Directors' report

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Group financials			EUR mn
	2011	2010	Δ
Sales revenues	34,053	23,323	46%
Earnings before interest and taxes (EBIT)	2,473	2,334	6%
Net income for the year	1,572	1,214	30%
Net income attributable to stockholders of the parent	1,063	921	16%
Cash flow from operating activities	2,514	2,886	(13)%
Capital expenditure [1]	3,146	3,207	(2)%
Employees as of December 31	29,800	31,398	(5)%

[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 increased by 6%

OMV generated a strong operating result of EUR 2,473 mn in 2011, 6% above last year's level, mainly as a result of higher oil prices, partly offset by lower production volumes and a weaker USD. Net special charges of EUR 212 mn (2010: EUR 323 mn) were mainly related to a provision for the fine imposed on Petrom as a result of the antitrust investigation by the Romanian Competition Council, the closure costs of the Arpechim refinery, the write-off of the exploration license Kultuk (Kazakhstan) and personnel restructuring costs. Positive CCS effects of EUR 176 mn were recognized (2010: EUR 187 mn). The net financial result at EUR (273) mn was well above 2010 (EUR (373) mn), driven among other things by a significantly higher at-equity contribution from Borealis due to a strong margin environment for petrochemicals. The effective tax rate was 29% (2010: 38%), mainly driven by a significantly lower contribution of high-taxed profits from Libya. Net income attributable to stockholders of the parent was EUR 1,063 mn, above 2010 (EUR 921 mn). Non-controlling and hybrid interests amounted to EUR 509 mn (2010: EUR 294 mn).

Return on average capital employed (ROACE) rose from 10% to 11%, return on fixed assets (ROFA) decreased from 18% to 14%, and return on equity (ROE) increased from 11% to 13%. For definitions of these ratios readers are referred to the glossary of abbreviations and definitions which are an integral part of the Directors' report.

The **Exploration and Production (E&P)** segment was impacted to a high degree by external influences. Total hydrocarbon production decreased by 9% to 105.0 mn boe (thereof Petrom: 67.8 mn boe) as it was heavily burdened by the Arab Spring, which caused outages in the operations in Libya and Yemen. This corresponds to an average daily production of 288,000 boe/d (thereof Petrom: 186,000 boe/d). In Tunisia, production at two wells in Durra was brought on stream, and in Romania the exploration well Totea was brought on stream within only four months. In Tunisia, OMV closed the purchase of Pioneer's E&P business in February. Besides the ongoing Cherouq development and exploration upside, the acquisition added approximately 5,000 boe/d of production for the remainder of the year. In Pakistan, the acquisition of Petronas' E&P operating entity was closed in July. The new assets immediately contributed roughly 1,000 boe/d to production. In December, OMV closed the acquisition of a 20% stake in the Zidane discovery in the Norwegian Sea. In Australia, offshore the Northwest coast, E&P had one of its most significant gas discoveries (Zola) and appraisal activities are being planned. Further exploration opportunities are being assessed.

The **Gas and Power (G&P)** segment experienced a very challenging year in the supply, marketing and trading business due to the existing market environment, which was partly mitigated by renegotiated supply contracts. OMV took another step to develop its cross-commodity and cross-regional trading activities in order to optimize its international operations along the entire gas and power value chain. Additional domestic transportation capacity came on stream with

the expansion of the West-Austria-Gas pipeline system and the start-up of a new compressor station in the gas logistics business, which again strongly contributed to results. The Nabucco gas pipeline project further progressed in 2011, as the legal framework was finalized with the signing of the Project Support Agreements by the responsible ministries of the five Nabucco countries. In the power business, the wind park in Romania started commercial operations and the construction of the gas-fired power plant in Brazi (Romania) was successfully finalized. Full commercial operation is now anticipated for H2/12. In Samsun (Turkey) OMV continued the construction of another 800 MW class gas-fired power plant.

In spite of the worsening economic environment, the segment results of **Refining and Marketing including petrochemicals (R&M)** showed a favorable operating performance. In addition to that, the 2011 result included for the first time the contribution from the Petrol Ofisi acquisition. In 2011, refining margins decreased substantially, mainly due to higher costs of own crude consumption, which could be only partially offset by an increased middle distillate spread. Petrochemical margins remained strong for the first half of the year, while deteriorating somewhat in the second half of the year, substantially impacted by the economic uncertainty related to the sovereign debt crisis. The marketing business result declined compared to 2010. Active cost management across the business segment and the ongoing restructuring of the retail network could not compensate the persistently weak economic environment, especially in Eastern European countries. While optimizing the existing network, the retail business continued its focus on a premium brand strategy with selective investments into top quality locations. Due to the changes in regulations regarding the fuel distribution sector and developments in world markets, companies in Turkey experienced a highly volatile and brisk environment in 2011. For Petrol Ofisi, the focus was set on integration and restructuring.

Earnings before interest and taxes (EBIT)

E&P EBIT increased by 15% to EUR 2,084 mn, mainly due to the increase of crude prices. Total production of oil, NGL and gas of 288,000 boe/d was below the level of 2010. Higher volumes from Tunisia (incl. former Pioneer assets) and Kazakhstan could not compensate for lower volumes from Libya, Yemen and Austria (planned shutdown in Q2/11). Total OMV daily oil and NGL production was down by 18%, mainly reflecting the missing production from Libya and Yemen. Total OMV daily gas production was slightly above the level of 2010, as production increases in Romania, Kazakhstan and Pakistan made up for the decline in Austria and New Zealand. In 2011, non-recurring net expenses of EUR 64 mn were reported, mainly relating to the write-off of Kultuk in Q2/11 and a write-down provision in the context of a warehouse outsourcing project in Romania in Q4/11.

G&P EBIT decreased from EUR 277 mn in 2010 to EUR 238 mn, mainly driven by supply, marketing and trading. The supply, marketing and trading business saw a strong pressure on margins that was somewhat mitigated by re-negotiated supply contracts in Q4/11 and significantly higher sales volumes. The gas logistics business benefited from increased gas transportation sold, primarily due to additional pipeline capacity available in Austria. In 2011, the construction of both Romanian power projects (Brazi and Dorobantu) was successfully completed and the power plant project Samsun in Turkey progressed. This manifested itself in an increased cost level in the business unit power.

Re-negotiated supply contracts

Earnings before interest and taxes (EBIT)			EUR mn
	2011	2010	Δ
Exploration and Production (E&P) [1]	2,084	1,816	15%
Gas and Power (G&P)	238	277	(14)%
Refining and Marketing incl. petrochemicals (R&M)	271	397	(32)%
Corporate and Other (Co&O)	(71)	(128)	(45)%
Consolidation: Elimination of intersegmental profits	(48)	(28)	73%
OMV Group	**2,473**	**2,334**	**6%**

[1] Excluding intersegmental profit elimination.

R&M EBIT came in below last year's level, as the better operating performance of the business was more than offset by a number of one-off effects like the provision for the fine imposed on Petrom as a result of the antitrust investigation by the Romanian Competition Council. The refining result suffered from the decrease in the OMV indicator refining margin as higher costs for own crude consumption could not be offset by improved spreads for middle distillates or by the improved petrochemical margin environment. Overall capacity utilization increased to 87% (vs. 76% in 2010) due to the impact of the maintenance shutdowns in Schwechat and Petrobrazi in Q2/10 and the fact that since Q1/11 Arpechim is no longer included in this calculation. Total refining output was at the same level as in 2010. The petrochemicals result stayed at the same level as in 2010 since higher product margins were offset by sales volumes down by 6%, mainly as a consequence of the scheduled turnaround in Schwechat in Q2/11. The marketing result came in below the level of 2010 due to the provision booked related to antitrust investigations. The clean result – in spite of the still difficult margin environment – was better than in 2010, mainly driven by the positive contribution from Petrol Ofisi (not included in the 2010 figures). EBIT included non-recurring net expenses of EUR 138 mn.

Overall capacity utilization increased to 87%

EBIT in the **Corporate and Other (Co&O)** segment increased by 45% to EUR (71) mn in 2011, due to restructuring of the organizational structure of the Group.

Notes to the income statement

OMV is an integrated, international oil and gas 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.

Compared to 2010, **consolidated sales revenues** increased by 46% to EUR 34,053 mn, mainly driven by a general market price increase, as well as the first time consolidation of Petrol Ofisi sales in 2011. As a result of significantly higher oil and gas prices, sales of the **E&P** segment increased by 6% to EUR 4,960 mn. After the elimination of intra-group transactions of EUR 4,193 mn, the contribution of the E&P segment to consolidated sales revenues was EUR 766 mn or about 2% of the Group's total sales revenues (2010: EUR 1,046 mn or 4%). **G&P** sales increased to EUR 7,000 mn (2010: EUR 4,365 mn). After elimination of intra-group sales to refineries, the G&P segment's contribution in 2011 was 20% of total sales or EUR 6,856 mn (2010: EUR 4,262 mn or 18%). Consolidated sales in the **R&M** segment amounted to EUR 26,426 mn or 78% of total sales (2010: EUR 18,012 mn or 77%).

Summarized income statement			EUR mn
	2011	2010	Δ
Sales revenues	34,053	23,323	46%
Direct selling expenses	(305)	(245)	25%
Cost of sales	(29,291)	(19,188)	53%
Other operating income	289	251	15%
Selling and administrative expenses	(1,385)	(1,083)	28%
Exploration, research and development expenses	(370)	(254)	45%
Other operating expenses	(518)	(470)	10%
Earnings before interest and taxes (EBIT)	**2,473**	**2,334**	**6%**
Net financial result	(273)	(373)	(27)%
Taxes on income	(628)	(747)	(16)%
Net income for the year	**1,572**	**1,214**	**30%**
Thereof attributable to hybrid capital owners	22	–	n.a.
Thereof attributable to non-controlling interests	487	294	66%
Net income attributable to stockholders of the parent	**1,063**	**921**	**16%**

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 11,501 mn or 34% of the Group's total (2010: EUR 7,518 mn or 32%). Sales revenues in Germany increased from EUR 5,319 mn in 2010 to EUR 5,804 mn in 2011, representing a revenue contribution of 17% in 2011 (2010: 23%). In Romania, sales revenues also advanced, amounting to EUR 4,016 mn or 12% of total sales revenues (2010: EUR 3,336 mn or 14%). Turkey with its strong position in external sales contributed 15% or EUR 5,023 mn to OMV Group's total sales in 2011. Sales in the rest of CEE were EUR 4,202 mn or 12% of Group sales revenues (2010: EUR 3,342 mn or 14%), Rest of Europe accounted for EUR 1,997 mn or 6% (2010: EUR 1,509 mn or 6%). Sales revenues in the Rest of the World decreased to EUR 1,510 mn, representing 4% of total sales revenues (2010: EUR 2,304 mn or 10%).

Direct selling expenses, mainly consisting of third-party freight-out expenses, increased by 25% to EUR 305 mn. **Cost of sales**, which include variable and fixed production costs as well as costs of goods and materials employed, increased by 53% to EUR 29,291 mn, in line with the increase in sales. **Other operating income** went up by 15% to EUR 289 mn, largely because of the reassessment of employees benefit provisions due to an increase in discount rates in Petrom. Apart from this, the major components of this position are foreign exchange gains, gains on the disposal of assets, sale of CO_2 emission certificates and other compensations, subsidies and licenses. **Selling expenses** of EUR 947 mn were increased by 25% compared to last year, while **administrative expenses** increased by 34% to EUR 437 mn.

Increased exploration expenses

Exploration expenses amounting to EUR 354 mn increased by 48% compared to last year, while **research and development (R&D) expenses** remained at EUR 16 mn as the level of R&D activities was broadly in line with last year throughout the Group. **Other operating expenses** increased by 10% compared to 2010, amounting to EUR 518 mn, which includes a provision for the fine imposed on Petrom by the Romanian Competition Council. Compared to 2010, this year's personnel reduction costs were lower in Petrom, Austria and Germany.

The **net financial result** showed an expense of EUR 273 mn (2010: EUR 373 mn). The enhancement compared to last year was mainly due to the fact that the 2010 result had been negatively affected by a one-time remeasurement effect related to the Petrol Ofisi acquisition.

Capital expenditure [1]			EUR mn
	2011	2010	Δ
Exploration and Production	2,066	1,252	65%
Gas and Power	468	712	(34)%
Refining and Marketing incl. petrochemicals	575	1,194	(52)%
Corporate and Other	37	49	(24)%
Total capital expenditure	**3,146**	**3,207**	**(2)%**
+/– Changes in the consolidated Group and other adjustments	336	176	91%
– Investments in financial assets	(849)	(1,032)	(18)%
Additions according to statement of non-current assets (intangible and tangible assets)	**2,633**	**2,352**	**12%**
+/– Non-cash changes	(171)	(264)	(35)%
Cash outflow due to investments in intangible and tangible assets	**2,462**	**2,088**	**18%**
+ Cash outflow due to investments in securities, loans and other financial assets	58	40	45%
Investments as shown in the cash flow statement	**2,520**	**2,128**	**18%**

[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.

Significantly higher contribution from Borealis

Additionally, the result in 2011 was strengthened by a significantly higher at-equity contribution from Borealis group but counterbalanced by an overall negative impact of foreign exchange rate developments. **Income from associated companies** in total amounted to EUR 224 mn (2010: EUR 92 mn). This included the recognized share of the pro rata result of Borealis group at the amount of EUR 186 mn (2010: EUR 109 mn) and the pro rata result of Pearl Petroleum Company Ltd. of EUR 35 mn (2010: EUR 15 mn). **Dividend income** amounted to EUR 8 mn (2010: EUR 10 mn). The **net interest result** showed an expense balance of EUR 352 mn (2010: EUR 336 mn), mainly reflecting higher financing costs for third-party loans of Petrol Ofisi.

Taxes on income decreased by EUR 119 mn to EUR 628 mn compared to 2010. This decrease results from current taxes on income, coming down by EUR 157 mn to EUR 560 mn and deferred tax expense increasing by EUR 39 mn to EUR 68 mn. The Group's effective tax rate thus declined to 28.5% (38.1% in 2010). This reduction in the tax burden was mainly attributable to much lower profit contributions of high-taxed Libyan E&P entities.

Capital expenditure

Capital expenditure (CAPEX) decreased to EUR 3,146 mn (2010: EUR 3,207 mn). Substantially higher CAPEX in the E&P segment stood in contrast to lower CAPEX in G&P, R&M and Corporate and Other (Co&O) segments.

E&P invested EUR 2,066 mn (2010: EUR 1,252 mn). The main drivers for the significant increase were the purchases of the Tunisian subsidiaries of Pioneer and the Pakistan subsidiary of Petronas, as well as significant field developments in Romania, Austria and Kazakhstan. CAPEX in the **G&P** segment of EUR 468 mn (2010: EUR 712 mn) was mainly related 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 **R&M** segment amounted to EUR 575 mn (2010: EUR 1,194 mn), mainly comprising investments in quality enhancement projects in Austria and Romania as well as the construction and remodeling of filling stations and terminals. Capital expenditure in the **Co&O** segment amounted to EUR 37 mn (2010: EUR 49 mn).

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,

Summarized statement of financial position [1]				EUR mn
	2011	%	2010	%
Assets				
Non-current assets	20,362	72	18,685	71
Intangible assets and property, plant and equipment	17,408	61	15,937	60
Investments in associated companies	1,671	6	1,488	6
Other non-current assets	1,282	5	1,261	5
Deferred tax assets	198	1	190	1
Current assets	7,853	28	7,544	29
Inventories	3,149	11	2,818	11
Trade receivables	3,541	12	2,931	11
Other current assets	1,164	4	1,795	7
Equity and liabilities				
Equity	13,480	47	11,314	43
Non-current liabilities	7,538	27	8,335	32
Pensions and similar obligations	837	3	899	3
Bonds and other interest-bearing debts	4,286	15	5,005	19
Decommissioning and restoration obligations	1,984	7	1,933	7
Other provisions and liabilities	432	2	498	2
Deferred tax liabilities	905	3	549	2
Current liabilities	6,491	23	6,220	24
Trade payables	3,431	12	3,362	13
Bonds and other interest-bearing debts	559	2	968	4
Provisions and other liabilities	2,500	9	1,891	7
Total assets/equity and liabilities	**28,413**	**100**	**26,419**	**100**

[1] Figures for 2010 were adjusted according to the final purchase price allocation of OMV Petrol Ofisi A.Ş.

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.

Statement of financial position

Total assets increased by EUR 1,995 mn to EUR 28,413 mn. The increase in **non-current assets** amounting to EUR 1,676 mn was mainly due to investment activities in intangible assets and property, plant and equipment as well as first-time consolidation effects of the acquisitions in Tunisia and Pakistan. Additions to intangible assets and property, plant and equipment (EUR 2,633 mn) exceeded the total of depreciation and amortization as well as disposals by EUR 1,132 mn.

Total assets increased

Investments in associated companies increased by EUR 183 mn, which is mainly due to the result contribution of Borealis as well as the proportional results from other associated companies, translation of foreign operations and other changes. **Other non-current assets,** which primarily comprise non-current receivables, loans and securities slightly increased to EUR 1,282 mn.

Current assets rose by EUR 309 mn. This is mainly related to a EUR 610 mn increase in **current trade receivables** resulting from the higher oil price environment and a EUR 331 mn increase in mainly **gas inventories.** These increases were partly offset by a decrease in cash and cash equivalents as well as by other decreases in current assets.

Equity ratio increased to 47%

Equity (including minorities) improved by EUR 2,165 mn, leading to an increase of the equity ratio to 47% (2010: 43%). Positive effects came from a share capital increase and the issuance of a hybrid bond as well as from net income, which was partly offset by losses from translation of foreign operations and dividends distributed.

While **pensions and similar obligations** decreased by EUR 62 mn, **non-current decommissioning and restoration obligations** rose by EUR 51 mn, mainly because of parameter changes and discount unwinding effects.

Deferred tax liabilities increased to EUR 905 mn, mainly resulting from the acquisitions in Tunisia and Pakistan.

Bonds and other interest-bearing debts decreased by EUR 1,128 mn due to the partial repayment of debts, partly offset by the issuance of a Eurobond with a volume of EUR 500 mn.

Current provisions and other liabilities increased by EUR 609 mn due to the provisioning of a fine of EUR 117 mn imposed by the Romanian Competition Council on Petrom and an increase from derivative financial liabilities, short-term decommissioning provisions and other short-term liabilities.

Gearing ratio

Despite the high cash outflows from investing activities, which exceeded the operating cash flow, OMV was able to considerably decrease its debt by issuing new shares and a hybrid bond.

As of December 31, 2011, short- and long-term borrowings, bonds and financial leases amounted to EUR 4,962 mn (2010: EUR 6,113 mn) while cash and cash equivalents accounted for EUR 359 mn (2010: EUR 946 mn) in total. **Net debt** thus decreased by EUR 564 mn to EUR 4,603 mn (2010: EUR 5,167 mn). At December 31, 2011, the **gearing ratio,** defined as net debt divided by equity, was 34% (2010: 46%). This strong improvement was mainly due to the successful placement of 27.3 mn new shares in June 2011 and the issuance of a hybrid bond in May 2011. As the proceeds of the hybrid bond are fully treated as equity according to IFRS, both measures led to a considerable increase in equity.

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 decreased by EUR 372 mn or 13% from EUR 2,886 mn to EUR 2,514 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 1,474 mn for 2011 (2010: EUR 1,760 mn). The adjustment for depreciation, amortization and impairments was EUR 1,626 mn (2010: EUR 1,578 mn) and EUR 68 mn (2010: EUR 29 mn) for deferred taxes. The current tax expense less net tax payments resulted in an increase of EUR 70 mn (2010: EUR 45 mn). The share of associates' result and other dividend income less the dividends cashed in contributed to a decrease of EUR 187 mn (2010: increase of EUR 62 mn). The net interest expenses related to loans and other liabilities less interest paid resulted in a decrease of EUR 40 mn (2010: EUR 17 mn). The net decrease in long-term provisions (including employee benefits and decommissioning and restoration obligations) resulted in a negative cash flow adjustment of EUR 63 mn (2010: positive adjustment of EUR 72 mn). The total of write-ups of fixed assets and other non-cash items resulted in an increase of EUR 4 mn (2010: decrease of EUR 2 mn).

In 2011, net working capital increased by EUR 532 mn (2010: EUR 87 mn). Receivables and inventories increased by EUR 862 mn (2010: EUR 750 mn), whereas liabilities increased by EUR 317 mn (2010: EUR 671 mn). Short-term

provisions increased by EUR 12 mn (2010: decrease of EUR 8 mn).

Cash outflows for investments in non-current assets of EUR 2,521 mn (2010: EUR 2,128 mn) were partly offset by proceeds from the sale of non-current assets amounting to EUR 210 mn (2010: EUR 66 mn). Acquisitions of companies less cash acquired caused cash outflows of EUR 795 mn (2010: EUR 814 mn), whereof EUR 660 mn relate to the acquisition of Tunisian subsidiaries of Pioneer and Medco. **Net cash outflow from investment activities** totaled EUR 3,106 mn (2010: EUR 2,875 mn).

In 2011, the sale of treasury shares led to a cash inflow of EUR 0.1 mn (2010: EUR 0.4 mn). Cash outflows from the net decrease of short-term and long-term borrowings amounted to EUR 988 mn (2010: cash inflow from net increase EUR 589 mn). Additional shares in Petrol Ofisi were purchased during 2011 totaling EUR 23 mn. Cash outflows for dividend payments amounted to EUR 441 mn (2010: EUR 334 mn), of which EUR 299 mn (2010: EUR 299 mn) were paid to OMV shareholders and EUR 142 mn (2010: EUR 35 mn) to shareholders of non-controlling interests. During 2011, there were EUR 1,473 mn cash inflows from issuance of new shares (EUR 732 mn) and a hybrid bond (EUR 741 mn). N**et cash inflow from financing activities** amounted to EUR 21 mn (2010: EUR 256 mn).

Risk management

OMV is an integrated, international oil and gas Group. Its operations extend from hydrocarbon exploration and production and processing through to trading and marketing of mineral products and gas. Furthermore, OMV is 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. It is OMV's view that the Group's overall risk is significantly reduced due to its substantial diversification and the related partially offsetting effects of different risks. 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, who secures that well-defined and consistent risk management processes, tools and techniques are applied in the entire organization.

Safeguarding the cash flows required by the Group for growth

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 in line with the Group's risk appetite. 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. A cross functional committee with senior management members of OMV Group – the Risk Committee – ensures that an Enterprise Wide Risk Management (EWRM) program is in place to effectively manage the integrated risks across OMV.

EWRM is continuously enhanced. The main purpose is to deliver value through risk-based management decision making. Thorough assessment of financial, operational and strategic 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.

Continuous surveillance of risk profile

The risk culture is supported by an IT application following the risk management processes established within OMV Group: risk identification, risk analysis, risk evaluation, risk treatment, reporting and risk reviewing through continuous surveillance of changes to the risk profile. Overall risk resulting from the bottom-up risk management process is computed with the aid of Monte Carlo simulations and compared against planning data. This is further combined with a senior management view from a top-down approach to capture the strategic risks. 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, political risks, regulatory and compliance 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 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. The key Group risks are governed centrally to ensure the ability to meet the strategic objectives, through the essence of corporate directives, including those relating to health, safety, security and environment, legal matters and compliance, human resources and corporate social responsibility, with special emphasis on human rights, and market price risks.

Analysis and management of financial risks arising from foreign currencies, interest rates, commodity prices, counterparties, pensions, CO_2 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 segments 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 statement of financial position (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 2011, OMV entered into crude oil hedges (swaps) for a volume of 50,000 bbl/d securing an average price of USD 97/bbl. These hedges led

to a negative cash flow of USD 259 mn (thereof USD (57) mn in 2012). In addition, OMV entered for 2011 into USD hedges for an exposure of USD 1.621 bn at an average exchange rate of EUR-USD 1.3655. The USD hedges led to a positive cash flow of EUR 26 mn (thereof EUR (3.6) mn in 2012).

In 2011, OMV hedged (swaps) 50,000 bbl/d for the year 2012 at an average price of USD 101.45/bbl. To secure cash flow of USD 748 mn from currency fluctuations, OMV entered into USD hedges at an average rate of 1.3616 for 2012.

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 main counterparty credit risks are assessed, monitored and controlled at Group level and segment level using predetermined credit limits for all counterparties, banks and security provider. The procedures are governed by guidelines at OMV, Petrom and Petrol Ofisi level.

Sustainability & HSSE (health, safety, security, environment)

As an integrated, international oil and gas company, OMV's vision is to secure future energy resources for the common good. The Group's approach to achieve this has been revised in 2011. The new Resourcefulness concept covers all sustainability issues within the Group such as health, safety, security and environment (HSSE), community relations and social affairs. In order to implement this new approach across the OMV Group, the Resourcefulness Executive Team under the direction of the CEO of Petrom has been founded. Overall responsibility lies with the CEO of OMV who also established a corporate Sustainability department.

Sustainability targets remain important for responsible governance and measurements on an individual level. A percentage of the non-EBIT related individual variable compensation has been awarded for achieving sustainability goals.

Strengthening of HSSE culture

Enhancing HSSE awareness, especially at Petrom, continued to be a top priority in 2011. Over 279,000 hours of HSSE training were held (2010: 228,000), more than two-thirds of them in Romania. Furthermore, transparent reporting is key to improve HSSE culture. Nearly 220,000 (2010: 147,000) records (incidents, near misses, findings, hazards, assessments and action items) reported in CARE, a group-wide software tool, were the basis for defining over 76,000 (2010: 50,000) measures in 2011. From these measures, 86% (2010: 88%) 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 2011, compared to 2010. Although the lost-time injury rate (LTIR) for own employees decreased to 0.66 (2010: 0.74) per million hours worked, LTIR for contractors increased to 0.68 (2010: 0.56). The total recordable injury rate (TRIR) was 1.01 (2010: 1.29) per million hours worked for own employees and 1.14 (2010: 1.23) for contractors in 2011. One Petrol Ofisi employee and three contractors died as a result of work-related accidents (2010: three employees, one contractor). The Group fatal accident rate was 1.90 (2010: 5.08) per 100 million hours worked for own employees and 2.89 (2010: 1.05) for contractors.

Despite ongoing road safety programs, the number of commuting accidents increased to 30 (2010: 16), thereof three fatal accidents of contractors. After having signed the European Road Safety Charter in 2010, OMV Group committed itself to the UN Decade of Action for Road Safety 2011–2020, e.g. through using in-vehicle monitoring technology and by training drivers in the prevention of car crashes.

Within the frame of a major accidental events (MAE) study, OMV ranked high potential MAE sites and activities and started specific audits to review the effectiveness of management and technical integrity systems. In 2011, the reporting

of high potential incidents was systematically improved, with dedicated attention of senior management in order to reduce risks.

OMV safely evacuated expatriates from crisis-hit countries

During the Arab Spring, OMV safely evacuated its expatriates from Libya, Tunisia, Egypt and Yemen, and security aspects were carefully planned for the resumption of activities.

The Group recorded a total of six significant hydrocarbon spills (>1,000 liters) and 2,001 minor releases during the year (2010: 8 and 2,239 respectively).

The Group's carbon strategy, launched in 2008, aims at reducing greenhouse gas emissions and the carbon intensity 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.

Future Energies and Innovation

As an oil and gas group, OMV must respond to the challenges of rising energy demand, finite fossil fuel reserves and climate change. OMV does so by investing in research and development (R&D) as well as in innovative projects in the renewable energy field.

Opportunities

The industries involved in providing energy for entire economies can make important efforts to mitigate and adapt to climate change. OMV is working in a number of areas of its core business to respond to climate challenges. Reducing the carbon intensity of the portfolio is a key element of OMV's business strategy. The Group does so by investing in power generation, enhancing the energy efficiency of its products and operations and providing lower carbon fuels. OMV supports research and pilot projects on renewables (geothermal energy, wind), energy efficiency and future technologies.

Innovation

OMV's investments in R&D benefit its customers, the environment and its business. The Group works closely with universities, non-university research institutes and numerous industrial partners and actively participates in diverse technology networks. R&D expenditure in the Group totaled EUR 15.9 mn in 2011. In the near- and long-term future, OMV will strengthen its R&D focus on second generation renewables that are close to its core competencies and assets. Therefore, the annual R&D budget will be increased up to EUR 50 mn.

Geothermal Energy Project

Geothermal energy generally refers to the thermal energy stored in the Earth's crust. This energy is distributed between the constituent host rock and the natural fluid that is contained in its fractures and pores at temperatures above ambient levels. The fluids concerned are mostly water with varying amounts of dissolved salts. Quantities of hot rocks and fluids contained in them are substantially larger and more widely distributed than oil and gas fluids contained in sedimentary rock formations. High-grade hydrothermal resources have high average thermal gradients, high rock permeability and porosity, sufficient fluids in place and an adequate reservoir recharge of fluids. Western Turkey seems to be an ideal location for hydrothermal power as some investigations in the past have shown. OMV leverages synergies of exploration, production and power plant know-how and will analyze the potential in this area with the aim of investing in a geothermal power plant. Three main components are under consideration:

- Resource – estimate the magnitude and distribution of high temperature fields, obtain a license.
- Technology – assess requirements for extracting and utilizing energy from geothermal reservoirs including drilling, reservoir design and stimulation, as well as thermal energy conversion to electricity.

- Economics – create a business model and estimate the cost of supplying electricity.

The feasibility study, to be carried out in 2012, should deliver a sound basis for an investment project as well as a future OMV strategy for geothermal power.

Renewable Technologies – BioCrack Project
The goal of the BioCrack project is to design, construct and test a pilot plant for the combined conversion of an intermediate product of the mineral oil refinery and solid biomass into a fuel similar to conventional diesel. The generated product contains significant portions of biogenic carbon from the biomass and can be upgraded using existing refinery units to obtain the final quality of diesel fuel. BioCrack allows the use of existing infrastructure with concurrent utilization of renewable raw material in the oil industry, thereby contributing significantly to the reduction of CO_2 emissions. The technology is based on a patent belonging to OMV's project partner BDI – Bio Energy International AG; other project partners are from universities. The pilot unit is currently being installed at the Schwechat refinery. Steel construction is complete and several plant items were mounted at the end of 2011. The aim is to commission the unit at the end of the Q1/12. At the same time, the Technical University of Graz is working on the scientific foundation of the process. Thermodynamic and kinetic data have been measured and a simulation model of the process has been built. Now, the major focus is to optimize the operational parameters in order to maximize the yield of valuable products. Much work is also being done on upgrading side products such as hydrocarbons in the water phase. In close co-operation with the Technical University of Graz and BDI, scheduled pilot tests at OMV's pilot center will be prepared starting January 2012 so as to be ready for the first products from the pilot tests. Some tests will also be carried out on the FCC pilot unit at Vienna University of Technology.

Explore Market for H2 – H2 Mobility Project
The H2 Mobility initiative was founded in September 2009 as a public-private partnership between Germany's National Organisation for Hydrogen and Fuel Cell Technology (NOW) and eight industry stakeholders, including OMV. Its aim is to build a hydrogen fuelling infrastructure by 2015 and successfully introduce fuel cell vehicles to the German market. The network will expand via corridors from metropolitan areas into full geographical coverage. In 2011, the H2 Mobility consortium (17 companies and OEMs – car manufacturers, oil and gas companies and utilities) developed a joint entity business model to develop an infrastructure for hydrogen in Germany. In 2012, negotiations between partners will get underway to found the joint entity. Infrastructure investment should be in place from 2014 onwards, depending on serial production of the cars.

Aim to build a hydrogen fuelling infrastructure

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 327,272,727 and is divided into 327,272,727 bearer shares of no par value. There is only one class of shares.

2. There is a consortium agreement between the two core shareholders, 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 24.9% of the capital stock.

4. All shares have the same control rights.

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

6. The Company's Executive Board must consist of two to six members. The Company's Supervisory Board must consist of at least six members elected by the Annual General Meeting and of the members nominated under section 110 (1) 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). By partly exercising the said authorization, the Executive Board, based on its resolutions dated May 16, 2011 and June 6, 2011 and upon approval by the Supervisory Board, increased the capital stock from EUR 300,000,000 by EUR 27,272,727 to EUR 327,272,727 by issuing 27,272,727 new shares (capital increase in cash from authorized capital). As a result of the mentioned capital increase, the Executive Board is now authorized 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 50.6 mn by issuance of up to 50,627,273 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 50.6 mn under section 159 (2) (1) Austrian Stock Corporation Act by issuance of up to 50,627,273 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 50,627,273 (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 17, 2011, the Annual General Meeting authorized the Executive Board to repurchase treasury shares of up to 10% of the capital stock during a period of 30 months from the day of the resolution in question. Treasury shares can be repurchased via the stock exchange, by way of public tender or in any other legally permitted way and to any legally permitted purpose. The Executive Board has also been authorized to rescind treasury shares upon repurchase as well as treasury shares

currently owned by the Company without any further resolution by the Annual General Meeting.

e) The Executive Board has also been authorized until May 16, 2016, upon approval by the Supervisory Board but without any further resolution by the Annual General Meeting, to sell or use treasury shares upon repurchase as well as treasury shares currently owned by the Company via the stock exchange, by way of public tender, or in any other way. In particular, treasury shares can be utilized (i) to satisfy stock option and Long Term Incentive plans for employees, executive staff and members of the Executive Board or the management of the Company or affiliated subsidiaries as well as other employees' bonus schemes, (ii) for convertible bonds, if issued, (iii) as a compensation for the acquisition of enterprises, participations or other assets and (iv) to any other legally permitted purpose. The general shareholders' subscription rights can be excluded and this authorization can be exercised wholly or partly.

8. In addition to the capital increase, a hybrid bond with a size of EUR 750 mn was placed on the market on May 25, 2011. As the repayment of principal and the payments of interest are solely at the discretion of OMV, according to IFRS, the proceeds of the hybrid bond (less costs of issuance) were fully treated as equity. The hybrid will bear a fixed interest rate of 6.75% until April 16, 2018, thereafter a reset fixed rate (to be determined) until April 26, 2023 and thereafter a floating interest rate with a 100 basis points step up. The hybrid bond has no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has in particular the right to repay the hybrid bond at certain dates. In the case of a change of control, OMV may call the hybrid bond for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid bond.

9. At December 31, 2011 no material agreements to which OMV is a party are in place which in case of change of control due to a takeover offer would come into effect, be amended or terminated.

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

11. The most important elements of the internal control and risk management system regarding the accounting process are the following: 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.

Subsequent events
Please refer to Note 35 in the Consolidated Financial Statements.

Outlook for 2012
For 2012, we expect the average Brent oil price to remain above USD 100/bbl, whilst the Brent-Urals spread is anticipated to remain tight. To partly secure the Group's cash flow, OMV entered into oil price swaps in 2011, locking in a Brent price of approx. USD 101.45/bbl for a volume of 50,000 bbl/d (thereof 30,000 bbl/d at Petrom level) for 2012. Furthermore, EUR-USD average rate forwards at USD 1.36 are used to hedge an exposure of approx. USD 750 mn in 2012. OMV targets an investment level for average net CAPEX (excluding acquisitions) from 2011 to 2014 of approx. EUR 2.4 bn p.a. Maintaining the Group's strong investment grade credit rating and a stable financial position remains a key focus. It is one of OMV's highest priorities to reach world class HSSE standards including the reduction of the LTI rate (lost-time injury). A group-wide performance improvement program that targets a 2% points ROACE increase by 2014 has been launched and will be rolled out in mid-2012.

Continue to drive production optimization initiatives

In 2012, **E&P** will continue to focus on further successful stabilization of production volumes from the mature core assets in Romania and Austria. The negative external influences in Libya and Yemen experienced in 2011 are not expected to be as significant and should enable us to raise overall production volumes over the year. Within the framework of the group-wide performance improvement program, E&P's efforts on operational excellence and capital efficiency in 2012 and onwards will help to drive overall profitability. In the core countries Romania and Austria, E&P will build on the successes of 2011 and continue to drive a number of production optimization initiatives to stabilize production and further progress redevelopment projects to ensure production stability. In Romania, key growth activities in 2012 will be the drilling of the deep offshore Domino prospect and the progressing of the appraisal of the Totea field.

In the international portfolio, OMV will seek to bring Libyan production back to pre-crisis level and beyond. In Yemen, the security situation remains uncertain. Re-launching production will take longer and will only be approached if this can be achieved safely and sustainably. Across the whole portfolio, E&P will invest somewhat more on exploration than in 2011 focusing on bigger, high impact exploration targets. Triggered by the record 61% exploration success rate in 2011, appraisal expenditure will be increased in 2012, aiming at an accelerated maturation of discoveries. In 2012, OMV aims to drill around 30 exploration and appraisal wells. Furthermore, acquisition targets in the Middle East, Caspian and Africa regions will be screened and potential new country entries prepared.

In the **G&P** business segment, the major decision point for further progress on the Nabucco gas pipeline project will be the decision of the Shah Deniz II Consortium about the preferred transport provider for their gas. The gas logistics business will continue to implement the Third Energy Package (unbundling requirements). A further expansion of the West-Austria-Gas (WAG) pipeline, which aims at increasing the transport capacity primarily for domestic demand, and additional projects for the replacement of long-serving gas turbines on WAG are the main gas logistics investments in Austria. The start-up of the storage facility in Etzel (Germany) and of the connected Bunde-Etzel pipeline (BEP) is planned for H2/12. In the power business, full commercial operation for the gas-fired power plant in Brazi is now anticipated for H2/12. The construction of the low-emission 870 MW combined cycle power plant in Samsun, Turkey, is in progress and the power plant is expected to be commercially operational by H1/13. In the European gas market, a slight narrowing of the gap between oil-linked gas prices and spot prices is expected. The European LNG market environment is expected to remain challenging in 2012 due to a better netback-pricing situation in Asia and South America. OMV Trading will leverage the market access of all related G&P assets and realize their optimal marketing in the wholesale and trading

markets. EconGas will focus on its performance improvement and profitability as well as further penetration into international markets. Romania is required to implement the Third Energy Package (unbundling) in its legislation. This is expected to increase the pressure towards achieving a liberalized gas market in Romania in order to eliminate the current distortion in the market. In Turkey, OMV will follow its growth strategy in natural gas sales and will prepare power sales activities.

The **R&M** business segment will continue to face a challenging economic environment reflected in subdued demand and margin pressure. Refining margins, while expected to improve from the lows in 2011 due to capacity reductions, will remain under pressure. The high level of profitability of the petrochemical business, as seen in 2011, is anticipated to fall back to a more modest level due to expected lower economic growth in the key end markets in China and India. Marketing volumes as well as margins are expected to remain under pressure as mature Western markets are not expected to show any growth, and Southeastern Europe is still impacted by the economic downturn and sovereign debt crisis. In the Petrobrazi refinery, a six-week planned shutdown is scheduled for Q2/12 to upgrade the crude distillation unit, which will adjust the refinery's capacity to 4.2 mn t/y and enable it to process 100% of Petrom's Romanian crude production. No other major shutdowns or turnarounds are planned in 2012. In the marketing business, continuous network optimization of the retail business together with tight cost control should support profitability in the otherwise challenging environment. The ongoing streamlining of the retail network in areas with low integration (announced sale of Croatian and Bosnian subsidiaries) will further contribute to efficiency gains. At Petrol Ofisi, further integration and synergy realization with OMV's supply structures should contribute positively to the overall R&M result. The overall marketing environment in Turkey, however, is expected to remain challenging. The investment project with the highest priority in the business segment remains the Petrobrazi refinery modernization. Stringent cost management together with further streamlining of the business will further support profitability in R&M.

Upgrade of the crude distillation unit in Petrobrazi

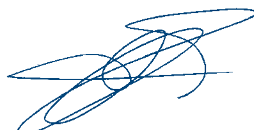
Vienna, March 20, 2012

The Executive Board

Gerhard Roiss
Chairman

David C. Davies
Deputy Chairman

Hans-Peter Floren



Jacobus Gerardus Huijskes

Manfred Leitner