OMV generated a strong operating result of EUR 2,334 mn in 2010, being 66% above last year’s level and driven by higher oil and gas prices, an improved margin environment, cost savings and positive FX effects. Net special charges mainly related to impairments of E&P assets in the UK, Austria and Kazakhstan and personnel restructuring costs. The net financial result at EUR (373) mn was well below last year’s level of EUR (228) mn, mainly driven by charges in relation with the application of IFRS 3 “business combinations” due to the full consolidation of Petrol Ofisi as well as higher net interest charges, partly compensated by a significantly higher at-equity contribution of Borealis due to a strong margin environment. The effective tax rate was 38% (2009: 39%). This improvement was mainly attributable to a lower profit contribution of highly taxed Libyan E&P results as well as a relatively higher contribution of lower taxed Romanian results. Net income including minorities was up by 69% on the previous year to EUR 1,214 mn, and net income after minorities increased by 61% to EUR 921 mn.

In the Exploration and Production (E&P) segment, the exploration portfolio was strengthened by signing a sale and purchase agreement to acquire Petronas’ oil and gas exploration and production interests in Pakistan (expected closing in H1/11), as well as by the acquisition of additional licenses in the UK and Norway. Production of hydrocarbons amounted to 115.9 mn boe (thereof Petrom: 67.1 mn boe) and marginally exceeded the levels of the two preceding years. This corresponds to an average daily production of 318,000 boe/d (thereof Petrom: 184,000 boe/d). In Pakistan the Latif North-1, in the UK the Bardolino field and in New Zealand, the Maari satellite field Manaia came on stream. OMV had exploration successes in Tunisia and in the Kurdistan Region of Iraq. In the Nawara production concession in southern Tunisia, OMV finished a drilling campaign in 2010, which led to the ninth successful well in a row. In West of Shetland, OMV had discoveries in the fields Rosebank, Cambo and Tornado and focuses its efforts on maturing these discoveries into solid growth developments.

In the Refining and Marketing including petrochemicals (R&M) segment, OMV increased its stake in Petrol Ofisi from 41.58% to 95.72% in 2010, thus acquiring sole control of the Turkish oil marketing company. Petrol Ofisi is market leader in Turkey with around 27% market share and a filling station network of around 2,500 stations. The modernization program of the western refineries that was completed in 2009 continues to have a positive effect on profitability – and together with positive effects from higher middle distillate and naphtha spreads as well as a number of efficiency enhancement programs the position of OMV’s western refineries was strengthened. Consolidation and cost saving initiatives helped to increase efficiency in...
marketing and thus supported to counterbalance the effects of a generally unfavorable economic environment. The existing network was optimized by the exit of the retail business in Italy and the sale of filling stations in Germany. In Petrom, the main focus of activities in 2010 continued to be the integration and restructuring. The comprehensive modernization program for Petrobrazi refinery is progressing as planned. The capacity of the refinery will be adjusted to 4.2 mn t, a suitable size for processing the domestic crude production of Petrom. Petrom will invest EUR 750 mn between 2010 and 2014 in further modernization and in ensuring the maintenance of the Petrobrazi facility. The Arpechim refinery was in economic shut-down for almost nine months in 2010, which led to an increased utilization rate of the refinery in Petrobrazi. The Arpechim refinery is expected to stay offline throughout 2011, with the target to exit the refinery by 2012 at the latest. The Petrom Marketing business concentrated on maintaining the market share in a still unfavorable environment, along with the integration and consolidation of OMV and Petrom marketing activities under one umbrella: OMV Petrom Marketing.

In the Gas & Power (G&P) segment, additional transportation capacity came on stream with the commissioning of a new pipeline in the domestic transportation system – the Baumgarten/ Auersthal pipeline. With the ratification of the Intergovernmental Agreement by all Nabucco countries and the signing of the mandate letter, the Nabucco project made further progress in 2010. Capacities offered in an open season process for the planned storage project Schönkirchen Tief were not sufficiently booked due to the current oversupply at all international trading hubs, leading to a postponement of the project. A year after the successful launch of the spot market with the CEGH Gas Exchange of Wiener Börse a futures trading market was implemented in December 2010. With the foundation of OMV Trading GmbH, OMV took a further step to develop its cross-commodity and cross-regional trading activities to expand its international activities all along the entire gas and power value chain. In Romania, the progress of the first OMV gas-fired power plant at the site of the Petrobrazi refinery proceeded according to plan. In Samsun, Turkey, OMV started the construction of another 800 MW class gas fired power plant in 2010. In April 2010, OMV Petrom acquired 100% of a project company developing a wind power generation project in the region of Dobrogea, South East of Romania, with a designed capacity of 45 MW.

Earnings before interest and taxes (EBIT)

E&P EBIT increased by 25% to EUR 1,816 mn, mainly due to the increase of the crude prices. Total production of oil, NGL and gas of 318,000 boe/d was slightly above the level of 2009, as higher volumes from Kazakhstan, Libya and Austria compensated for lower volumes from Romania and Tunisia. Oil and NGL production was up by 1%, mainly due to increased production in Kazakhstan as well as in Libya. Gas production fell by 1% mainly as Romania’s gas production was negatively impacted by the delay in completion of key gas fields and the harsh weather conditions in Q1/10. In 2010, non-recurring net expenses of EUR 283 mn were reported, mainly related to impairments in the UK, Austria and Petrom’s Kazakh activities as a result of executed technical assessments and the reintroduction of an export customs duty in Kazakhstan.

The reported R&M EBIT came in substantially above last year’s level, mainly reflecting an improved margin environment, cost savings and the ongoing restructuring at Petrom. The refining result improved considerably compared to 2009, mainly due to the increase in the OMV indicator refining margin, a favorable petrochemical margin development (especially for propylene), cost savings as well as a positive effect from the ongoing restructuring of Arpechim (sale of the petrochemicals unit, stop-and-go mode of the refinery). Overall capacity utilization decreased to 76% due to the impact of the maintenance shutdowns in Schwechat and Petrobrazi in Q2/10 and Arpechim being shut down for nearly nine months throughout the year. Total refining output was down by 6%. The petrochemicals result improved notably compared to 2009, mainly reflecting higher olefin margins. Petrochemical sales volumes were 3% above the level of 2009.
The marketing result came in significantly below the level of 2009 since both volumes and margins were suffering from the still weak economic environment. The reported EBIT also included non-recurring net expenses of EUR 14 mn, mainly related to restructuring and the sale of filling stations in Germany.

The reported G&P EBIT increased from EUR 235 mn in 2009 to EUR 277 mn, mainly driven by a strong contribution of the logistics business that benefited from higher transport volumes sold, primarily due to the start-up of a new compressor station on the TAG pipeline in Q4/2009 and a new pipeline in the domestic transportation system in Q4/2010. The supply, marketing and trading business saw a strong pressure on margins that was mitigated by re-negotiated supply contracts in H2/10 and significantly higher sales volumes. Volumes secured for the power plant Samsun, Turkey, were sold under difficult market conditions and therefore negatively impacted the result. Clean EBIT showed a lower rise than reported EBIT, as special charges for the planned closure of Doljchim were booked in 2009.

EBIT in the Corporate and Other (Co&O) segment decreased by 41% to EUR (128) mn in 2010, burdened by provisions for the Long Term Incentive plan and higher consulting costs.

Notes to the income statement

OMV is an integrated energy company. As oil produced by the E&P segment is either processed at Group refineries or – in large part – marketed by R&M (OMV Supply & Trading AG), the R&M business segment represents the largest share of the Group’s consolidated sales. The volatility in the main factors affecting profitability – crude oil prices and USD exchange rates – may cause considerable swings in sales and cost of sales, and the impact on earnings is therefore difficult to predict. The order backlog is of relatively low importance to the oil business.

Compared to 2009, consolidated sales revenues increased by 30% to EUR 23,323 mn, mainly driven by the improved market environment in 2010.

As a result of significantly higher oil and gas prices, sales of the E&P segment increased by 23% to EUR 4,866 mn. After the elimination of intra-group transactions of EUR 3,820 mn, the contribution of the E&P segment to consolidated sales revenues was EUR 1,046 mn or about 4% of the Group’s total sales revenues (2009: EUR 832 mn or 5%). Consolidated sales in the R&M segment amounted to EUR 18,012 mn or 77% of total sales (2009: EUR 13,875 mn or 77%).

G&P sales increased to EUR 4,365 mn (2009: EUR 3,273 mn). After elimination of intra-group sales to refineries, the G&P segment’s contribution was as in 2009 18% of total sales or EUR 4,262 mn (2009: EUR 3,205 mn or 18%).

Sales to external customers are split up by geographical areas on the basis of where the delivery of goods or services is effective. Austria retained its position as the Group’s most important geographical market with sales of EUR 7,518 mn or 32% of the Group’s total (2009: EUR 6,101 mn or 34%). Sales revenues in Germany increased from EUR 3,622 mn in 2009 to EUR 5,319 mn in 2010, representing a revenue contribution of 23% in 2010 (2009: 20%). In Romania, sales revenues also advanced, amounting to EUR 3,336 mn or 14% of total sales revenues (2009: EUR 3,088 mn or 17%). Sales in the rest of CEE were weak.

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### Earnings before interest and taxes (EBIT)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2010</th>
<th>2009</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and Production (E&amp;P)</td>
<td>1,816</td>
<td>1,450</td>
<td>25%</td>
</tr>
<tr>
<td>Refining and Marketing incl. petrochemicals (R&amp;M)</td>
<td>397</td>
<td>(143)</td>
<td>n.m.</td>
</tr>
<tr>
<td>Gas and Power (G&amp;P)</td>
<td>277</td>
<td>235</td>
<td>18%</td>
</tr>
<tr>
<td>Corporate and Other (Co&amp;O)</td>
<td>(128)</td>
<td>(91)</td>
<td>41%</td>
</tr>
<tr>
<td>Consolidation: Elimination of intersegmental profits</td>
<td>(28)</td>
<td>(41)</td>
<td>(32)%</td>
</tr>
<tr>
<td><strong>OMV Group</strong></td>
<td>2,334</td>
<td>1,410</td>
<td>66%</td>
</tr>
</tbody>
</table>

1 Excluding intersegmental profit elimination.

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Strong logistics business drives G&P result

### Notes to the income statement

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EUR 3,342 mn or 14% of Group sales revenues (2009: EUR 2,753 mn or 15%), Rest of Europe accounted for EUR 1,509 mn or 6% (2009: EUR 975 mn or 5%). Sales revenues in the Rest of the World increased to EUR 2,299 mn, representing 10% of total sales revenues (2009: EUR 1,379 mn or 8%).

Direct selling expenses, mainly consisting of third-party freight-out expenses, increased by 15% to EUR 245 mn.

Cost of sales, which include variable and fixed production costs as well as costs of goods and materials employed, increased by 30% to EUR 19,188 mn, in line with the increase in sales.

Other operating income went up by 12% to EUR 251 mn, largely because of higher sales of CO₂ emission certificates and insurance indemnifications received in 2010. Apart from these, the major components of this position are exchange gains, gains on the disposal of assets, and other compensations, subsidies and licenses.

Selling expenses of EUR 756 mn were reduced by 6% compared to last year, while administrative expenses increased by 9% to EUR 327 mn.

Exploration costs remained at EUR 239 mn, as the level of impaired exploration activities was broadly in line with last year throughout the Group.

Research and development (R&D) expenses of EUR 16 mn were slightly above last year’s level and predominantly related to the R&M segment.

Other operating expenses increased by 2% compared to 2009, amounting to EUR 470 mn. While this year’s personnel reduction costs were lower in Petrom, they have increased in Austria and Germany.

Net financial result showed an expense of EUR 373 mn (2009: EUR 228 mn), because of lower net interest result (down by EUR 38 mn) and a one time effect due to remeasurement loss in the course of Petrol Ofisi acquisition (amounting to EUR 172 mn). Income from associated companies amounted to EUR 92 mn (2009: EUR 66 mn). This included the recognized share of the pro-rata result of Petrol Ofisi in the amount of EUR (16) mn (2009: EUR 40 mn) and the pro-rata result of Borealis group of EUR 109 mn, which increased compared to 2009 (EUR 12 mn) due to the general economic upturn.


Taxes on income increased by EUR 282 mn to EUR 747 mn compared to 2009. Current taxes on income went up by EUR 170 mn to EUR 717 mn, which is mainly a result of the significant increase

### Summarized income statement

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenues</td>
<td>23,323</td>
<td>17,917</td>
<td>30%</td>
</tr>
<tr>
<td>Direct selling expenses</td>
<td>(245)</td>
<td>(213)</td>
<td>15%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(19,188)</td>
<td>(14,704)</td>
<td>30%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>251</td>
<td>224</td>
<td>12%</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>(1,083)</td>
<td>(1,100)</td>
<td>(2)%</td>
</tr>
<tr>
<td>Exploration, research and development expenses</td>
<td>(254)</td>
<td>(253)</td>
<td>0%</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(470)</td>
<td>(461)</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Earnings before interest and taxes (EBIT)</strong></td>
<td>2,324</td>
<td>1,410</td>
<td>66%</td>
</tr>
<tr>
<td>Net financial result</td>
<td>(373)</td>
<td>(228)</td>
<td>64%</td>
</tr>
<tr>
<td>Taxes on income</td>
<td>(747)</td>
<td>(465)</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1,214</td>
<td>717</td>
<td>69%</td>
</tr>
<tr>
<td>Thereof attributable to non-controlling interests</td>
<td>284</td>
<td>145</td>
<td>102%</td>
</tr>
<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>921</td>
<td>572</td>
<td>61%</td>
</tr>
</tbody>
</table>
of EBT compared to 2009. In 2010 deferred tax expense of EUR 29 mn (in 2009 deferred tax income of EUR 82 mn) was recognized. The Group’s effective tax rate decreased to 38.1%. This decrease was mainly attributable to a relatively lower profit contribution of high-taxed Libyan E&P results as well as the relatively higher contribution of the relatively lower taxed Romanian companies.

Capital expenditure

Capital expenditure (CAPEX) increased to EUR 3,207 mn (2009: EUR 2,355 mn). Substantially higher CAPEX in the R&M as well as G&P segments was partly offset by lower CAPEX in the E&P and Corporate and Other (Co&O) segments. Based on the calculation of expected synergies, goodwill from the Petrol Ofisi acquisition amounting to EUR 100 mn was allocated to CAPEX of E&P segment and goodwill amounting to EUR 100 mn was allocated to CAPEX of G&P segment. The remaining CAPEX of the Petrol Ofisi acquisition was allocated to the R&M segment.

E&P invested EUR 1,252 mn (2009: EUR 1,500 mn) mainly in field developments in Romania, Austria, Yemen, the UK and Tunisia. Capital expenditure in the R&M segment amounted to EUR 1,194 mn (2009: EUR 347 mn), mainly related to the acquisition of Petrol Ofisi and investments in quality enhancement projects in Austria and Romania as well as the construction and redesign of filling stations. The focus of investment in the G&P segment (2010: EUR 712 mn; 2009: EUR 381 mn) related mainly to investments in the construction of power plants in Brazi, Romania, and Samsun, Turkey, as well as the WAG pipeline expansion project. Capital expenditure in the Co&O segment amounted to EUR 49 mn (2009: EUR 127 mn).

The reconciliation of total capital expenditure to additions according to the statement of non-current assets (intangible and tangible assets) and investments in quality enhancement projects in Austria and Romania as well as the construction and redesign of filling stations. The focus of investment in the G&P segment (2010: EUR 712 mn; 2009: EUR 381 mn) related mainly to investments in the construction of power plants in Brazi, Romania, and Samsun, Turkey, as well as the WAG pipeline expansion project. Capital expenditure in the Co&O segment amounted to EUR 49 mn (2009: EUR 127 mn).

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Equity increased significantly

Equity (including minorities) improved by EUR 1,278 mn, while the equity ratio decreased to 43% (2009: 47%). Positive effects from net income, translation of foreign operations (including amounts reclassified to net income) and hedges were partly offset by dividends distributed.

While pensions and similar obligations enhanced slightly by EUR 15 mn, the non-current decommissioning and restoration obligations rose by EUR 131 mn, because of parameter changes and discount unwinding effects, which were partly offset by effects resulting from usage of provisions.

The first time recognition of Petrol Ofisi loans, the net issuance of bonds and the raising of long-term investment loans in Petrom led to an increase in non-current bonds and interest-

assets amounting to EUR 3,054 mn was caused by investment activities in intangible assets and property, plant and equipment as well as first consolidation effects of the Petrol Ofisi acquisition. Additions to intangible assets and property, plant and equipment (EUR 2,352 mn) exceeded the total of depreciation and amortization as well as disposals by EUR 1,089 mn. The ratio of intangible assets and property, plant and equipment to total assets amounted to 60% (2009: 57%).

Investments in associated companies decreased by a total of EUR 727 mn, with effects mainly coming from the reclassification of Petrol Ofisi, which was fully consolidated starting with the end of December, as well as proportional results from associated companies, translation of foreign operations and other changes. Other non-current assets, which primarily comprise non-current receivables, loans and securities slightly increased up to EUR 1,261 mn.

The rise in current assets by EUR 1,922 mn mainly related to the first full consolidation of Petrol Ofisi. Current trade receivables increased by EUR 996 mn, inventories grew by EUR 493 mn.
Petrol Ofisi investment lifts gearing to 46%

Gearing ratio
Despite a solid operating cash flow, which slightly exceeded cash outflows from investing activities, OMV has considerably increased its debt due to the integration of Petrol Ofisi in the Group.

As of December 31, 2010, short- and long-term borrowings, bonds and financial leases amounted to EUR 6,113 mn (2009: EUR 3,989 mn) while cash and cash equivalents accounted for EUR 946 mn (2009: EUR 675 mn) in total. Net debt thus increased by EUR 1,853 mn to EUR 5,167 mn (2009: EUR 3,314 mn). At December 31, 2010, the gearing ratio, defined as net debt divided by equity, was 46% (2009: 33%). This strong increase is mainly due to the acquisition of the Doğan Group’s stake in Petrol Ofisi, as well as the existing net debt within Petrol Ofisi which was fully consolidated as from the end of December 2010.

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

Cash flow from operating activities increased by EUR 1,040 mn or 56% from EUR 1,847 mn to EUR 2,886 mn. The reconciliation of net income for the year to the cash flow from operating activities (before changes in working capital) resulted in a net upward adjustment of EUR 1,760 mn for 2010 (2009: EUR 1,287 mn). Depreciation and amortization added EUR 1,578 mn (2009: EUR 1,325 mn) and deferred taxes contributed an increase of EUR 29 mn (2009: decrease of EUR 86 mn) to the cash flow. Movements in long-term provisions (including employee benefits and decommissioning and restoration obligations) resulted in an increase of EUR 72 mn (2009: EUR 42 mn). The total of write-ups of fixed assets and other non-cash items resulted in an increase of EUR 83 mn (2009: EUR 91 mn). Other adjustments and non-cash items also include the shares of associates’ results (less dividend payments), which amounted to EUR 89 mn (2009: EUR 96 mn).


Risk management
OMV is an integrated multinational energy Group. Its operations extend from hydrocarbon exploration and production and processing...
through to trading and marketing of mineral products and gas. Furthermore, OMV is currently constructing two gas-fired power plants. In common with the entire oil and gas industry, OMV is exposed to a variety of risks – mainly market risks, but also operational, strategic, regulatory, political as well as hazard risks. OMV's overall risk is significantly reduced due to its substantial diversification and the embedded, although unpredictable internal hedge quality. However, the balancing effects of offsetting industry risks often lag or can weaken. Therefore, OMV's risk management activities focus on the group-wide net risk exposure of the existing and future portfolio. The areas of risk management and insurance are centrally coordinated within the Corporate Finance department.

The overall objective of the risk policy is to safeguard the cash flows required by the Group for growth and to maintain a strong investment grade credit rating as defined in the Group's risk appetite statement. New business strategies and the associated risks are also monitored with respect to rating implications. Financial risk policies (e.g. market prices, currencies) are reviewed quarterly by the Financial Risk Committee. Risk policies regarding operational risks are reviewed at least semi-annually by the Enterprise Operations Risk Committee.

The Group has implemented Enterprise Wide Risk Management (EWRM), the main purpose of which is to enhance risk awareness and risk governance. Thorough assessment of financial and operational risks should support the exploitation of business opportunities in a systematic manner in order to ensure sustainable growth in OMV's value. Since 2003, the EWRM system has helped to enhance risk awareness and risk management skills across the entire organization, including subsidiaries in more than 20 countries.

An electronic risk monitoring system is used to assess, prioritize and monitor all significant risks and the potential impact of key risks. Additionally, the system is used to record recent developments and actions taken. Overall risk is computed with the aid of Monte Carlo simulations and compared with planning data. Reports on the findings of the EWRM process, together with risk reports from material associated companies, are submitted to the Executive Board and to the Audit Committee twice a year. In compliance with the Austrian Code of Corporate Governance, the effectiveness of the EWRM system is evaluated by the external auditor on an annual basis. The key non-financial and financial risks identified in respect of OMV's medium-term plan are market price risks, country risks, legal risks, business process risks, foreign exchange risks (particularly relating to the USD, RON and TRY), personnel risks as well as hazard risks. Special focus for 2011 will also be put on the integration of Petrol Ofisi.

Although OMV has extensive experience in the political environment in CEE and SEE and in its core oil and gas production areas, political developments in all markets where OMV operates are kept under constant observation. Furthermore, country-specific risks are assessed before entering new countries. Risks related to the EU Emission Trading Scheme (EU ETS) are separately recorded, aggregated for the Group as a whole, and monitored by a group-wide committee (Carbon Steering Committee) on an ongoing basis. In particular the impact of the revised allocation rules in the EU ETS from 2013 onwards is being analyzed in detail. Furthermore, OMV is monitoring emerging regulations related to climate change in all operating countries, for instance the establishment of the New Zealand Emissions Trading Scheme or ongoing discussions about carbon tax in several countries. Through systematic staff succession and development planning, Corporate Human Resources plans for suitable managerial staff to meet future growth requirements in order to mitigate personnel risks.

Control and mitigation of identified and assessed risks takes place at all organizational levels using clearly defined risk policies and responsibilities. Most risks are managed locally in the business units. However, the management of some key risks is governed centrally through the essence of corporate directives, including those relating to health, safety, security and environment, legal matters and compliance, human resources...
and corporate social responsibility with special emphasis on human rights and market price risks.

Analysis and management of financial risks arising from foreign currencies, interest rates, commodity prices, counterparties, pensions, CO2 emissions, liquidity as well as insurable risks are undertaken in a consolidated way within Corporate Finance.

Market price risk is monitored and analyzed centrally as to the potential cash flow impact using a specific risk analysis model that considers portfolio effects. Results of the risk analysis are discussed by the Financial Risk Committee comprising senior management of the business divisions and corporate functions. Proposals for hedging strategies are submitted to the Executive Board for approval.

The primary foreign currency risks are exposure to the USD against the EUR, the RON and the TRY. The Group has a net USD long position resulting mainly from sales of oil and gas production. The effects on cash flow and/or the balance sheet (translation risk) as well as the correlation with the oil price are also regularly monitored. Translation exposure also arises from consolidation of assets in Turkey and Romania.

For 2010, OMV entered into crude oil hedges (puts) for a volume of 63,000 bbl/d securing an average price floor of USD 54.20/bbl. The puts were financed via call options in order to avoid initial investment (zero cost collar), whereby the Group was not able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume. These hedges led to a negative cash flow of USD 103 mn (thereof USD 66 mn in 2011).

To balance the Group’s interest rate portfolio, some USD and EUR denominated loans were converted from fixed to floating rates, according to predefined rules. The credit risk associated with the Group’s principal counterparties continues to be managed on the basis of group-wide counterparty limits as well as bank limits: Risks related to banks and financial institutions are managed within Corporate Finance while all other counterparty risks are managed within the business segments based on limits established by the means of a corporate directive.
Sustainability:HSSE
(health, safety, security, environment, community relations and social affairs)
Sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own needs. As an energy group OMV must find a way to produce and secure energy in the long term while balancing environmental, social, and economic considerations in its business approach. The management of Sustainability:HSSE underpins not only the Group’s license to operate but also our license to grow.

From 2010 on, a percentage of the non-result related variable compensation (bonuses) will be awarded for achieving sustainability targets. Thus, the two pillars People and Planet have now been added at the individual management level to the economic dimension of sustainability (Profit). In the first year of implementation, over 3,600 sustainability goals were defined by managers, with 53% thereof related to health and safety, 30% in the area of CO2 emissions reduction, and 17% targeting diversity issues.

Enhancing HSSE awareness, especially at Petrom, continued to be a top priority in 2010. Over 228,000 hours of HSSE training were held (2009: 188,000), more than two-thirds of them in Romania. Furthermore, transparent reporting is a key to improving HSSE culture. Over 147,000 (2009: 125,000) records (incidents, near misses, findings, hazards, assessments and action items) reported in CARE, a group-wide software tool, were the basis for defining over 50,000 (2009: 35,000) measures in 2010. 88% (2009: 86%) of these measures were completed within the scheduled timeframe.

Despite efforts to strengthen HSSE culture and especially safety awareness, the occupational safety performance of OMV Group could not be further improved in 2010, compared to the year 2009. The lost time injury rate (LTIR) for own employees was 0.74 (2009: 0.71) per million hours worked. LTIR for contractors could be reduced to 0.56 (2009: 0.68). The total recordable injury rate (TRIR) was 1.29 (2009: 1.53) per million hours worked for own employees and 1.23 (2009: 1.58) for contractors in 2010. Three (2009: one) Petrom employees and one (2009: three) OMV contractor died as a result of work-related accidents, one of them in a road accident.

The Group fatal accident rate was 5.08 (2009: 1.50) per 100 million hours worked for own employees and 1.05 (2009: 3.54) for contractors. Specific road safety programs, started in 2009, have shown first positive results: The number of commuting accidents decreased to 16 (2009: 28).

In 2010, OMV signed the European Road Safety Charter and thereby commits to contribute to road safety in Europe, e.g. through using in-vehicle monitoring technology and by drivers training in the prevention of car crashes. A study of the potential for major accidental events throughout our operations was initiated and will set the basis for the review of risk reduction measures.

In 2010, OMV faced one blowout of a well in Romania. There were no injuries and no risk to neighbors by this incident. Due to the difficult economic environment, the production in several plants was reduced during 2010 and safety issues were high on the agenda when shutting down certain facilities.

The Group recorded a total of eight significant hydrocarbon spills (>1,000 liters) and 2,239 minor releases during the year (2009: 21 and 2,650 respectively).

The Group’s carbon strategy, launched in 2008, aims at reducing greenhouse gas emissions and de-carbonizing of the product portfolio. According to the annual progress evaluation, OMV is well on track. Petrom continued to focus on compliance with national and EU regulations in the area of HSSE.
Information required by section 243a Unternehmensgesetzbuch (Austrian Commercial Code)
The following information is disclosed according to section 243a Austrian Commercial Code:

1. The capital stock amounts to EUR 300,000,000 and is divided into 300,000,000 bearer shares of no par value. There is only one class of shares.

2. There is a consortium agreement between the two core shareholders International Petroleum Investment Company (IPIC) and Österreichische Industrieholding Aktiengesellschaft (ÖIAG) which provides for coordinated behavior and certain limitations to transfers of stockholdings.

3. ÖIAG holds 31.5% and IPIC holds 20.0% of the capital stock.

4. All shares have the same control rights.

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

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

7. a) The Executive Board has been authorized by resolution of the Annual General Meeting held on May 13, 2009, to increase, subject to the consent of the Supervisory Board, the capital stock of the Company by May 13, 2014, in one or more tranches, by an aggregate amount not exceeding EUR 77.9 mn by issuance of up to 77,900,000 new common shares in bearer form against cash or contributions in kind, also to the exclusion of shareholders’ rights of subscription in the event of contributions in kind and, subject to the consent of the Supervisory Board, to set the issue price and conditions of issuance (authorized capital).

   b) The capital stock has been conditionally increased by EUR 77.9 mn under section 159 (2) (1) Austrian Stock Corporation Act by issuance of up to 77,900,000 common shares in bearer form (conditional capital). The conditional capital increase will only be carried out if holders of the convertible bonds issued on the basis of the Annual General Meeting resolution held on May 13, 2009, exercise their right to convert them into the Company’s stock.

   c) The total number of new shares currently or potentially to be issued under the terms of the convertible bonds and the number of shares to be issued from the authorized capital may not exceed 77,900,000 (amount-related determination of authorizations in accordance with paragraphs a and b), whereby the conversion right of the holders of the convertible bonds must be granted in any case.

   d) On May 13, 2009, the Annual General Meeting authorized the Executive Board to repurchase treasury shares up to the maximum legally permitted (currently 10% of capital stock), during a period of 30 months from the day of the resolution in question. Treasury shares can be used to satisfy stock option and Long Term Incentive plans or can be sold at any time via the stock exchange or by way of public offering. The Executive Board is further authorized to cancel treasury shares; use treasury shares for convertible bonds, if issued; use treasury shares in exchange for shares in other companies; use treasury shares to any legally permitted purpose, whatsoever.
8. At December 31, 2010 no material agreements to which OMV is a party are in place which in case of change of control due to a take over offer would come into effect, be amended or terminated.

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

10. The most important elements of the internal control and risk management system regarding the accounting process are the following: Standards for the internal control system are defined by internal Corporate Guidelines. Corporate Internal Audit controls the compliance with these standards through regular audits of individual group companies and informs the Supervisory Board about the results of the audits performed. The establishment of group-wide standards for the preparation of annual and interim financial statements by means of the corporate IFRS Accounting Manual is also regulated by an internal Corporate Guideline. The Group uses a comprehensive risk management system. The essential processes of the financial reporting system have been identified and analyzed. The effectiveness of these processes is evaluated based on a rolling time schedule and benchmarked against best practice (e.g. derivatives, debtors’ management, accounting for fixed assets). In addition, the effectiveness of the risk management system is regularly evaluated by external auditors. The results of the evaluation are reported to the audit committee.

Significant events after the balance sheet date

At the end of January 2011 OMV has entered into oil price swaps, locking in a Brent price of approx. USD 97/bbl for a production volume of 50,000 bbl/d, and into EUR-USD average rate forwards (at USD 1.37) covering those volumes until the end of 2011.

On February 4, 2011, OMV has sold its heating oil subsidiary OMV Wärme VertriebsgmbH, a 100%-owned subsidiary of OMV Refining & Marketing GmbH. The deal is expected to be closed in H1/11 following the completion of the antitrust inquiry.

In January and February 2011, political unrest broke out in several countries in North Africa and the Middle East, especially in Tunisia, Egypt and Libya. The production in Libya is significantly affected since the outbreak of political turmoil. In 2010, Libya contributed approx. 33,000 boe/d, that is about 10%, to OMV’s total production.

In Libya OMV is operator in only one block (field Shatirah), in which the production was suspended due to security reasons. At the time of authorization of these financial statements it cannot be said when production will be restarted. This development may lead to reduced operating earnings in the E&P segment. A local management team was established in Tripoli. All OMV Expatriates and their families were withdrawn from Libya. The last OMV expatriate left the country on February 28.

The current situation in Libya does not have any impact on the crude oil supply of the OMV refineries in the short or medium term. In case the supply with crude oil from Libya would decrease or be suspended for a longer period, the supply could be compensated with crude oil from other regions.

Outlook for 2011

For 2011 we expect the main market drivers to remain highly volatile. We expect the Brent oil price to be within a range of USD/bbl 80-100. The Brent-Urals spread is expected to remain tight. Our expectation for the relevant FX rates is also for continuing volatility. Refining margins are expected to recover somewhat due to improved demand for middle distillates.

Main market drivers expected to remain highly volatile

Significant events after the balance sheet date

On January 6, 2011, OMV signed an agreement to purchase 100% of the issued share capital of Pioneer Natural Resources Tunisia Ltd. and Pioneer Natural Resources Anaguid Ltd. from Pioneer Natural Resources, an independent US oil and gas company. Closing of the transaction took place on February 18, 2011. The purchase price paid was USD 800 mn plus USD 39.3 mn working capital.
Petrochemical margins are anticipated to decrease compared to 2010, impacted by additional global petrochemical capacity. Marketing volumes as well as margins are expected to remain under pressure as western markets, despite economic recovery, are not expected to show any growth due to saturation while southeastern Europe is still feeling the impact of the economic downturn. To partly secure the Group’s cash flow in 2011, OMV entered into oil price swaps in January 2011 for a volume of 50,000 bbl/d of 2011 production securing a price of USD 97/bbl and into EUR-USD average rate forwards at USD 1.37, covering those volumes until the end of 2011. OMV targets an investment level broadly in line with our guidance of average annual CAPEX of EUR 2.7 bn (without major acquisitions) until 2015, while maintaining the Group’s strong investment grade credit rating and a stable financial profile remains a key focus. It is one of OMV’s main priorities to strive for world class HSEQ standards including the reduction of the LTI-rate (lost-time injury).

E&P’s production target for 2011 is to achieve production (excluding recent acquisitions and the negative impact of the political situation in North Africa and the Middle East) at a similar level to that of 2010. Increased production levels are expected in Yemen due to additional early production facilities coming on stream and in Kazakhstan following solution of the start-up difficulties. The increased volumes are expected to compensate for the natural decline in Romania and Austria. E&P will continue to focus on reducing the natural production decline and on enhancing the recovery rates from mature fields in its two core countries Romania and Austria. OMV signed a sale and purchase agreement to acquire Petronas’ E&P assets in Pakistan in Q3/10. The transaction is expected to be closed in H1/11.

The overall challenging margin environment will continue to pressure the R&M segment. In the Schwechat refinery, a six weeks’ routine turnaround of the petrochemical plants is scheduled for Q2/11. Bayernoil will have a four weeks’ routine turnaround of the Neustadt site in Q1/11. At Petrom, no major shutdown is scheduled for Petrobrazi. The Arpechim refinery is expected to stay offline throughout the year while the target to exit the refinery by 2012 at the latest remains in place. The construction of the “Ethylene Pipeline Süd”, which will strengthen the petrochemical industry in Bavaria, will continue, with completion expected in H2/11. In the marketing business, continuous network optimization of the retail business should lead to improved profitability. In 2011, Petrol Ofisi will be fully consolidated and will thus add to OMV’s marketing performance. At Petrom, the revised Petrobrazi refining investment will continue. Stringent cost management together with further streamlining of the business will support profitability in R&M.

Within the G&P, segment the implementation of the 3rd Energy Package will be a major focus for the logistics business in 2011. Further expansions of the WAG pipeline, as well as the commissioning of a newly constructed compressor station in Baumgarten (Austria), aim at increasing the transport capacity in 2011. Commercial operations of the Gate regasification terminal in Rotterdam (OMV stake: 5%) are planned to start in H2/11. On the gas sales markets the commissioning of new power plant projects will lead to additional demand for natural gas. Main planned steps regarding Nabucco are the finalization of negotiations with supply countries in the Caspian region and an open season process for marketing the transport capacity. Based on a successful conclusion of the above, the final investment decision will be taken. The foundation of OMV Trading GmbH is another step towards the development of cross-commodity and cross-regional trading activities in order to expand OMV’s international activities along the entire gas and power value chain with the main focus on SEE and Turkey. The start-up of the gas-fired power plant in Brazi (Romania) and the wind park in Dobroantu (Romania) in H2/11 mark the operational entry of OMV into the power business. In Romania, starting February 1, the Romanian regulatory authorities issued an order applying the gas basket consumption to internal non-technological usage. This will also include our power project in Brazi.
Vienna, March 22, 2011

The Executive Board

Wolfgang Ruttenstorfer
Chairman

Gerhard Roiss
Deputy Chairman

Werner Auli

David C. Davies

Jacobus Gerardus Huijskes