OMV Petrol Ofisi in 2010. **CCS effects** of EUR 55 mn were recognized in 2017. OMV Group's reported **Operating Result** rose to EUR 1,732 mn (2016: EUR (32) mn). The contribution of OMV Petrom to the Group reported Operating Result was EUR 733 mn, significantly higher than in 2016 (EUR 330 mn).

The **net financial result** was EUR (246) mn (2016: EUR (198) mn), mainly due to lower dividend income and higher FX losses. With a **Group tax rate** of 43% (2016: 21%) the **net income** amounted to EUR 853 mn. **Net income attributable to stockholders** was EUR 435 mn compared to EUR (403) mn in 2016. **Earnings Per Share** equaled EUR 1.33 compared to EUR (1.24) in 2016.

Cash flow from operating activities increased to EUR 3,448 mn (2016: EUR 2,878 mn), supported by an improved market environment as well as higher dividends from Borealis and Pearl Petroleum Company Limited ("Pearl"). **Free cash flow after dividends** rose to EUR 1,013 mn (2016: EUR 615 mn).

Net debt decreased to EUR 2,005 mn compared to EUR 2,969 mn on December 31, 2016, primarily as a result of a higher cash position. On December 31, 2017, the **gearing ratio** stood at 14% (December 31, 2016: 21%).

Capital expenditures increased to EUR 3,376 mn (2016: EUR 1,878 mn) with the majority dedicated to Upstream. This includes the acquisition of a 24.99% interest in the Yuzhno Russkoye field in the amount of EUR 1,719 mn.

Cash flow

Summarized cash-flow statement

In EUR mn

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
925	989	877	5	Sources of funds	3,871	3,026	28
742	792	611	21	Cash flow from operating activities	3,448	2,878	20
(2,187)	(314)	(175)	n.m.	Cash flow from investing activities	(1,766)	(1,797)	2
(1,445)	478	436	n.m.	Free cash flow	1,681	1,081	56
790	(28)	164	n.m.	Cash flow from financing activities	27	(74)	n.m.
(7)	(10)	(34)	80	Effect of exchange rate changes on cash and cash equivalents	(42)	(42)	1
(662)	440	565	n.m.	Net (decrease)/increase in cash and cash equivalents	1,667	965	73
4,643	4,203	1,748	166	Cash and cash equivalents at beginning of period	2,314	1,348	72
3,981	**4,643**	**2,314**	**72**	**Cash and cash equivalents at end of period**	**3,981**	**2,314**	**72**
9	*-*	*245*	*(96)*	*thereof cash disclosed within Assets held for sale*	*9*	*245*	*(96)*
3,972	**4,643**	**2,069**	**92**	**Cash and cash equivalents presented in the consolidated statement of financial position**	**3,972**	**2,069**	**92**
(1,532)	**478**	**349**	**n.m.**	**Free cash flow after dividends**	**1,013**	**615**	**65**
(1,532)	**478**	**803**	**n.m.**	**Free cash flow after dividends incl. non-controlling interest changes**	**1,013**	**1,105**	**(8)**

[1] Q4/17 compared to Q4/16

Fourth quarter 2017 (Q4/17) compared to fourth quarter 2016 (Q4/16)

In Q4/17, **sources of funds** rose to EUR 925 mn (Q4/16: EUR 877 mn) due to an improved market environment. Net working capital effects generated a cash outflow of EUR (183) mn (Q4/16: EUR (266) mn). **Cash flow from operating activities** increased to EUR 742 mn.

Cash flow from investing activities showed an outflow of EUR (2,187) mn, which was significantly higher than in Q4/16 (EUR (175) mn), mainly as a result of the acquisition of an interest in the Yuzhno Russkoye field that led to a net cash outflow of EUR (1,644) mn (net of cash acquired).

Cash flow from financing activities recorded an inflow of EUR 790 mn compared to EUR 164 mn in Q4/16, primarily as a result of the issuance of a EUR 1 bn Eurobond.

Free cash flow (defined as net cash from operating activities +/- net cash from investing activities) significantly decreased to EUR (1,445) mn (Q4/16: EUR 436 mn). **Free cash flow after dividends** declined to EUR (1,532) mn (Q4/16: EUR 349 mn).

January to December 2017 compared to January to December 2016

In 2017, **sources of funds** rose to EUR 3,871 mn (2016: EUR 3,026 mn), supported by an improved market environment as well as higher dividends from Borealis and Pearl. Net working capital components generated a cash outflow of EUR (424) mn (2016: EUR (148) mn).

Cash flow from operating activities amounted to EUR 3,448 mn, up by EUR 570 mn compared to 2016.

Cash flow from investing activities showed an outflow of EUR (1,766) mn in 2017 compared to an outflow of EUR (1,797) mn in 2016. In 2017, the divestments of OMV (U.K.) Limited and OMV Petrol Ofisi lead to a net inflow of EUR 1,689 mn, which was offset by the acquisition of an interest in the Yuzhno Russkoye field that lead to a net outflow of EUR (1,644) mn (net of cash acquired).

Cash flow from financing activities showed an inflow of EUR 27 mn compared to an outflow of EUR (74) mn in 2016.

Free cash flow (defined as net cash from operating activities +/- net cash from investing activities) significantly increased to EUR 1,681 mn (2016: EUR 1,081 mn). **Free cash flow after dividends** strongly rose to EUR 1,013 mn in 2017 (2016: EUR 615 mn).

Risk management

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

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

More information on current risks can be found in the "Outlook" section of the Directors' Report.

Transactions with related parties

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

Outlook

Market environment

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

Group

- In 2018, CAPEX (including capitalized E&A and excluding acquisitions) is projected to come in around EUR 1.9 bn.

Upstream

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

Downstream

Oil

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

Gas

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

Business Segments

Upstream

In EUR mn (unless otherwise stated)

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
747	659	456	64	Clean Operating Result before depreciation and amortization, impairments and write-ups	2,677	1,521	76
344	300	91	n.m.	Clean Operating Result	1,225	40	n.m.
(50)	(53)	(120)	58	Special items	(7)	(1,086)	99
294	247	(28)	n.m.	Operating Result	1,218	(1,046)	n.m.
2,074	272	358	n.m.	Capital expenditure [2]	2,781	1,356	105
84	53	75	12	Exploration expenditure	230	307	(25)
96	35	63	54	Exploration expenses [3]	222	808	(73)
8.79	8.77	10.38	(15)	Production cost in USD/boe [4, 5, 6]	8.79	10.58	(17)
				Key Performance Indicators			
377	341	315	20	Total hydrocarbon production in kboe/d [5, 6]	348	311	12
165	*166*	*170*	*(3)*	*thereof OMV Petrom*	*168*	*174*	*(4)*
16.6	16.6	14.6	14	Crude oil and NGL production in mn bbl [5]	65.6	57.9	13
103.4	83.4	81.2	27	Natural gas production in bcf [5, 6]	347.9	314.9	10
33.0	28.4	28.7	15	Total hydrocarbon sales volumes in mn boe [6]	118.3	108.8	9
61.26	52.08	49.33	24	Average Brent price in USD/bbl	54.19	43.73	24
55.61	47.26	45.35	23	Average realized crude price in USD/bbl	49.95	39.77	26
5.10	5.21	3.98	28	Average realized gas price in USD/1,000 cf [6]	5.10	4.45	15
14.26	14.44	12.08	18	Average realized gas price in EUR/MWh [6, 7]	14.77	13.15	12
1.177	1.175	1.079	9	Average EUR-USD FX rate	1.130	1.107	2

Notes: The net result from the equity-accounted investment in Pearl is reflected in the Operating Result in all presented periods. Following the closing of the acquisition of 24.99% interest in the Yuzhno Russkoye gas field on December 1, 2017, OMV's share of 24.99% in Severneftegazprom ("SNGP," operator of Yuzhno Russkoye) has been accounted for at-equity, and, the result of the JSC Gazprom YRGM Development ("Trader") in which OMV has a stake of 99.99% has been fully consolidated.

[1] Q4/17 compared to Q4/16

[2] Capital expenditure including acquisitions; notably OMV completed the acquisition of a 24.99% share in the Yuzhno Russkoye field in the amount of EUR 1.7 bn on November 30, 2017

[3] Exploration expenses include administrative costs in 2016 and exclude them in 2017

[4] OMV aligned the production cost definition with its industry peers; since Q1/17, administrative expenses and selling and distribution costs have been excluded; for comparison only, 2016 figures presented in the table were re-calculated

[5] Including the contribution from the equity-accounted investment in Pearl as of Q1/17

[6] Including OMV's interest in the Yuzhno Russkoye gas field, starting with December 1, 2017

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

Fourth quarter 2017 (Q4/17) compared to fourth quarter 2016 (Q4/16)

- Strong increase of clean Operating Result mainly due to higher realized oil and gas prices, as well as a higher contribution from Libya
- Significantly higher production at 377 kboe/d
- Gas production in Russia of 36 kboe/d
- Production cost decreased by 15% to USD 8.8/boe

The **clean Operating Result** substantially improved from EUR 91 mn in Q4/16 to EUR 344 mn. Compared to Q4/16, higher sales volumes contributed EUR 149 mn to the result. This was largely attributable to the production ramp-up in Libya. In addition, OMV benefited from net market effects of EUR 105 mn. Stronger realized oil and gas prices were partially offset by the depreciation of the US dollar against the euro. The clean Operating Result was also impacted by higher exploration expenses of EUR (50) mn, largely consisting of write-offs of exploration wells in Romania. In Q4/17, OMV Petrom contributed EUR 70 mn to the clean Operating Result compared to EUR 55 mn in Q4/16.

Net **special items** amounted to EUR (50) mn in Q4/17. These were mainly associated with unrealized hedging losses, partially offset by a write-up, related to the ongoing divestment process in the Middle East and Africa region. The **Operating Result** grew substantially to EUR 294 mn (Q4/16: EUR (28) mn).

At USD 8.8/boe, **production cost** excluding royalties declined by 15% as a result of a higher production coupled with the successful implementation of the cost reduction program. Production cost of OMV Petrom increased by 7% to USD 12.4/boe. Lower production volumes as well as a one-time personnel cost effect could not be fully offset by the abolishment of the infrastructure tax and strict cost management.

Total hydrocarbon production increased by 20% to 377 kboe/d, primarily due to Russia's contribution of 36 kboe/d and higher Libyan production of 29 kboe/d. In addition, starting with 2017, the contribution from Pearl has been included. OMV Petrom's total production was down by 3% to 165 kboe/d, mostly because of natural decline. The successful divestment of marginal fields in Romania also contributed to this decline in production. **Total sales volumes** were up by 15% and were mainly attributable to gas sales in Russia and liftings from Libya.

In Q4/17, the **average Brent price** rose by 24% to about USD 61/bbl, predominately due to stock draws and higher geopolitical risk. The Group's **average realized** crude price increased by 23%. The **average realized gas price** in USD/1,000 cf improved by 28%. Realized prices were impacted by a realized hedging loss of EUR (27) mn in Q4/17.

Capital expenditures including capitalized E&A increased to EUR 2,074 mn in Q4/17 (EUR 358 mn in Q4/16) and also account for the acquisition of the 24.99% interest in the Yuzhno Russkoye field in the amount of EUR 1,719 mn. Organic investments were undertaken primarily in Romania and Norway. **Exploration expenditures** increased by 12% to EUR 84 mn and were mainly related to activities in Romania, Bulgaria and Norway.

January to December 2017 compared to January to December 2016

The **clean Operating Result** substantially increased from EUR 40 mn in 2016 to EUR 1,225 mn in 2017. OMV benefited from net market effects of EUR 563 mn. Higher realized oil and gas prices were slightly offset by negative FX effects. Higher sales volumes mainly from the production ramp-up in Libya starting in Q4/16, and a production increase in Norway contributed EUR 400 mn to the result. In addition, there were positive effects from lower depreciation and production cost. Depreciation decreased by EUR 115 mn mainly as a result of the effect of upward reserves revisions in Q4/16. OMV Petrom contributed EUR 363 mn in 2017 to the clean Operating Result compared to EUR 126 mn in 2016.

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

At USD 8.8/boe, **production cost** excluding royalties were down by 17%. This was the result of the higher production coupled with the successful implementation of the cost reduction program. At OMV Petrom, production cost decreased by 7% to USD 10.9/boe, despite lower production volumes and a one-time personnel cost effect in Q4/17. This was attributable to the abolishment of the infrastructure tax and strict cost management.

Total hydrocarbon production rose by 12% to 348 kboe/d due to increased production in Libya and Norway as well as Russia's contribution. OMV Petrom's total daily production went down by 7 kboe/d to 168 kboe/d, mainly due to natural decline. **Total sales volumes** improved by 9% due to regular liftings from Libya, Russian gas sales and higher liftings from Norway.

In 2017, the **average Brent price** reached USD 54/bbl, an increase of 24%, predominately due to significant stock draws and a higher geopolitical risk. The Group's **average realized crude price** rose by 26%. The **average realized gas price** in USD/1,000 cf went up by 15%. Realized prices in 2017 were supported by a hedging gain.

Capital expenditures including capitalized E&A in Upstream rose in 2017 to EUR 2,781 mn (2016: EUR 1,356 mn) and considered the acquisition of the 24.99% interest in the Yuzhno Russkoye field in the amount of EUR 1,719 mn. Organic investments were undertaken primarily in Romania and Norway. **Exploration expenditures** fell by 25% to EUR 230 mn and were mainly related to activities in Norway, Romania and the United Arab Emirates.

Proved reserves (1P) as of December 31, 2017, increased to 1,146 mn boe (thereof OMV Petrom [3]: 566 mn boe). In 2017, the one-year Reserve Replacement Rate (RRR) rose to 191% (2016: 101%). The three-year average RRR grew to 116% in 2017 (2016: 70%). The significant improvement of the RRRs was mainly supported by the acquisition of the 24.99% interest in the Yuzhno Russkoye natural gas field in Russia. Additional reserves were booked because of positive reserves revisions, largely in Norway and Romania, as well as a contract extension in the Kurdistan Region of Iraq following the settlement agreement between the Kurdistan Regional Government of Iraq and Pearl after arbitration proceedings. Proved and probable reserves (2P) amounted to 1,943 mn boe (thereof OMV Petrom [3]: 839 mn boe) mostly due to the Yuzhno Russkoye acquisition, which more than compensated the divestments of OMV (U.K.) Limited, Ashtart, in Tunisia and several marginal fields in Romania.

[3] OMV Petrom covers Romania and Kazakhstan

Downstream

In EUR mn (unless otherwise stated)

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
475	628	525	(9)	Clean CCS Operating Result before depreciation and amortization, impairments and write-ups [2]	2,243	2,175	3
356	510	362	(2)	Clean CCS Operating Result [2]	1,770	1,533	15
311	*450*	*333*	*(7)*	*thereof Downstream Oil*	*1,554*	*1,341*	*16*
45	*60*	*29*	*57*	*thereof Downstream Gas*	*217*	*192*	*13*
(37)	0	(478)	92	Special items	(1,242)	(482)	(158)
66	7	26	150	CCS effects: inventory holding gains/(losses) [2]	55	55	1
384	517	(90)	n.m.	Operating Result	584	1,106	(47)
207	114	156	32	Capital expenditure [3]	580	513	13
				Downstream Oil KPIs			
5.68	7.04	5.59	2	OMV indicator refining margin in USD/bbl [4]	6.05	4.75	27
401	428	366	9	Ethylene/propylene net margin in EUR/t [5]	427	375	14
92	96	96	(5)	Utilization rate refineries in %	90	89	1
4.95	5.39	7.87	(37)	Total refined product sales in mn t	23.82	30.74	(23)
1.55	*1.72*	*2.67*	*(42)*	*thereof retail sales volumes in mn t*	*8.13*	*10.40*	*(22)*
0.55	*0.61*	*0.57*	*(4)*	*thereof petrochemicals in mn t*	*2.15*	*2.31*	*(7)*
				Downstream Gas KPIs			
31.13	24.00	29.78	5	Natural gas sales volumes in TWh	113.40	108.89	4
1.91	2.40	1.78	8	Net electrical output in TWh	7.10	5.18	37

[1] Q4/17 compared to Q4/16
[2] Current Cost of Supply (CCS): Clean CCS figures exclude special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries and OMV Petrol Ofisi
[3] Capital expenditure including acquisitions
[4] Actual refining margins realized by OMV may vary from the OMV indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions
[5] Calculated based on West European Contract Prices (WECP)

Fourth quarter 2017 (Q4/17) compared to fourth quarter 2016 (Q4/16)

- Downstream result at prior year's level despite divestment of OMV Petrol Ofisi
- Improved Downstream Gas result due to positive impact from the power business

The **clean CCS Operating Result** amounted to EUR 356 mn in Q4/17 (Q4/16: EUR 362 mn). A higher result from Downstream Gas partially compensated for the missing earnings contribution from OMV Petrol Ofisi due to its divestment in Q2/17.

The **Downstream Oil clean CCS Operating Result** declined from EUR 333 mn in Q4/16 to EUR 311 mn. The impact of the divestment of OMV Petrol Ofisi, which contributed EUR 32 mn to the clean CCS Operating Result in Q4/16, was partially offset by an increased retail contribution and lower fixed costs. The **OMV indicator refining margin** amounted to USD 5.7/bbl (Q4/16: USD 5.6/bbl). Higher naphtha and middle distillate margins were partially offset by higher feedstock costs due to the increased crude prices. The **utilization rate of the refineries** was 92% in Q4/17. In Q4/16, the utilization rate reached a high level of 96%, supported by stock building for the planned turnaround at the Schwechat refinery in 2017. At 4.95 mn t, **total refined product sales** decreased by 37% due to the divestment of OMV Petrol Ofisi, which contributed 2.8 mn t in Q4/16. Excluding OMV Petrol Ofisi, total refined product sales fell slightly by 3%. Without the contribution from OMV Petrol Ofisi, sales volumes and margins grew slightly in the retail business, while they came down in the commercial business. OMV Petrom contributed EUR 69 mn to the clean CCS Operating Result.

The clean CCS Operating Result of the petrochemicals business decreased by EUR 16 mn to EUR 37 mn in Q4/17. This was mainly caused by an unplanned shutdown of the steam cracker at the Schwechat refinery, partially compensated for by improved petrochemical margins. The contribution from Borealis to the clean CCS Operating Result amounted to EUR 94 mn in Q4/17 (Q4/16: EUR 86 mn). Lower fixed costs and higher contribution from Borouge were slightly offset by lower polyolefin margins.

Downstream Gas clean CCS Operating Result increased from EUR 29 mn in Q4/16 to EUR 45 mn. The previous year's quarter was negatively affected by mark-to-market valuation effects. The contribution of Gas Connect Austria decreased to EUR 21 mn from EUR 30 mn in Q4/16, mainly because of the change in regulated tariffs. **Natural gas sales volumes** rose from 29.78 TWh to 31.13 TWh, primarily due to increased sales volumes in Germany, Austria and Turkey. The power business was characterized by a higher net electrical output supported by a favorable market environment in Romania. OMV Petrom contributed EUR 10 mn to the clean CCS Operating Result.

Net **special items** recorded in Q4/17 amounted to EUR (37) mn, mainly related to a provision booked for the Gate LNG obligation and associated transportation commitments. In Q4/16, the net special items amounted to EUR (478) mn, mostly due to impairments of OMV Petrol Ofisi in the amount of EUR (334) mn in the context of the divestment. **CCS effects** of EUR 66 mn were booked as a result of rising crude prices during Q4/17. The **Operating Result** of Downstream increased significantly to EUR 384 mn compared to EUR (90) mn in Q4/16.

Capital expenditures in Downstream amounted to EUR 207 mn, of which EUR 169 mn where in Downstream Oil.

January to December 2017 compared to January to December 2016
The **clean CCS Operating Result** grew substantially from EUR 1,533 mn to EUR 1,770 mn in 2017 due to improved results in both Downstream Oil and Downstream Gas.

The **Downstream Oil clean CCS Operating Result** increased in 2017 by EUR 213 mn to EUR 1,554 mn. This was mainly driven by increased refining and petrochemical margins and good performance in the retail business, which more than compensated the negative impact of the planned turnaround at the Schwechat refinery. The **OMV indicator refining margin** significantly increased from USD 4.7/bbl to USD 6.0/bbl. This was largely attributable to stronger middle distillates, naphtha and fuel oil margins. The **utilization rate of the refineries** came in at 90% in 2017 (2016: 89%). At 23.82 mn t, **total refined product sales** decreased by 23%, which is owed to the divestment of OMV Petrol Ofisi in Q2/17. Excluding OMV Petrol Ofisi, total refined product sales marginally declined and were mainly caused by slightly lower petrochemical sales following the planned turnaround activities at the Schwechat refinery. Retail margins and volumes increased in all regions excluding Turkey. Commercial sales volumes and margins were below 2016 levels. OMV Petrom contributed EUR 336 mn to the clean CCS Operating Result. The clean CCS Operating Result of OMV Petrol Ofisi amounted to EUR 98 mn. The lower depreciation coming from the reclassification of OMV Petrol Ofisi to assets held for sale had a positive impact of EUR 67 mn.

The clean CCS Operating Result of the petrochemicals business improved to EUR 245 mn, despite the planned turnaround activities at the Schwechat refinery (2016: EUR 238 mn). This was supported by higher margins for all products, whereas especially the butadiene margin experienced a peak in the first half of 2017. Borealis’ contribution to the clean CCS Operating Result was stable at EUR 399 mn.

Downstream Gas clean CCS Operating Result improved from EUR 192 mn to EUR 217 mn in 2017. This included the reversal of temporary valuation effects from storage and supply hedges in the amount of EUR 29 mn. The performance of Gas Connect Austria decreased from EUR 131 mn in 2016 to EUR 97 mn in 2017 following the change in regulated tariffs. **Natural gas sales volumes** increased to 113.40 TWh (2016: 108.89 TWh), which is mainly attributable to higher volumes in Germany and Turkey. The power business improved significantly. OMV’s net electrical output rose from 5.2 TWh to 7.1 TWh in 2017, despite partial unavailability of the Brazi power plant, and was supported by increased spark spreads. OMV Petrom contributed EUR 50 mn to the clean CCS Operating Result.

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

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

Group Financial Statements (condensed, unaudited)

Income statement (unaudited)

In EUR mn (unless otherwise stated)

Q4/17	Q3/17	Q4/16		2017	2016
4,906	4,646	5,407	Sales revenues	20,222	19,260
128	72	243	Other operating income	488	646
93	195	98	Net income from equity-accounted investments	510	425
89	*98*	*86*	*thereof Borealis*	*394*	*399*
5,128	**4,913**	**5,747**	**Total revenues and other income**	**21,220**	**20,331**
(2,944)	(2,735)	(3,544)	Purchases (net of inventory variation)	(12,331)	(12,297)
(421)	(401)	(453)	Production and operating expenses	(1,645)	(1,686)
(77)	(70)	(72)	Production and similar taxes	(311)	(290)
(456)	(480)	(1,171)	Depreciation, amortization and impairment charges	(1,852)	(3,235)
(489)	(357)	(473)	Selling, distribution and administrative expenses	(1,636)	(1,721)
(96)	(35)	(54)	Exploration expenses	(221)	(790)
(12)	(77)	(150)	Other operating expenses	(1,491)	(344)
631	**758**	**(169)**	**Operating Result**	**1,732**	**(32)**
10	0	2	Dividend income	15	41
16	22	7	Interest income	64	66
(70)	(72)	(63)	Interest expenses	(265)	(261)
(25)	(17)	(5)	Other financial income and expenses	(60)	(44)
(69)	**(66)**	**(59)**	**Net financial result**	**(246)**	**(198)**
562	**692**	**(228)**	**Profit before tax**	**1,486**	**(230)**
(142)	(148)	(103)	Taxes on income	(634)	47
421	**544**	**(331)**	**Net income for the period**	**853**	**(183)**
311	***439***	***(378)***	***thereof attributable to stockholders of the parent***	***435***	***(403)***
26	*26*	*26*	*thereof attributable to hybrid capital owners*	*103*	*103*
84	*78*	*21*	*thereof attributable to non-controlling interests*	*315*	*118*
0.95	**1.35**	**(1.16)**	**Basic Earnings Per Share in EUR**	**1.33**	**(1.24)**
0.95	1.34	(1.15)	Diluted Earnings Per Share in EUR	1.33	(1.23)

Statement of comprehensive income (condensed, unaudited)

In EUR mn

Q4/17	Q3/17	Q4/16		2017	2016
421	544	(331)	Net income for the period	853	(183)
(232)	(98)	(181)	Exchange differences from translation of foreign operations	340	(113)
0	0	1	Gains/(losses) on available-for-sale financial assets	0	1
10	(11)	(30)	Gains/(losses) on hedges	32	(102)
(26)	(25)	88	Share of other comprehensive income of equity-accounted investments	(161)	63
(249)	**(134)**	**(123)**	**Total of items that may be reclassified (“recycled”) subsequently to the income statement**	**212**	**(151)**
7	0	(13)	Remeasurement gains/(losses) on defined benefit plans	7	(67)
(10)	0	0	Share of other comprehensive income of equity-accounted investments	(10)	(18)
(3)	**0**	**(13)**	**Total of items that will not be reclassified (“recycled”) subsequently to the income statement**	**(3)**	**(86)**
(1)	2	(5)	Income taxes relating to items that may be reclassified (“recycled”) subsequently to the income statement	5	15
2	0	0	Income taxes relating to items that will not be reclassified (“recycled”) subsequently to the income statement	2	2
2	**2**	**(5)**	**Total income taxes relating to components of other comprehensive income**	**7**	**17**
(250)	**(132)**	**(141)**	**Other comprehensive income for the period, net of tax**	**216**	**(220)**
170	**412**	**(472)**	**Total comprehensive income for the period**	**1,069**	**(403)**
95	*336*	*(462)*	*thereof attributable to stockholders of the parent*	*716*	*(611)*
26	*26*	*26*	*thereof attributable to hybrid capital owners*	*103*	*103*
49	*50*	*(36)*	*thereof attributable to non-controlling interests*	*250*	*105*

Statement of financial position (unaudited)

In EUR mn

	Dec. 31, 2017	Dec. 31, 2016
Assets		
Intangible assets	2,648	1,713
Property, plant and equipment	13,654	14,613
Equity-accounted investments	2,913	2,860
Other financial assets	1,959	947
Other assets	55	70
Deferred taxes	744	839
Non-current assets	**21,972**	**21,042**
Inventories	1,503	1,663
Trade receivables	2,503	2,459
Other financial assets	1,140	1,245
Income tax receivables	15	32
Other assets	265	198
Cash and cash equivalents	3,972	2,069
Current assets	**9,398**	**7,666**
Assets held for sale	206	3,405
Total assets	**31,576**	**32,112**
Equity and liabilities		
Capital stock	327	327
Hybrid capital	2,231	2,231
Reserves	8,658	8,357
OMV equity of the parent	11,216	10,915
Non-controlling interests	3,118	3,010
Equity	**14,334**	**13,925**
Provisions for pensions and similar obligations	1,003	1,057
Bonds	3,968	3,725
Interest-bearing debts	823	1,012
Provisions for decommissioning and restoration obligations	3,070	3,320
Other provisions	497	553
Other financial liabilities	405	409
Other liabilities	148	155
Deferred taxes	437	122
Non-current liabilities	**10,352**	**10,354**
Trade payables	3,262	3,731
Bonds	788	38
Interest-bearing debts	114	222
Provisions for income taxes	140	212
Provisions for decommissioning and restoration obligations	110	92
Other provisions	349	435
Other financial liabilities	1,288	1,169
Other liabilities	775	828
Current liabilities	**6,826**	**6,727**
Liabilities associated with assets held for sale	63	1,107
Total equity and liabilities	**31,576**	**32,112**

Condensed statement of changes in equity (condensed, unaudited)

In EUR mn

	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Other reserves [1]	Treasury shares	OMV equity of the parent	Non-controlling interests	Total equity
January 1, 2017	**327**	**1,507**	**2,231**	**7,990**	**(1,131)**	**(9)**	**10,915**	**3,010**	**13,925**
Net income for the period				537			537	315	853
Other comprehensive income for the period				8	274		282	(66)	216
Total comprehensive income for the period				**545**	**274**		**819**	**250**	**1,069**
Dividend distribution and hybrid coupon				(529)			(529)	(141)	(670)
Disposal of treasury shares		1				1	2		2
Share-based payments		9					9		9
December 31, 2017	**327**	**1,517**	**2,231**	**8,006**	**(857)**	**(8)**	**11,216**	**3,118**	**14,334**

	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				(301)			(301)	118	(183)
Other comprehensive income for the period				(66)	(142)		(208)	(12)	(220)
Total comprehensive income for the period				**(366)**	**(142)**		**(508)**	**105**	**(403)**
Dividend distribution and hybrid coupon				(464)			(464)	(2)	(466)
Disposal of treasury shares		1				1	2		2
Share-based payments		6		1			7		7
Increase/(decrease) in non-controlling interests				206			206	280	486
December 31, 2016	**327**	**1,507**	**2,231**	**7,990**	**(1,131)**	**(9)**	**10,915**	**3,010**	**13,925**

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

Summarized statement of cash flows (condensed, unaudited)

In EUR mn

Q4/17	Q3/17	Q4/16		2017	2016
421	**544**	**(331)**	**Net income for the period**	**853**	**(183)**
485	489	1,192	Depreciation, amortization and impairments including write-ups	1,941	3,784
16	26	10	Deferred taxes	142	(178)
10	(9)	(63)	Losses/(gains) on the disposal of non-current assets	0	(81)
39	(28)	27	Net change in long-term provisions	9	(25)
(46)	(33)	42	Other adjustments	927	(290)
925	**989**	**877**	**Sources of funds**	**3,871**	**3,026**
31	(228)	(198)	(Increase)/decrease in inventories	70	(110)
(449)	(76)	(600)	(Increase)/decrease in receivables	(51)	(840)
254	120	482	(Decrease)/increase in liabilities	(347)	747
(20)	(14)	50	(Decrease)/increase in short-term provisions	(96)	54
742	**792**	**611**	**Cash flow from operating activities**	**3,448**	**2,878**
			Investments		
(509)	(318)	(400)	Intangible assets and property, plant and equipment	(1,586)	(2,022)
(70)	(71)	(1)	Investments, loans and other financial assets	(366)	(66)
(1,644)	0	0	Acquisitions of subsidiaries and businesses net of cash acquired	(1,644)	(54)
			Disposals		
22	20	219	Proceeds from sale of non-current assets	72	331
14	55	7	Proceeds from the sale of subsidiaries and businesses, net of cash disposed	1,758	14
(2,187)	**(314)**	**(175)**	**Cash flow from investing activities**	**(1,766)**	**(1,797)**
862	(25)	129	(Decrease)/increase in long-term borrowings	784	(172)
0	0	454	Increase in non-controlling interest	0	454
0	0	0	Decrease in non-controlling interest	0	36
14	(3)	(333)	(Decrease)/increase in short-term borrowings	(89)	74
(86)	0	(87)	Dividends paid	(668)	(466)
790	**(28)**	**164**	**Cash flow from financing activities**	**27**	**(74)**
(7)	(10)	(34)	Effect of exchange rate changes on cash and cash equivalents	(42)	(42)
(662)	**440**	**565**	**Net (decrease)/increase in cash and cash equivalents**	**1,667**	**965**
4,643	4,203	1,748	Cash and cash equivalents at beginning of period	2,314	1,348
3,981	**4,643**	**2,314**	**Cash and cash equivalents at end of period**	**3,981**	**2,314**
9	*0*	*245*	*thereof cash disclosed within Assets held for sale*	*9*	*245*
3,972	**4,643**	**2,069**	**Cash and cash equivalents presented in the consolidated statement of financial position**	**3,972**	**2,069**
(1,445)	**478**	**436**	**Free cash flow**	**1,681**	**1,081**
(1,532)	**478**	**349**	**Free cash flow after dividends**	**1,013**	**615**
(1,532)	**478**	**803**	**Free cash flow after dividends incl. non-controlling interest changes**	**1,013**	**1,105**

Selected notes to the preliminary consolidated financial statements

Legal principles

The preliminary, condensed, unaudited consolidated financial statements for 2017 have been prepared in line with the accounting policies that will be used in preparing the OMV Annual Report, which are consistent with those used in the 2016 Annual Report, except as described herein. The final, audited, consolidated statements will be published mid of March 2018 as part of the 2017 Annual Report.

The preliminary condensed, consolidated financial statements for 2017 are unaudited and an external review by an auditor was not performed.

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

In addition to the preliminary financial statements, further information on main items affecting the preliminary financial statements as of December 31, 2017, is given as part of the description of OMV's Business Segments in the Directors' Report.

General accounting policies

The following amended standards have been in effect since January 1, 2017:

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

None of these changes had a material impact on the condensed financial statements.

New income statement structure

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

The main changes to the income statement are as follows:

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

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

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

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

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

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

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

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

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

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

Changes in the consolidated Group

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

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

OMV Tunisia Upstream GmbH, based in Vienna, was included as of August 23, 2017.

OJSC Severneftegazprom, based in Krasnoselkup, Russian Federation (24.99% interest, at-equity consolidated) and JSC Gazprom YRGM Development, based in Salekhard, Russian Federation (99.99% economic interest), were included in the consolidation scope as of November 30, 2017.

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

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

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

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

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

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

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

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

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

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

All entities included for the first time in 2017 were newly formed or existing wholly owned subsidiaries, except for OJSC Severneftegazprom, JSC Gazprom YRGM Development, SMATRICS GmbH & Co KG and E-Mobility Provider Austria GmbH.

Business combinations

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

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

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

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

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

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

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

Fair values acquired

In EUR mn

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

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

Changes in the ownership of subsidiaries with a change in control

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

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

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

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

In EUR mn

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

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

Other significant transactions

In 2017, the first drawdowns under the financing agreements for the Nord Stream 2 pipeline project took place and resulted in a cash outflow of EUR 324 mn. These are reflected in the line “Investments, loans and other financial assets” in the cash flow from investing activities and are recognized as other non-current financial assets in the balance sheet.

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

On August 30, 2017, the Kurdistan Regional Government of Iraq and Dana Gas PJCS, Crescent Petroleum and Pearl (OMV share: 10%) reached a settlement over a dispute concerning certain matters under the Heads of Agreement at the Khor Mor and Chemchemal fields; this positively impacted the line “Net income from equity-accounted investments” with an amount of EUR 90 mn in Q3/17.

Seasonality and cyclicality

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

Notes to the income statement

Income tax

In EUR mn (unless otherwise stated)

Q4/17	Q3/17	Q4/16		2017	2016
(142)	(148)	(103)	Taxes on income and profit	(634)	47
(126)	(122)	(93)	Current taxes	(492)	(130)
(16)	(26)	(10)	Deferred taxes	(142)	178
25	21	(45)	Effective tax rate in %	43	21

Notes to the statement of financial position

Commitments

As of December 31, 2017, OMV had contractual obligations for the acquisition of intangible assets and property, plant and equipment of EUR 974 mn (December 31, 2016: EUR 1,541 mn), mainly relating to exploration and production activities in Upstream. The decrease is mainly related to the disposal of OMV Petrol Ofisi and OMV (U.K.) Limited.

Equity

On May 24, 2017, the Annual General Meeting approved the payment of a dividend of EUR 1.20 per share, resulting in a total dividend payment of EUR 392 mn to OMV Aktiengesellschaft stockholders. Dividend distributions to minorities amounted to EUR 141 mn in 2017. An interest payment to hybrid capital owners amounting to EUR 137 mn was also made in 2017. The total number of own shares held by the Company as of December 31, 2017, amounted to 772,230 (December 31, 2016: 824,369).

Financial liabilities

As of December 31, 2017, short- and long-term borrowings, bonds and finance leases amounted to EUR 5,986 mn (December 31, 2016: EUR 5,283 mn). Finance lease liabilities totaled EUR 292 mn (December 31, 2016: EUR 278 mn). On December 7, 2017, OMV issued a EUR 1 bn Eurobond with a coupon of 1% and a maturity date of December 14, 2026.

Material changes of contingent liabilities

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

In relation to the Bulgarian Commission for Protection of Competition (CPC) investigation initiated in 2016, on 30 March 2017 CPC terminated the proceedings against OMV Bulgaria OOD and the other companies without finding any violation, on the condition that the commitments offered by the parties are implemented. OMV Bulgaria OOD designed and implemented internal regulations and measures in order to comply with the commitments.

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

Fair value measurement

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

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

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

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

Financial instruments

In EUR mn

			Dec. 31, 2017			Dec. 31, 2016
Financial instruments on asset side	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Investment funds	6		**6**	7		**7**
Bonds	5	73	**78**	20	76	**96**
Derivatives designated and effective as hedging instruments		97	**97**		39	**39**
Other derivatives	360	372	**732**	192	585	**777**
Total	**371**	**542**	**913**	**219**	**699**	**919**

			Dec. 31, 2017			Dec. 31, 2016
Financial instruments on liability side	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Liabilities on derivatives designated and effective as hedging instruments		97	**97**		70	**70**
Liabilities on other derivatives	360	519	**879**	208	632	**840**
Total	**360**	**616**	**977**	**208**	**703**	**911**

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

With the exception of investments in other companies valued at cost, the carrying amounts of financial assets are the fair values. The fair value of investments in other companies cannot be estimated reliably due to the fact that the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot reasonably be assessed.

Bonds and other interest-bearing debts amounting to EUR 5,694 mn (December 31, 2016: EUR 4,997 mn) are valued at amortized cost. The estimated fair value of these liabilities was EUR 6,150 mn (December 31, 2016: EUR 5,515 mn). The carrying amount of other financial liabilities is effectively the same as their fair value, as they are predominantly short term.

Segment reporting

Intersegmental sales

In EUR mn

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
785	638	651	20	Upstream	2,839	2,272	25
21	19	20	3	Downstream	79	73	8
10	*8*	*9*	*7*	*thereof Downstream Oil*	*34*	*28*	*23*
48	*41*	*38*	*25*	*thereof Downstream Gas*	*161*	*139*	*16*
(36)	*(30)*	*(27)*	*(37)*	*thereof intrasegmental elimination Downstream*	*(116)*	*(93)*	*(24)*
90	83	105	(14)	Corporate and Other	349	366	(5)
896	**740**	**776**	**15**	**OMV Group**	**3,267**	**2,711**	**21**

Sales to external customers

In EUR mn

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
324	277	278	17	Upstream	1,329	1,013	31
4,581	4,368	5,125	(11)	Downstream	18,887	18,243	4
3,130	*3,219*	*4,111*	*(24)*	*thereof Downstream Oil*	*14,065*	*14,603*	*(4)*
1,451	*1,149*	*1,014*	*43*	*thereof Downstream Gas*	*4,822*	*3,640*	*32*
1	1	4	(79)	Corporate and Other	6	4	29
4,906	**4,646**	**5,407**	**(9)**	**OMV Group**	**20,222**	**19,260**	**5**

Total sales (not consolidated)

In EUR mn

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
1,109	916	929	19	Upstream	4,168	3,285	27
4,602	4,387	5,145	(11)	Downstream	18,967	18,316	4
3,139	*3,227*	*4,120*	*(24)*	*thereof Downstream Oil*	*14,099*	*14,630*	*(4)*
1,499	*1,190*	*1,052*	*42*	*thereof Downstream Gas*	*4,983*	*3,779*	*32*
(36)	*(30)*	*(27)*	*(37)*	*thereof intrasegmental elimination Downstream*	*(116)*	*(93)*	*(24)*
91	84	109	(16)	Corporate and Other	355	370	(4)
5,802	**5,386**	**6,183**	**(6)**	**OMV Group**	**23,490**	**21,971**	**7**

Segment and Group profit

In EUR mn

Q4/17	Q3/17	Q4/16	Δ% [1]		2017	2016	Δ%
294	247	(28)	n.m.	Operating Result Upstream	1,218	(1,046)	n.m.
384	517	(90)	n.m.	Operating Result Downstream	584	1,106	(47)
392	*459*	*85*	*n.m.*	*thereof Operating Result Downstream Oil*	*412*	*1,145*	*(64)*
(8)	*57*	*(175)*	*96*	*thereof Operating Result Downstream Gas*	*171*	*(38)*	*n.m.*
(13)	(5)	(29)	55	Operating Result Corporate and Other	(48)	(56)	14
665	758	(148)	n.m.	Operating Result segment total	1,753	4	n.m.
(34)	0	(21)	(63)	Consolidation: elimination of intersegmental profits	(21)	(36)	42
631	758	(169)	n.m.	OMV Group Operating Result	1,732	(32)	n.m.
(69)	(66)	(59)	(16)	Net financial result	(246)	(198)	(24)
562	**692**	**(228)**	**n.m.**	**OMV Group profit before tax**	**1,486**	**(230)**	**n.m.**

[1] Q4/17 compared to Q4/16

Assets [1]

In EUR mn

	Dec. 31, 2017	Dec. 31, 2016
Upstream	11,322	11,250
Downstream	4,839	4,915
thereof Downstream Oil	*3,704*	*3,710*
thereof Downstream Gas	*1,135*	*1,205*
Corporate and Other	140	161
Total	**16,301**	**16,326**

[1] Segment assets consist of intangible assets and property, plant and equipment; not including assets reclassified to held for sale

Other notes

Transactions with related parties

In 2017, there were arm's-length supplies of goods and services between the Group and equity-accounted companies, except for transactions with OJSC Severneftegazprom, which are not based on market prices but on cost plus defined margin.

Material transactions with related parties

In EUR mn

	2017		2016	
	Sales and other income	Purchases	Sales and other income	Purchases
Borealis	1,126	44	1,015	35
GENOL Gesellschaft m.b.H. & Co KG	164	2	137	2
Erdöl-Lagergesellschaft m.b.H.	38	77	46	62
Enerco Enerji Sanayi ve Ticaret A.Ş.	3	171	2	157
Deutsche Transalpine Oelleitung GmbH	0	28	0	26
OJSC Severneftegazprom	-	16	-	-
Trans Austria Gasleitung GmbH	29	21	36	11

Related party balances

In EUR mn

	Dec. 31, 2017	Dec. 31, 2016
Loans receivable	-	2
Trade receivables	123	39
Trade payables	99	63
Prepayments received	153	157

In 2017, OMV received dividend income of EUR 270 mn (2016: EUR 153 mn) from Borealis AG, EUR 11 mn (2016: EUR 9 mn) from Trans Austria Gasleitung GmbH, EUR 67 mn (2016: EUR nil) from Pearl Petroleum Company Limited, EUR 5 mn (2016: EUR 14 mn) from Enerco Enerji Sanayi ve Ticaret A.Ş and EUR 15 mn (2016: EUR nil) from OJSC Severneftegazprom.

On January 5, 2017, Borealis received two decisions of the Finnish Board of Adjustment with regard to Borealis Technology Oy. The Board of Adjustment has confirmed the Finnish tax authority's view that the license arrangements, entered into between Borealis Technology Oy and Borealis AG in 2008 and 2010, should be re-characterized into transfers of businesses. Based on this, the Board of Adjustment requested that Borealis pays EUR 297 mn, comprising of taxes, late payment interest and penalties. Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Borealis appealed this decision to the Helsinki Administrative Court on March 6, 2017, and has obtained a suspension of payment.

On October 11, 2017, Borealis received a decision of the Board of Adjustment with regard to Borealis Polymers Oy. Unlike the Finnish tax authority, the Board of Adjustment has recognized the license agreement, which Borealis Polymers Oy and Borealis AG had concluded in the course of the introduction of toll manufacturing set up in 2009. The Board of Adjustment has, however, decided that the license percentage should be increased from 1% to 2.6% and that in the course of the introduction of the toll manufacturing set up "something else of value" amounting to EUR 142 mn has been transferred. The resulting payment request for the year 2009 amounts to EUR 62 mn, comprising of taxes, late payment interest and penalties. The decision of the Board of Adjustment did not comprise years other than 2009, and no re-assessment claims for other years have been received yet.

Borealis believes that this decision fails to properly apply Finnish and international tax law and does not adequately consider the relevant facts of the case. Therefore, Borealis has appealed this decision to the Helsinki Administrative Court on December 15, 2017 and has requested a suspension of payment.

Subsequent events

There were no material subsequent events leading up to the publication of the preliminary Group financial statements for 2017.

Declaration of the Management

We confirm to the best of our knowledge that the preliminary and unaudited 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 the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces.

Vienna, February 21, 2018

The Executive Board

Rainer Seele
Chairman of the Executive Board
and Chief Executive Officer

Reinhard Florey
Chief Financial Officer

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

Manfred Leitner
Member of the Executive Board
Downstream

Further Information

Photo

Title: Gazprom | www.gazprom.com | Yuzhnoe Russkoye field

Next events

- OMV Capital Markets Day: March 13, 2018
- OMV Group Report January–March 2018: May 3, 2018

The entire OMV financial calendar and additional information can be found at www.omv.com.

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