Directors' report

Group financials			EUR mn
	2009	2008	Δ
Sales revenues	17,917	25,543	(30)%
Earnings before interest and taxes (EBIT)	1,410	2,340	(40)%
Net income before minorities	717	1,529	(53)%
Net income after minorities	572	1,374	(58)%
Cash flow from operating activities	1,847	3,214	(43)%
Capital expenditure [1]	2,355	3,547	(34)%
Employees as of December 31	34,676	41,282	(16)%

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

EBIT of EUR 1,410 mn achieved despite severe economic downturn

OMV delivered an operating result of EUR 1,410 mn in 2009, despite the severe economic downturn in most of its relevant markets. Compared to 2008, EBIT decreased by 40% driven by lower oil and gas prices, a contraction in refined product sales volumes and a depressed refining margin environment. Net special charges mainly related to personnel restructuring costs, an impairment of Petrom's refining assets resulting from the revised investment plan and E&P related impairments in Romania, Russia and the UK. The net financial result at EUR (228) mn came in well below last year's level of EUR (31) mn. The at-equity result was negatively impacted by a lower Borealis contribution caused by the economic downturn. Net interest charges were affected by higher compounding interest for provisions, a provision relating to the tax review of Petrom SA and an overall higher average debt level. Additionally, the financial result 2008 was favored by the MOL dividend income. The effective tax rate climbed up to 39% (2008: 34%). This sizeable increase is attributable to the reduced profit contribution from net-of-tax at-equity and dividend income, as well as low-taxed Petrom income in relation to high-taxed E&P results. This effect is exacerbated by the new contracts in Libya which came into effect in the second half of 2008. A provision booked in expectation of the outcome of Petrom's final tax review for the years 2004 to 2008 additionally increased the effective tax rate of the Group in 2009. Net income including minorities was down by 53% on the previous year to EUR 717 mn, and net income after minorities declined by 58% to EUR 572 mn. Return on average capital employed (ROACE) declined from 12% to 6%, return on fixed assets (ROfA) fell from 23% to 12%, and return on equity (ROE) also decreased from 16% to 7%. For definitions of these ratios readers are referred to the glossary of abbreviations and definitions on page 151 which are an integral part of the Directors' report.

In the **Exploration and Production (E&P)** segment, the exploration portfolio was strengthened by the acquisition of new exploration licenses in the Kurdistan Region of Iraq, Norway, Pakistan and the UK, both as operator and non-operator. In the Kurdistan Region of Iraq, the acquisition of a 10% interest in Pearl Petroleum Company Limited was completed, granting access to two large gas fields which will be appraised, developed and produced. Korned LLP, which owns the Kultuk oil discovery in Kazakhstan, was acquired by Petrom at the end of 2009. The production start-ups at Komsomolskoe in Kazakhstan and Maari in New Zealand added significant oil volumes to E&P's overall production levels. In Pakistan, the Latif and Tajjal fields went on stream. OMV recorded another year of exploration and appraisal successes in Romania, Austria, Tunisia, New Zealand, Russia, Libya and the UK. The highlight in the UK was the successful drilling of the Tornado exploration well, the first OMV operated deepwater well, which resulted in an oil and gas discovery. With a total length of about 8,000 meters, the Manaia appraisal well, drilled by OMV, is the longest extended reach well ever drilled in New Zealand. In Romania, substantial progress was made in restructuring the business and integrating E&P Services. The two challenging offshore wells Delta 6 and Lebada Vest 4 were put on stream in the second half of 2009 and contribute around 10% of Petrom's offshore production in Romania.

The largest ever 3D seismic campaign in Romania was completed in a Joint Venture with ExxonMobil Exploration and Production Romania Ltd. covering 3,200 km^2 in the Neptun block, deep offshore Romania.

In the **Refining and Marketing including petrochemicals (R&M)** segment, the modernization program of the western refineries was completed with the installation of the thermal cracker in Schwechat in April 2009. The thermal cracker extends residual conversion and thereby enables the use of heavier crude oil and the production of higher quality products. The optimization of the retail network, leading to divestment of tail end filling stations in Austria and the decision to exit the Italian market, contributed to an increased efficiency in the marketing business. Optimization and efficiency-enhancing projects in marketing partly counterbalanced the effects of a generally unfavorable economic environment. In the Romanian refineries, the modernization program was continued and resulted in first improvements of the yield structure. In Petrobrazi, a new FCC gasoline post-treater unit (fluid catalytic cracker) commenced operations and has been enhancing Petrom's ability to comply with European product specifications from the first quarter of 2009 onwards. In line with changes in market conditions, the scope of the original investment plan of Petrobrazi has been revised. The annual capacity of Petrobrazi refinery will be adjusted to 4.2 mn t p.a., a suitable size for processing domestic crude production of Petrom. Petrom will invest EUR 750 mn between 2010 and 2014 in further modernizing and ensuring the maintenance of its Petrobrazi facility. Due to the critical condition of the petrochemicals market, the steam cracker unit in Arpechim was not in operation during the whole year of 2009. At the end of 2009, negotiations with Oltchim for the transfer of the petrochemical activities from Arpechim were finalized. The divestment became effective in the first quarter of 2010. Petrom Marketing continued to make a strong profit contribution. After the modernization of the retail network was completed, the annual throughput per station further increased to 4.8 mn liters despite the ongoing economic crisis. In 2009, OMV retained its 41.58% share in Petrol Ofisi, owner of Turkey's largest nationwide retail station network and commercial wholesaler.

Launch of trading activities by the CEGH Gas Exchange of Wiener Börse

In the **Gas & Power (G&P)** segment, a new compressor station at Weitendorf on the TAG pipeline commenced operations, leading to an increased gas transportation capacity. The signing of the Intergovernmental Agreement on July 13 was an important milestone for the Nabucco gas pipeline project. Since then the basic legal framework ensuring consistent legal conditions for gas transit throughout the entire Nabucco pipeline system is in place. In the second quarter of 2009, a 40% share in the Turkish gas trading company Enerco was acquired. The launch of gas trading activities by the CEGH Gas Exchange of Wiener Börse in December 2009 marked a further step towards positioning the Central European Gas Hub as an important international hub and trading gateway into the CEE region. In Romania, the progress of the first OMV gas-fired power plant at the Petrobrazi refinery proceeded according to plan. Likewise the power plant project in Samsun, Turkey, made progress. In November 2009, the Turkish EMRA (Energy Market Regulatory Authority) approved the increase in OMV's stake in the construction company Borasco Elektrik to 100%.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes (EBIT)			EUR mn
	2009	2008	Δ
Exploration and Production (E&P) [1]	1,450	2,274	(36)%
Refining and Marketing incl. petrochemicals (R&M)	(143)	(105)	35%
Gas and Power (G&P)	235	245	(4)%
Corporate and Other (Co&O)	(91)	(111)	(18)%
Consolidation: Elimination of intercompany profits	(41)	37	n.m.
OMV Group	**1,410**	**2,340**	**(40)%**

[1] Excluding intersegmental profit elimination.

Total production remained stable at 317,000 boe/d

E&P EBIT decreased by 36% to EUR 1,450 mn, mainly due to significantly lower prices and despite net positive FX effects. Total production of oil, NGL and gas remained stable at 317,000 boe/d. Oil and NGL production was 3% higher than in 2008 as increased production in New Zealand, Yemen, Austria and Kazakhstan more than compensated for shortfalls in Libya, Romania, Tunisia and the UK. Gas production fell by 4%. In Romania, the decrease in oil production was caused by natural decline and fewer new wells drilled as a consequence of investment prioritization. Gas production was negatively influenced by the partial shutdown of the local fertilizer industry. In 2009, non-recurring net expenses of EUR 67 mn were reported, mainly related to restructuring measures in Romania as well as impairments in Romania, Russia and the UK.

R&M heavily impacted by the weak economic environment

The reported **R&M** EBIT came in substantially below last year's level, heavily impacted by the weak economic environment. OMV refineries – having a middle distillate-dominated yield structure – suffered from weak middle distillate spreads which put OMV indicator margins under severe pressure. Refining utilization decreased to 82%, reflecting the decline in refining sales volumes by 5% as a consequence of the demand reducing economic environment: The utilization rate of western refineries was kept almost at the level of 2008, whereas Petrom's utilization rate dropped, caused – amongst other things – by the shutdown of the Arpechim refinery in November as a reaction to the unfavorable market environment. Petrochemical margins came under heavy pressure, while the marketing business also suffered from lower margins and volumes. Rigorous cost-control, profitability enhancement measures and positive effects from Petrom restructuring as well as positive inventory effects arising from increasing crude prices in 2009 could not compensate the negative effects on the result. The reported EBIT also included non-recurring net expenses of EUR 93 mn, mainly impairments related to the decision to revise the Petrobrazi modernization investment program.

G&P EBIT decreased from EUR 245 mn last year to EUR 235 mn, mainly due to the lower contribution of Doljchim. In 2009, the Romanian fertilizer plant was impacted by low market demand and low product prices. Unfavorable market expectations and Doljchim being seen as a non-core business led to the decision to close the plant in 2010. Closure provisions were recorded. Gas Supply, Marketing and Trading benefited from higher sales volumes in EconGas and optimization measures. In the logistics business, storage demand and gas transportation sold has increased.

EBIT in the **Corporate and Other (Co&O)** segment improved by 18% to EUR (91) mn in 2009. Last year the Co&O segment was burdened by restructuring charges.

Notes to the income statement

Summarized income statement			EUR mn
	2009	2008	Δ
Sales revenues	17,917	25,543	(30)%
Direct selling expenses	(213)	(238)	(11)%
Cost of sales	(14,704)	(20,704)	(29)%
Other operating income	224	278	(20)%
Selling and administrative expenses	(1,100)	(1,161)	(5)%
Exploration, research and development expenses	(253)	(348)	(27)%
Other operating expenses	(461)	(1,030)	(55)%
Earnings before interest and taxes (EBIT)	**1,410**	**2,340**	**(40)%**
Net financial result	(228)	(31)	n.m.
Taxes on income	(465)	(780)	(40)%
Net income	**717**	**1,529**	**(53)%**
Thereof attributable to non-controlling interests	145	155	(6)%
Net income attributable to owners of the parent	**572**	**1,374**	**(58)%**

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 (Supply & Trading), 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 2008, **consolidated sales revenues** decreased by 30% to EUR 17,917 mn, mainly driven by the unfavorable market environment in 2009. As a result of significantly lower oil and gas prices, sales of the **E&P** segment decreased by 25% to EUR 3,797 mn. After the elimination of intra-group transactions of EUR 2,965 mn, the contribution of the E&P segment to consolidated sales revenues was EUR 832 mn or about 5% of the Group's total sales revenues (2008: EUR 1,023 mn or 4%). Consolidated sales in the **R&M** segment amounted to EUR 13,875 mn or 77% of total sales (2008: EUR 20,837 mn or 81%). **G&P** sales decreased to EUR 3,273 mn (2008: EUR 3,798 mn). After elimination of intra-group sales to refineries, the G&P segment's contribution was EUR 3,205 mn or approximately 18% of total sales (2008: EUR 3,675 mn or 14%).

In the course of first time application of IFRS 8, sales to external customers are split up by geographical areas on the basis of where the delivery of goods or services is effective. The previous year's figures have been adjusted. Austria retained its position as the Group's most important **geographical market** with sales of EUR 6,101 mn or 34% of the Group's total (2008: EUR 8,179 mn or 32%). Sales revenues in Germany decreased from EUR 5,463 mn in 2008 to EUR 3,622 mn in 2009, representing a revenue contribution of 20% in 2009 (2008: 21%). In Romania, sales revenues also decreased, amounting to EUR 3,088 mn or 17% of total sales revenues (2008: EUR 4,416 mn or 17%). Sales in the Rest of Central and Eastern Europe were EUR 2,753 mn or 15% of Group sales revenues (2008: EUR 4,331 mn or 17%), Rest of Europe accounted for EUR 975 mn or 5% (2008: EUR 1,323 mn or 5%). Sales revenues in the Rest of the World fell to EUR 1,379 mn, representing 8% of total sales revenues (2008: EUR 1,831 mn or 7%).

Over 50% of Group sales from Austria and Germany

Direct selling expenses, mainly consisting of third-party freight-out expenses, decreased by 11% to EUR 213 mn. **Cost of sales**, which include variable and fixed production costs as well as costs of goods and materials employed, decreased by 29% to EUR 14,704 mn, in line with the decrease in sales. Largely driven by lower exchange gains, **other operating income** went down by 20% to EUR 224 mn. Apart from

exchange gains, this item mainly comprises gains on the disposal of assets, income from insurance indemnifications and other compensations, subsidies and licenses. **Selling expenses** of EUR 800 mn were reduced by 9% compared to last year, while **administrative expenses** increased by 7% to EUR 300 mn.

Exploration costs down by 28%

Exploration costs were down by 28% to EUR 239 mn, mainly driven by decreased activities at Petrom, in Austria and in the core region North Africa.

Research and development (R&D) expenses of EUR 14 mn remained at last year's level and predominantly related to the R&M segment.

Other operating expenses decreased by 55% compared to 2008, amounting to EUR 461 mn. This sharp decline was mainly due to the litigation provisions booked at Petrom in 2008, but also to lower personnel reduction costs and foreign exchange losses.

Lower contribution from Petrol Ofisi and Borealis

Net financial result showed an expense of EUR 228 mn (2008: EUR 31 mn), because of lower net interest income (down by EUR 84 mn), lower dividend income (reduced by EUR 80 mn) and reduced income from associated companies (dropped by EUR 52 mn). **Income from associated companies** amounted to EUR 66 mn (2008: EUR 118 mn). This included the recognized share of the pro-rata result of the Turkish marketing company Petrol Ofisi in the amount of EUR 40 mn (2008: EUR 10 mn) and the pro-rata result of Borealis group of EUR 12 mn, which decreased compared to 2008 (EUR 91 mn) due to the general economic downturn. **Dividend income** amounted to EUR 12 mn (2008: EUR 92 mn). In the previous year, this item contained EUR 78 mn dividend from the investment in MOL, which was sold in 2009. **Net interest income** showed an expense balance of EUR 298 mn (2008: EUR 213 mn), reflecting higher net debt over the course of the year as well as a provision for interest expenses relating to a tax review at Petrom, compared to 2008.

Taxes on income decreased by EUR 315 mn to EUR 465 mn compared to 2008. Current taxes on income went down by EUR 290 mn to EUR 547 mn, mainly driven by lower profits due to the decrease in the oil price. In 2009, **deferred tax income** of EUR 82 mn (2008: EUR 57 mn) was recognized. The Group's **effective tax rate** increased to 39.3%. This increase was mainly attributable to a comparatively higher profit contribution of high-taxed E&P results, exacerbated by the changes of contracts in Libya which came into effect in the second half of 2008. In addition, the non-tax deductible loss related to the disposal of MOL, coupled with the loss of dividend income from MOL in 2009, led to an increase in OMV Group's effective tax rate in 2009.

Capital expenditure

Capital expenditure [1]			EUR mn
	2009	2008	Δ
Exploration and Production	1,500	2,328	(36)%
Refining and Marketing incl. petrochemicals	347	894	(61)%
Gas and Power	381	243	57%
Corporate and Other	127	82	55%
Total capital expenditure	**2,355**	**3,547**	**(34)%**
+/– Changes in the consolidated Group and other adjustments	209	284	(26)%
– Investments in financial assets	(361)	(132)	n.m.
Additions according to statement of non-current assets (intangible and tangible assets)	**2,203**	**3,699**	**(40)%**
+/– Non-cash changes	4	(469)	n.m.
Cash outflow due to investments in intangible and tangible assets	**2,206**	**3,230**	**(32)%**
+ Cash outflow due to investments in securities, loans and other financial assets	523	389	34%
Investments as shown in the cash flow statement	**2,729**	**3,619**	**(25)%**

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

Capital expenditure decreased to EUR 2,355 mn (2008: EUR 3,547 mn), reflecting the announced reduction in investment due to the current challenging economic environment. Substantially lower CAPEX in E&P as well as R&M were partly offset by higher CAPEX in G&P and Corporate and Other (Co&O).

E&P invested EUR 1,500 mn (2008: EUR 2,328 mn) mainly in field developments in Romania, New Zealand, Austria, the UK, Kazakhstan and Yemen as well as in the acquisition of a 10% share in Pearl Petroleum Company Limited. Capital expenditure in the **R&M** segment amounted to EUR 347 mn (2008: EUR 894 mn), mainly related to investments in quality enhancement projects in Austria and Romania as well as the construction and redesign of filling stations. The main focus of investment in the **G&P** segment (2009: EUR 381 mn; 2008: EUR 243 mn) related to the acquisition of shares in two Turkish companies (Enerco Enerji Sanayi ve Ticaret A.S. and Borasco Elektrik Üretim Sanayi ve Ticaret A.S. respectively) amounting to 40% each. Furthermore, investments in the construction of the power plant in Brazi, Romania, and the WAG pipeline expansion project contributed to the increasing investments in the G&P segment. Capital expenditure in the **Co&O** segment amounted to EUR 127 mn (2008: EUR 82 mn). This increase can mainly be attributed to investments in the new Petrom headoffice, "Petrom City", in Bucharest.

Higher CAPEX in G&P

The reconciliation of total capital expenditure to additions according to the statement of non-current assets (intangible and tangible) mainly relates to investments in financial assets, changes in the group of consolidated companies and additions which by definition are not considered as capital expenditure. The difference between the additions shown in the statement of non-current assets and the investments reported in the cash flow statement partly arise from investments in intangible and tangible assets that did not affect cash flows during the period (including liabilities arising from investments and capitalized borrowing costs). In addition, cash outflows due to investments in financial assets are included in the overall investments shown in the cash flow statement.

Balance sheet

Summarized balance sheet				EUR mn
	2009	%	2008	%
Assets				
Non-current assets	15,616	73	15,351	72
Intangible assets and property, plant and equipment	12,183	57	11,229	53
Investments in associated companies	2,215	10	1,955	9
Other non-current assets	1,218	6	2,167	10
Deferred tax assets	178	1	140	1
Current assets	5,622	26	5,884	28
Inventories	2,325	11	2,173	10
Trade receivables	1,935	9	2,000	9
Other current assets	1,362	6	1,712	8
Equity and liabilities				
Equity	10,035	47	9,363	44
Non-current liabilities	6,354	30	5,833	27
Pensions and similar obligations	884	4	932	4
Bonds and interest-bearing debts	3,197	15	2,526	12
Decommissioning and restoration obligations	1,802	8	1,679	8
Provisions and other liabilities	472	2	696	3
Deferred tax liabilities	295	1	363	2
Current liabilities	4,732	22	5,816	27
Trade payables	2,142	10	2,141	10
Interest-bearing debts	674	3	1,607	8
Other provisions and liabilities	1,916	9	2,069	10
Total assets/equity and liabilities	**21,415**	**100**	**21,376**	**100**

Total assets increased slightly

Total assets increased slightly by EUR 39 mn to EUR 21,415 mn. **Non-current** assets grew moderately by EUR 265 mn to EUR 15,616 mn, of which EUR 954 mn related to the increase in **intangible assets and property, plant and equipment**. Additions to intangible assets and property, plant and equipment (EUR 2,203 mn) exceeded the total of depreciation and amortization as well as disposals by EUR 1,098 mn. The ratio of intangible assets and property, plant and equipment to total assets amounted to 57% (2008: 53%).

Investments in associated companies rose by a total of EUR 260 mn, with positive results from associated companies – mainly from Petrol Ofisi and Borealis – as well as additions (Pearl Petroleum Company Limited, Enerco Enerji Sanayi ve Ticaret A.S.) being partly offset by the reclassification of Borasco Elektrik Üretim Sanayi ve Ticaret A.S., which has been fully consolidated since the end of December 2009. The decline of **other non-current assets**, which primarily comprise financial investments, securities and non-current receivables, was driven by the sale of the investment in the Hungarian oil and gas company MOL.

The decline in **current assets** by EUR 263 mn mainly related to a reduction of **other current assets** by EUR 349 mn, partly offset by an EUR 152 mn increase in **inventories**. **Current trade receivables** decreased slightly by EUR 65 mn.

Equity (including minorities) improved by EUR 672 mn, increasing the equity ratio to 47% (2008: 44%). Net income and the revaluation of the MOL stake to the sales price were partly offset by reductions caused by exchange rate differences, effects from hedges and dividend distribution.

While **pensions and similar obligations** decreased slightly by EUR 48 mn, the non-current

decommissioning and restoration obligations rose by EUR 123 mn, because of parameter changes and discount unwinding effects, which were partly offset by foreign currency translation effects.

The issuance of Eurobonds (EUR 1,250 mn) and German loan notes (EUR 555 mn) changed the maturity profile of debt. This is reflected in a net increase in long-term borrowings of EUR 745 mn, which was offset by a reduction of short-term borrowings by EUR 904 mn. In total, short- and long-term borrowings, bonds and financial leases reduced by EUR 159 mn.

Other provisions and liabilities went down by EUR 377 mn (of which EUR 153 mn were current).

Gearing ratio

Despite comparatively low operating cash flows, total borrowings were somewhat reduced by the sale of the MOL shares and the previously announced reduction in capital expenditure in 2009.

As of December 31, 2009, short- and long-term borrowings, bonds and financial leases amounted to EUR 3,989 mn (2008: EUR 4,148 mn) while cash and cash equivalents accounted for EUR 675 mn (2008: EUR 700 mn) in total. **Net debt** thus decreased by EUR 134 mn to EUR 3,314 mn (2008: EUR 3,448 mn). As at December 31, 2009, the **gearing ratio**, defined as net debt divided by equity, was 33% (2008: 37%). Part of this decrease is due to the 7% growth in equity compared to 2008.

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.

Operating cash flow below last year's level

Cash flow from operating activities decreased by EUR 1,367 mn or 43% from EUR 3,214 mn to EUR 1,847 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 1,287 mn for 2009 (2008: EUR 1,198 mn). While depreciation and amortization added EUR 1,325 mn (2008: EUR 1,293 mn), deferred taxes contributed a decrease of EUR 86 mn (2008: EUR 57 mn) to the cash flow. Movements in long-term provisions (including employee benefits and decommissioning and restoration obligations) resulted in a decrease of EUR 48 mn (2008: increase by EUR 99 mn). Write-ups of fixed assets and other non-cash items resulted in an increase of EUR 91 mn (2008: decrease of EUR 144 mn). Other non-cash items include the shares of associates' results (less dividend payments), which amounted to EUR 62 mn (2008: EUR 59 mn).

In 2009, net working capital increased by EUR 157 mn (2008: decrease by EUR 487 mn). Receivables and inventories increased by EUR 317 mn (2008: decrease by EUR 647 mn), whereas liabilities increased by EUR 281 mn (2008: decrease by EUR 334 mn). Short-term provisions decreased by EUR 121 mn (2008: increase by EUR 175 mn).

Cash flow from investing activities

Cash outflows for investments in non-current assets of EUR 2,729 mn (2008: EUR 3,619 mn) were partly offset by proceeds from the sale of non-current assets amounting to EUR 1,533 mn (2008: EUR 267 mn), EUR 1,400 mn of which related to the sale of MOL shares in 2009. Acquisitions and increases in interests in consolidated subsidiaries less cash acquired caused cash outflows of EUR 13 mn (2008: EUR 356 mn). **Net cash outflow from investment activities** totaled EUR 1,210 mn (2008: EUR 3,404 mn).

In 2009, the sale of own shares led to a cash inflow of EUR 0.9 mn (2008: EUR 0.5 mn). Cash outflows from the net decrease of short-term and long-term borrowings amounted to EUR 322 mn (2008: cash inflow from net increase EUR 755 mn). Cash outflows for dividend payments amounted to EUR 336 mn (2008: EUR 547 mn), of which EUR 299 mn (2008: EUR 373 mn) were paid to OMV shareholders and EUR 37 mn (2008: EUR 174 mn) to shareholders of non-controlling interests. **Net cash outflow from financing**

activities amounted to EUR 657 mn (2008: net cash inflow of EUR 209 mn).

Group-wide risk diversification

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. Risk management is centrally coordinated by Group Treasury.

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. New business strategies and the associated risks are also monitored with respect to rating implications. Risk policies are reviewed twice a year by the Executive Risk Committee.

The main purpose of the Enterprise Wide Risk Management (EWRM) is to enhance risk awareness and risk governance. Thorough assessment of risk 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 approximately 20 different 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 a simulation model 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 twice a year. In compliance with the Austrian Code of Corporate Governance, the effectiveness of the EWRM system is evaluated by the 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.

Although OMV has extensive experience in the political environment in CEE 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 are separately recorded, aggregated for the Group as a whole, and monitored by a joint operating committee (Carbon Steering Committee) on an ongoing basis. 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 take 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 by Corporate Directives, for example 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, CO_2 emissions, liquidity as well as insurable risks are undertaken in a consolidated way by Group Treasury.

The central market price risk is monitored and analyzed 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 Operating Committee comprising senior management of the business segments and corporate functions. Proposals for hedging strategies are submitted to the Executive Board for approval.

The key foreign currency risks are associated with the fluctuations of the USD against the EUR and RON. 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 analyzed. Translation exposure also arises from investments in Turkey due to exchange rate movements of the TRY.

Use of hedging instruments for 2010

To protect the Group's cash flow from the adverse impact of falling oil prices, derivative instruments have been used to hedge the proceeds from 63,000 bbl/d in 2010. To achieve this goal, 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 would not be able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume.

For 2009, OMV entered into put spreads for 65,000 bbl/d (which were financed via call options) to secure a price floor of USD 80/bbl as long as the oil price was above USD 65/bbl. When oil prices were below USD 65/bbl, the hedge paid out USD 15/bbl in addition to the realized market price. These hedges lead to a positive cash flow of approximately USD 281 mn (thereof USD 33 mn in 2010). In addition, OMV entered into USD hedges for an exposure of USD 1 bn for 2009, where OMV was only exposed to exchange rate movements within the range of EUR-USD 1.32 to 1.15 for the respective amount. The USD hedges lead to a positive cash flow of EUR 42 mn (thereof EUR 6 mn in 2010).

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 country and bank limits: Risks related to banks and financial institutions as well as key trading counterparties are managed by Group Treasury while all other counterparty risks are managed within the business segments.

Sustainability: Health, safety, security, environment (HSE) and corporate social responsibility (CSR)

More details available in the Sustainability Report 2009

Sustainability is strategically embedded in the business activities and based on three pillars:

- People – social responsibility towards internal and external stakeholders
- Planet – environmental management and minimization of environmental impact
- Profit – economic success in the long term

In order to further strengthen the integration of sustainability issues into business processes, three focus areas were defined for the medium term: diversity & education, health & safety as well as CO_2 emission reduction. For 2010, target setting at both the corporate and the individual level of management will include these three focus areas.

Enhancing HSE awareness, especially at Petrom, continued to be a top priority in 2009. Over 188,000 hours of HSE training were given (2008: 250,000), more than two-thirds of which in Romania. Furthermore, transparent reporting is a key to improving HSE culture. More than 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 more than 35,000 measures in

2009. 86% of these measures were completed within the scheduled timeframe.

Safety performance improved

The efforts to strengthen HSE culture and especially safety awareness are reflected by a decreasing number of severe incidents in OMV Group in 2009 (compared to 2008). The Lost Time Injury Rate (LTIR) for own employees decreased to 0.71 (2008: 0.91) per million hours worked; LTIR for contractors reduced to 0.68 (2008: 0.92). In 2009, the Total Recordable Injury Rate (TRIR) stood at 1.53 (2008: 2.17) per million hours worked for own employees and 1.58 (2008: 1.73) for contractors. One (2008: seven) Petrom employee and three (2008: nine) contractors – thereof two (2008: five) in Petrom – died as a result of work-related accidents, one (2008: twelve) of them in a road accident. The Group's fatal accident rate was 1.50 (2008: 9.39) per 100 million hours worked for own employees and 3.54 (2008: 9.64) for contractors. Severe road accidents, especially in Romania and in some countries outside Europe, represent a high risk for the safety of OMV and Petrom employees. Therefore, specific road safety programs have been started in 2009 and have shown first positive results.

In 2009, OMV faced one moderate fire in the Petrobrazi refinery and one fire and blowout at a well in Libya. There were no injuries and no neighbors were put at risk by these incidents. Due to the difficult economic environment, the production in several plants was reduced during 2009 and safety issues were high on the agenda when shutting down certain facilities.

The Group recorded a total of 21 significant hydrocarbon spills (>1,000 liters) and 2,650 minor releases during the year (2008: 12 and 1,689 respectively). The increased number of spills is mainly due to improved reporting. The Group carbon strategy launched in 2008 aims at reducing greenhouse gas emissions and de-carbonizing the product portfolio. According to the first evaluation on progress, OMV is on track, despite some adjustments and re-planning due to the changed economic environment. Petrom continued to focus on compliance with national and EU regulations in the area of HSE.

Information required by § 243a Unternehmensgesetzbuch (Austrian Commercial Code)

The following information is disclosed according to § 243a Unternehmensgesetzbuch (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 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 own 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. Own shares can be used to satisfy stock option 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. According to the shareholders' agreement between OMV and Dogan Sirketler Grubu Holding A.S. (Dogan) regarding Petrol Ofisi A.S., the respective other party is, in the event of a change of control either in OMV or in Dogan to defined strategic acquirers (i.e. if the acquirer has to fully consolidate OMV or Dogan according to IFRS or exercises control by means of equal rights jointly with a third party) up to May 16, 2016, entitled to acquire 34% of the shares of Petrol Ofisi at a price based on an agreed formula, thus terminating the shareholders' agreement.
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

A 10-year bond with a notional amount of EUR 500 mn was issued on February 10, 2010.

Outlook for 2010

We expect the Brent oil price to remain volatile during 2010 trading within a range of USD 60-80/bbl, similar to that experienced in the second half of 2009. The Brent-Urals spread is expected to remain tight. We expect the relevant FX rates (EUR-USD, EUR-RON and USD-RON) to remain volatile though a significant change from the average rates for 2009 is not expected. The market for refined products is expected to remain challenging throughout the year 2010. Petrochemical margins will face the additional

Highly volatile environment expected

challenge of new production capacity being brought on stream in the Middle East. Marketing volumes as well as margins are expected to remain under pressure until the overall economy shows clearer signs of improvement. To partly protect the Group's cash flow from the negative impact of lower oil prices in 2010, OMV entered into crude oil hedges in the second quarter of 2009 for a volume of 63,000 bbl/d of the 2010 production securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl. After having postponed several investment projects in 2009, OMV plans to increase CAPEX excluding major acquisitions to approximately EUR 2.8 bn in 2010 while staying firmly committed to maintaining its strong investment credit grade rating and a stable financial profile.

In **E&P**, the production target for 2010 has been adjusted, mainly to reflect the exclusion of inert gases in reported production in Austria and Pakistan, the expected production limitations caused by the OPEC quota as well as the reassessment of the potential of certain fields developed in Austria and Romania. Production is expected to increase compared to 2009 to approximately 325,000 boe/d, as the new oil fields Maari in New Zealand and Komsomolskoe in Kazakhstan will be on stream for the full year. Those assets will contribute considerably to overall production by reaching their daily plateau production levels. In order to further strengthen its E&P portfolio, OMV plans to drill about 40 exploration and appraisal wells, 25% more than in 2009. Substantial investments will be made in one of OMV's major field development projects, Habban Block S2, in Yemen. Another considerable part of OMV's investment program will be spent in Romania on the compressor station in Hurezani to facilitate gas production from the low pressure wells, on the drilling of development and production wells, well workovers, production facilities and infrastructure. Also the streamlining of the business in Romania will continue. E&P's focus will further be on tight cost control and project prioritization.

In the **R&M** segment, a planned turnaround of the Schwechat crude oil distillation unit is scheduled for a period of approximately one month in the second quarter of 2010. Petrobrazi has a turnaround scheduled for the month of April. Due to the poor margin environment, the Arpechim refinery will be operated as and when market conditions permit. As a result, overall capacity utilization is expected to be below 2009 levels. In 2010, the construction of the "Ethylene Pipeline South" (EPS) is expected to be finalized. This pipeline will strengthen the petrochemical industry in Bavaria (Germany). The exit from the retail business in Italy at the end of 2009 and further sales of tail end filling stations should lead to an optimized structure of the overall network. Stringent cost management in R&M together with the streamlining of the organization will support profitability in a generally unfavorable economic environment. At Petrom, the revised Petrobrazi refining investment will be commenced.

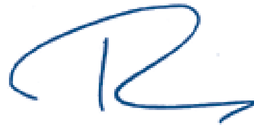
In the **G&P** segment, the strong focus on the enhancement of international activities will be maintained, as well as on the extension of the trading business at the Central European Gas Hub and at other European gas hubs. The market is expected to provide further growth opportunities as new gas-fired power plant projects are announced. In order to establish a backbone for sustainable international growth, diversification of long-term gas supply will be pursued at different entry points in Europe, be it via pipeline or LNG. A final investment decision for the Nabucco gas pipeline project is targeted for the end of 2010. As part of this procedure an open season process is planned, which would lead to the first binding transportation contracts. The LNG projects Gate and Adria LNG are progressing as planned. Further extension of the WAG gas pipeline will continue with the aim of increasing transport capacity by 2011. A new compressor station in Baumgarten and a new gas pipeline between Baumgarten and Auersthal (Austria) will also increase transport capacity from 2011 onwards. The construction of the 800 MW class combined cycle power plant in Brazi (Romania), which was started in 2009, will continue according to the project schedule. The ground breaking for a project of similar size in Samsun (Turkey) is planned for the first half

of 2010. At Central European Gas Hub AG, the forward market will be implemented in the first half of 2010, following the successful start of spot trading in December 2009.

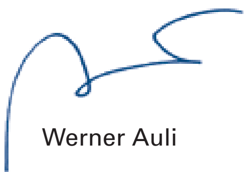
Vienna, March 23, 2010

The Executive Board

Wolfgang Ruttenstorfer



Gerhard Roiss



Werner Auli

David C. Davies

Helmut Langanger