



Group financials	EUR mn		
	2012	2011 ¹	Δ
Sales revenue	42,649	34,053	25%
Earnings before interest and taxes (EBIT)	3,104	2,494	24%
Net income for the year	1,790	1,588	13%
Net income attributable to stockholders of the parent	1,363	1,079	26%
Cash flow from operating activities	3,813	2,514	52%
Capital expenditure ²	2,426	3,146	(23)%
Employees as of December 31	28,658	29,800	(4)%

¹ Figures for 2011 were adjusted according to the revised accounting rules for post-employment benefits (IAS 19 revised).

² 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 24%

OMV generated a strong operating result of EUR 3,104 mn in 2012, 24% above last year's level, supported by higher oil prices and a stronger USD, partly compensated by lower marketing sales volumes and unfavorable gas supply contracts in EconGas. Net special charges of EUR (304) mn (2011: EUR (212) mn) were mainly related to provisions for onerous contracts booked in EconGas, the impairment of the gas field Strasshof in Austria and the impairment of marketing retail assets in Hungary and Moldova, partly offset by the gain from the divestments in the UK North Sea. The net financial result at EUR (246) mn was above 2011 (EUR (273) mn), driven by the improved financing structure of the Group, which led to a decrease in interest expenses and to a significant reduction in foreign exchange losses. This effect was counterbalanced by a provision for alleged late payment interest charges relating to a tax review of OMV Petrom SA, as well as lower income from associated companies in 2012. The effective tax rate was 37% (2011: 29%), mainly driven by a significantly higher contribution of highly taxed profits from Libya. Net income attributable to stockholders of the parent was EUR 1,363 mn, above 2011 (EUR 1,079 mn). Non-controlling and hybrid interests amounted to EUR 427 mn (2011: EUR 509 mn).

Return on average capital employed (ROACE), at 11%, was at the same level as in 2011, return on fixed assets (ROFA) increased from 14% to 18%, and return on equity (ROE) equaled the 2011 level of 13%. For definitions of these ratios, readers

are referred to the glossary of abbreviations and definitions which is an integral part of the Directors' report.

The **Exploration and Production (E&P)** business segment had a strong year. With the return of relative calm after the Arab Spring, OMV restarted operations in North Africa and the Middle East and increased total hydrocarbon production by 5% in comparison to 2011. Production in Romania and Austria was successfully stabilized at ~208 kboe/d, which is a key contributor to the total E&P portfolio. The exploration success ratio remained high at 61% (2011: 61%). The Domino-1 exploration well in the Black Sea was the biggest discovery in 2012 and has the potential to change Romania's energy landscape in the long run. The acquisition of interests in two key assets offshore Norway – Aasta Hansteen gas and Edvard Grieg oil field development – further enforces OMV's growth strategy. The portfolio was also further rationalized through UK North Sea legacy asset divestments.

The **Gas and Power (G&P)** business segment continued its expansion of sales and trading activities and strengthened its integrated gas position in its markets. The gas logistics business prepared for future needs by developing additional transport capacities and also took further steps in the Nabucco gas pipeline project. The supply, marketing and trading business continued its expansion of its international gas marketing activities and enhanced its trading

activities. In the power business, commercial operation of the gas-fired power plant in Brazi (Romania) started in August 2012. In Turkey, OMV finalized the construction of the gas-fired power plant in Samsun (870 MW) and the units at site are being prepared for commercial operation.

The result of the business segment **Refining and Marketing including petrochemicals (R&M)** increased compared to 2011, backed by an improved economic environment in the refining business, the further modernization of the Petrobrazi refinery and a strong contribution from Petrol Ofisi. Higher refining margins more than compensated the negative effect of the high crude price via fuel and loss in 2012. Petrochemical margins remained strong in the first half of the year, while the slowdown of economic activities in key end markets resulted in margin erosion in the second half of the year. High crude prices combined with the weak margin environment in most European countries weighed on the demand and profitability of the marketing segment. Petrol Ofisi, however, was able to capture the positive market development in Turkey and further improved its result compared to 2011, being a significant contributor to the strong R&M result in 2012.

Earnings before interest and taxes (EBIT)

E&P EBIT increased by 31% to EUR 2,743 mn, mainly due to significantly higher sales volumes in Libya and favorable foreign exchange effects. Total daily production of oil, NGL and gas of 303,000 boe/d was 5% above the level of 2011, as

higher volumes from Libya overcompensated the lower volumes from Romania and New Zealand. Total OMV daily oil and NGL production was up by 13%, mainly reflecting the resumed production in Libya (in 2011, no Libyan production was reported from March to November). Total OMV daily gas production was down by 2% in comparison to 2011, as the decline in Pakistan and Romania was not fully compensated by production increases in New Zealand and Tunisia. In 2012, net special charges of EUR (81) mn were related inter alia to the gain from divestments in the UK North Sea and the impairment of the gas field Strasshof (Austria).

G&P EBIT decreased by 82% from EUR 239 mn in 2011 to EUR 43 mn, driven by the increased margin pressure and significant provisions for onerous contracts related to transport and LNG capacity booked in the supply, marketing and trading business, even though gas sales increased by 60% compared to 2011. The gas logistics business benefited from increased gas transportation sold, but the storage business result was below the 2011 level due to the start-up of the storage Etzel in Germany. The power business recorded an improved result due to the contribution of the first power plant in operation. The construction progress at the power plant Samsun in Turkey led to an increased cost level. In total, net electrical output stood at 1.69 TWh, mainly from the gas-fired power plant in Brazi (Romania), which started operations in August 2012 and has been supplied only with domestic gas since September 2012.

Higher sales
volumes supported
E&P result

Earnings before interest and taxes (EBIT)		EUR mn	
	2012	2011 ¹	Δ
Exploration and Production (E&P) ²	2,743	2,091	31%
Gas and Power (G&P)	43	239	(82)%
Refining and Marketing incl. petrochemicals (R&M)	417	282	48%
Corporate and Other (Co&O)	(66)	(69)	(4)%
Consolidation: Elimination of inter-segmental profits	(33)	(48)	(31)%
OMV Group	3,104	2,494	24%

¹ Figures for 2011 were adjusted according to the revised accounting rules for post-employment benefits (IAS 19 revised).

² Excluding inter-segmental profit elimination.

**Refining margins
increased vs. 2011**

R&M EBIT came in at EUR 417 mn, significantly higher than the EUR 282 mn in 2011, mainly reflecting a better margin environment in the refining business. The refining result was up compared to 2011, mainly driven by the increase in the OMV indicator refining margin as a result of increased gasoline and middle distillate spreads in refining West. The OMV indicator refining margin East of USD (1.39)/bbl remained negative but improved compared to the level of 2011, which was USD (2.40)/bbl. At 88%, overall capacity utilization remained broadly in line with the level of 87% in 2011. Total refining output was stable. The petrochemicals result was in line with the 2011 result, in spite of higher volumes and higher ethylene margins, which were compensated by lower propylene and butadiene margins. The marketing result was above the level of 2011, mainly due to the provision booked in Petrom in 2011 related to antitrust investigations. The clean marketing result came in below the level of 2011 as a consequence of the difficult overall market environment, despite the very strong contribution from Petrol Ofisi.

EBIT in the **Corporate and Other (Co&O)** segment increased by 4% to EUR (66) mn in 2012, as the 2011 result was burdened by higher administrative costs.

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 2011, **consolidated sales revenues** increased by 25% to EUR 42,649 mn, mainly driven by a general market price increase as well as the stabilization of production in Libya. As a result of this, sales of the **E&P** segment increased by 22% to EUR 6,075 mn. After the elimination of intra-group transactions of EUR 4,687 mn, the contribution of the E&P segment to consolidated sales revenues was EUR 1,387 mn or about 3% of the Group's total sales revenues (2011: EUR 766 mn or 2%). **G&P** sales increased to EUR 11,883 mn (2011: EUR 7,000 mn). After elimination of intra-group sales to refineries, the G&P segment's contribution in 2012 was 27% of total sales or EUR 11,707 mn (2011: EUR 6,856 mn or 20%). Consolidated sales in

Summarized income statement	EUR mn		
	2012	2011 ¹	Δ
Sales revenues	42,649	34,053	25%
Direct selling expenses	(364)	(305)	19%
Cost of sales	(36,971)	(29,285)	26%
Other operating income	258	289	(10)%
Selling and administrative expenses	(1,440)	(1,380)	4%
Exploration, research and development expenses	(510)	(370)	38%
Other operating expenses	(520)	(508)	2%
Earnings before interest and taxes (EBIT)	3,104	2,494	24%
Net financial result	(246)	(273)	(10)%
Taxes on income	(1,067)	(633)	69%
Net income for the year	1,790	1,588	13%
Thereof attributable to hybrid capital owners	38	22	73%
Thereof attributable to non-controlling interests	389	487	(20)%
Net income attributable to stockholders of the parent	1,363	1,079	26%

¹ Figures for 2011 were adjusted according to the revised accounting rules for post-employment benefits (IAS 19 revised).

the **R&M** segment amounted to EUR 29,551 mn or 69% of total sales (2011: EUR 26,426 mn or 78%).

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 15,978 mn or 37% of the Group's total (2011: EUR 11,501 mn or 34%). Sales revenues in Germany increased from EUR 5,804 mn in 2011 to EUR 6,983 mn in 2012, representing a revenue contribution of 16% (2011: 17%). In Romania, sales revenues of EUR 4,667 mn or 11% of total sales revenues, were similar to last year's level in terms of proportion (2011: EUR 4,016 mn or 12%). Turkey contributed 13%, or EUR 5,491 mn, to OMV Group's total sales in 2012 (2011: EUR 5,023 mn or 15%). Sales in the rest of CEE were EUR 4,161 mn or 10% of Group sales revenues (2011: EUR 4,202 mn or 12%). Rest of Europe accounted for EUR 2,082 mn or 5% (2011: EUR 1,997 mn or 6%). Sales revenues in the Rest of the World increased to EUR 3,287 mn, representing 8% of total sales revenues (2011: EUR 1,510 mn or 4%).

Direct selling expenses, mainly consisting of third-party freight-out expenses, increased by 19% to EUR (364) mn. **Cost of sales**, which include variable and fixed production costs as well as costs of goods and materials employed, increased by 26% to EUR (36,971) mn, in line with the increase in sales. **Other operating income** was at EUR 258 mn, mainly related to gains on divestments in the UK North Sea. Apart from this, the major components of this position are foreign exchange gains. **Selling expenses** of EUR (1,019) mn increased by 8% compared to last year, while **administrative expenses** decreased by 3% to EUR (422) mn.

Exploration expenses amounting to EUR (488) mn increased by 38% compared to last year, while **research and development (R&D) expenses** increased by 31% to EUR (21) mn. **Other operating expenses** increased by 2% compared to 2011, amounting to EUR (520) mn,

which includes provisions for onerous contracts related to contracted long-term transport and LNG capacity bookings of EconGas. Compared to 2011, this year's personnel reduction costs increased slightly.

The **net financial result** showed an expense of EUR (246) mn (2011: EUR (273) mn). This was mainly caused by the improved financing structure of the Group, which led to decreased interest expenses and to a significant reduction of foreign exchange losses. This effect was counterbalanced by a provision for alleged late payment interest charges following a tax review of the years 2009 and 2010 of OMV Petrom SA, and lower income from associated companies in 2012. **Income from associated companies** in total amounted to EUR 200 mn (2011: EUR 224 mn). This included the recognized share of the pro rata result of Borealis group at the amount of EUR 172 mn (2011: EUR 186 mn) and the pro rata result of Erdöl-Lagergesellschaft m.b.H. of EUR 21 mn (2011: EUR 11 mn). **Dividend income** amounted to EUR 12 mn (2011: EUR 8 mn). The **net interest result** showed an expense balance of EUR (376) mn (2011: EUR (352) mn), mainly reflecting a provision for alleged late payment interest charges following a tax review of OMV Petrom SA, counterbalanced by decreased interest expenses due to the improved financing structure.

Taxes on income increased by EUR (434) mn to EUR (1,067) mn compared to 2011. This was caused by an increase of expenses for current income taxes by EUR (646) mn to EUR (1,206) mn and the result of deferred tax expenses of EUR (73) mn in 2011 turning into an income of EUR 139 mn in 2012. The Group's effective tax rate thus increased to 37.3% (28.5% in 2011). This increase in the tax burden was mainly attributable to significantly higher profit contributions of high-taxed Libyan E&P entities.

Financing structure of the Group improved

Two thirds of total CAPEX went into E&P

Capital expenditure (CAPEX)

CAPEX decreased to EUR 2,426 mn (2011: EUR 3,146 mn).

E&P invested EUR 1,598 mn (2011: EUR 2,066 mn) mainly in field developments in Romania and Austria, as well as in the purchase of interests in the Norwegian fields Aasta Hansteen and Edvard Grieg. CAPEX in the G&P segment of EUR 351 mn (2011: EUR 468 mn) was mainly related to commissioning of the gas storage Etzel in Germany, investments in the power plant projects in Brazi (Romania) and Samsun (Turkey) and the West-Austria-Gas Pipeline (WAG) expansion project in Austria. CAPEX in the R&M segment amounted to EUR 435 mn (2011: EUR 575 mn), mainly comprising investments in the modernization of the Petrobrazi refinery in Romania as well as the construction and remodeling of filling stations and terminals. CAPEX in the Co&O segment was EUR 42 mn (2011: EUR 37 mn).

The reconciliation of total capital expenditure to additions according to the statement of non-current assets (intangible and tangible) mainly relates to changes in the group of consolidated companies and additions, which by definition are

not considered as capital expenditure, as well as investments in financial assets. 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 2,106 mn to EUR 30,519 mn. The increase in non-current assets amounting to EUR 513 mn was mainly due to investment activities in intangible assets and property, plant and equipment, which include the purchase of interests in the Norwegian field developments Aasta Hansteen and Edvard Grieg.

Investments in associated companies increased by EUR 140 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

Capital expenditure ¹	EUR mn		
	2012	2011	Δ
Exploration and Production	1,598	2,066	(23)%
Gas and Power	351	468	(25)%
Refining and Marketing incl. petrochemicals	435	575	(24)%
Corporate and Other	42	37	14%
Total capital expenditure	2,426	3,146	(23)%
+/- Changes in the consolidated Group and other adjustments	370	336	10%
- Investments in financial assets	(11)	(849)	(99)%
Additions according to statement of non-current assets (intangible and tangible assets)	2,785	2,633	6%
+/- Non-cash changes	(300)	(171)	76%
Cash outflow due to investments in intangible and tangible assets	2,485	2,462	1%
+ Cash outflow due to investments in securities, loans and other financial assets	13	58	(78)%
Investments as shown in the cash flow statement	2,498	2,520	(1)%

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.

Summarized statement of financial position ¹				EUR mn	
	2012	%	2011		
Assets					
Non-current assets	21,073	69	20,560	72	
Intangible assets and property, plant and equipment	17,827	58	17,408	61	
Investments in associated companies	1,811	6	1,671	6	
Other non-current assets	1,136	4	1,282	5	
Deferred tax assets	300	1	198	1	
Current assets	9,446	31	7,853	28	
Inventories	3,202	10	3,149	11	
Trade receivables	3,822	13	3,541	12	
Other current assets	2,422	8	1,164	4	
Equity and liabilities					
Equity	14,530	48	13,404	47	
Non-current liabilities	8,713	29	8,519	30	
Pensions and similar obligations	978	3	938	3	
Bonds and other interest-bearing debts	4,413	14	4,286	15	
Decommissioning and restoration obligations	1,995	7	1,984	7	
Other provisions and liabilities	548	2	432	2	
Deferred tax liabilities	778	3	879	3	
Current liabilities	7,276	24	6,491	23	
Trade payables	4,290	14	3,431	12	
Bonds and other interest-bearing debts	376	1	559	2	
Provisions and other liabilities	2,610	9	2,500	9	
Total assets/equity and liabilities	30,519	100	28,413	100	

¹ Figures for 2011 were adjusted according to the revised accounting rules for post-employment benefits (IAS 19 revised).

other changes. **Other non-current assets**, which primarily comprise non-current receivables, loans and securities, decreased by EUR 147 mn to EUR 1,136 mn.

Deferred tax assets increased to EUR 300 mn.

Current assets rose by EUR 1,593 mn. This is mainly related to a EUR 868 mn increase in **cash and cash equivalents**, a EUR 281 mn increase in **trade receivables**, mainly from higher sales, and an increase in **current assets held for sale** by EUR 235 mn due to the sales agreements signed for OMV Hrvatska d.o.o., OMV BH d.o.o. and PETROM LPG SA.

Equity (including non-controlling interest) improved by EUR 1,126 mn, leading to a slight increase of the equity ratio to 48% (2011: 47%). Positive effects came mainly from net income, which was partly offset by dividends distributed.

Pensions and similar obligations increased by EUR 40 mn. **Non-current decommissioning and restoration obligations** slightly rose by EUR 11 mn, mainly because of parameter changes and discount unwinding effects.

Current and non-current **bonds and other interest-bearing debts** decreased by EUR 56 mn.

Trade payables increased by EUR 859 mn, mainly due to higher gas purchases and positive effects on working capital from the performance improvement program "energize OMV".

Current and non-current other provisions and other liabilities increased by EUR 226 mn, mainly due to provisions for onerous contracts related to contracted long-term transport and LNG capacity bookings of EconGas and a provision for alleged late payment interest charges following a tax review of the years 2009 and 2010 of OMV

"energize OMV"
led to working
capital reductions

Petrom SA, partly offset by the payment of the provision of a fine imposed by the Romanian Competition Council on Petrom in 2011.

Deferred tax liabilities decreased to EUR 778 mn.

Gearing ratio

Gearing ratio down
from 34% to 26%

As of December 31, 2012, short- and long-term borrowings, bonds and financial leases amounted to EUR 4,974 mn (2011: EUR 4,962 mn) while cash and cash equivalents substantially increased to EUR 1,227 mn (2011: EUR 359 mn) in total. **Net debt** thus decreased by EUR 856 mn to EUR 3,747 mn (2011: EUR 4,603 mn). At December 31, 2012, the **gearing ratio**, defined as net debt divided by equity, was 26% (2011: 34%). This strong improvement was mainly due to the substantial increase in cash and cash equivalents resulting from the strong operating cash flow, lower investing cash flow compared to 2011 and increased equity, mainly due to the strong net income for 2012.

Cash flow

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

Cash flow from operating activities increased by EUR 1,299 mn or 52% from EUR 2,514 mn to EUR 3,813 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 1,785 mn for 2012 (2011: EUR 1,458 mn). The adjustment for depreciation, amortization and impairments was EUR 2,036 mn (2011: EUR 1,626 mn) and EUR (139) mn (2011: EUR 73 mn) for deferred taxes. The current tax expense less net tax payments resulted in an increase of EUR 53 mn (2011: EUR 70 mn). The share of associates' result and other dividend income less the dividend payments received contributed to a decrease of EUR 160 mn (2011: EUR 187 mn). The net interest expenses related to loans and other liabilities less interest paid

resulted in a decrease of EUR 47 mn (2011: EUR 40 mn). The net increase in long-term provisions (including employee benefits and decommissioning and restoration obligations) resulted in a positive cash flow adjustment of EUR 73 mn (2011: Negative adjustment of EUR 83 mn). The total of write-ups of fixed assets and other non-cash items resulted in an increase of EUR 69 mn (2011: EUR 4 mn).

In 2012, net working capital decreased by EUR 237 mn (2011: Increase of EUR 532 mn). Receivables and inventories increased by EUR 570 mn (2011: EUR 862 mn), whereas liabilities increased by EUR 920 mn (2011: EUR 317 mn). Short-term provisions decreased by EUR 113 mn (2011: Increase of EUR 12 mn).

Cash outflows for investments in non-current assets of EUR 2,498 mn (2011: EUR 2,521 mn) were partly offset by proceeds from the sale of non-current assets amounting to EUR 218 mn (2011: EUR 210 mn). In 2011, acquisitions of companies less cash acquired caused cash outflows of EUR 795 mn, whereof EUR 660 mn related to the acquisitions of the Tunisian subsidiaries of Pioneer and Medco. **Net cash outflow from investment activities** totaled EUR 2,279 mn (2011: EUR 3,106 mn).

Cash outflows from the net decrease of short-term and long-term borrowings amounted to EUR 38 mn (2011: EUR 988 mn). In 2012, the Group sold 15% of the stake held in the Central European Gas Hub AG for EUR 7 mn. In 2011, there was EUR 23 mn worth of additional shares purchased in Petrol Ofisi. Cash outflows for dividend payments amounted to EUR 626 mn (2011: EUR 441 mn), of which EUR 359 mn (2011: EUR 299 mn) were paid to OMV shareholders, EUR 222 mn (2011: EUR 142 mn) to shareholders of non-controlling interests and EUR 45 mn (2011: nil) to hybrid capital owners. In 2011, there were EUR 1,473 mn cash inflows from issuance of new shares (EUR 732 mn) and a hybrid bond (EUR 741 mn). **Net cash outflow from financing activities** amounted to EUR 658 mn (2011: Net inflow of EUR 21 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 operating a gas-fired power plant in Romania and has finalized the construction of one in Turkey. In common with the entire oil and gas industry, OMV is exposed to a variety of risks – including market, operational, strategic, regulatory and 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. The balancing effects of offsetting industry risks, however, 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, which ensures that well-defined and consistent risk management processes, tools and techniques are applied in the entire organization. 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 risks (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.

The risk culture is supported by an IT application facilitating 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) at 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. Through systematic staff

**Diversification
reduces Group's
overall risk**

Key Group risks are managed centrally

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, CO₂ emissions, liquidity as well as insurable risks are undertaken in a consolidated way within Corporate Finance.

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

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

For the year 2012, OMV hedged (using swaps) 50,000 bbl/d at an average price of USD 101.45/bbl. These hedges led to a negative cash flow

of USD 186 mn (thereof USD (39.7) mn in 2013). To protect cash flows of USD 748 mn from currency fluctuations, OMV entered into USD hedges at an average rate of 1.3616 for 2012, which resulted in a negative cash flow of EUR 33 mn (thereof EUR (6.9) mn in 2013).

To balance the Group's interest rate portfolio, some USD and EUR denominated loans were converted from fixed to floating rates and vice versa, according to predefined rules. The main counterparty credit risks are assessed, monitored and controlled at Group and segment level, using predetermined credit limits for all counterparties, banks and security providers. The procedures are governed by guidelines at OMV, Petrom and Petrol Ofisi level.

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

Building on a lasting tradition, OMV enhanced its sustainability concept in 2012. Resourcefulness is OMV's new way of achieving profitable growth in a sustainable and responsible manner. Thus, OMV assumes responsibility for people and environment along the entire value chain, and commits to implementing innovative solutions that lead to win-win situations for society, the environment and for OMV. Initiatives implemented under Resourcefulness focus on Education & Development, Environmental Management and New Energies. OMV initiatives are always adapted to the specific needs and standards of the society and the people in those regions where OMV operates.

The "Resourcefulness Executive Team" steers the implementation of the concept across the OMV Group. Furthermore, the newly established "OMV Resourcefulness Advisory Board" provides external guidance and advice on OMV's Resourcefulness concept.

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

A special focus was given to HSSE training to further enhance HSSE awareness in 2012. Over 439,000 hours of HSSE training were held (2011: 279,100), more than two-thirds of them in Romania. Furthermore, improvements in transparent reporting are key to enhance the HSSE culture. Nearly 260,000 (2011: 220,000) records (incidents, near misses, findings, hazards, assessments and action items) have been reported in CARE, the group-wide software tool, which provided the basis for defining over 80,000 (2011: 76,000) measures in 2012. 88% of these measures (2011: 86%) were completed within the scheduled time frame. As an important step, eight Golden Rules were introduced throughout the Group, with the aim of providing basic principles to reduce occupational safety incidents.

Despite efforts to strengthen HSSE culture and especially safety awareness, the occupational safety performance of OMV Group did not improve further in 2012, compared to 2011. The Lost-Time Injury Rate (LTIR) for own employees remained at 0.66 (2011: 0.66) per million hours worked, but the LTIR for contractors increased to 0.71 (2011: 0.68). The Total Recordable Injury Rate (TRIR) was 1.15 (2011: 1.01) per million hours worked for own employees and 1.72 (2011: 1.14) for contractors in 2012. One E&P Petrom employee and two contractors within R&M retail business died as a result of work-related accidents (2011: One employee, three contractors). The Group fatal accident rate was 1.88 (2011: 1.90) per 100 million hours worked for own employees and 2.02 (2011: 2.89) for contractors.

The number of commuting accidents decreased to 21 (2011: 30), but one was fatal. 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 (IVMS) and by training drivers in the prevention of car crashes, and has started to implement IVMS throughout Petrom, where completion is planned in 2013.

Within the frame of a major accidental events (MAE) study, OMV ranked high potential MAE sites and activities and started to implement specific action plans to further improve the effectiveness of management and technical integrity systems. In 2012, the reporting of high potential incidents was continued, with dedicated attention of senior management in order to reduce the likelihood of re-occurrence. Process safety has received specific attention in 2012 and the implementation of the Process Safety Strategy has commenced.

After the Arab Spring, OMV has carefully operated in Libya, Tunisia, Egypt, Yemen and Pakistan, and security aspects were specifically considered in all activities.

The Group recorded a total of nine significant hydrocarbon spills due to pipeline corrosion, a road accident and unauthorized, criminal access to oil pipelines, and 1,895 minor releases all resulting in a volume of > 300,000 liters during the year (2011: 6 and 2,001 respectively).

The Group's carbon strategy, launched in 2008, aims at reducing greenhouse gas emissions and the carbon intensity of the product portfolio. Petrom continued to focus on compliance with national and EU regulations in the area of HSSE.

In 2012, special focus was put on HSSE training

Research
and development

Eco-Innovation

Global demand for energy continues to rise at a steady pace. However, the twin challenges of climate change and fossil fuel depletion mean that the world is increasingly looking to innovative new ways of meeting its growing energy needs. In November 2012, OMV hosted the World Energy Outlook 2012 presentation in Vienna. The report confirmed the trend towards phasing in renewable alternatives in Europe and beyond while maintaining the critical role of fossil fuels in the energy mix.

As an international and integrated oil and gas company, OMV can make a real difference to future energies. Responsible behavior, the careful management of resources and investment in innovation are the underlying principles that guide our conduct. The ultimate goal is to secure a sustainable energy supply for today – and for the future.

OMV expertise

One of the three pillars of our Resourcefulness strategy, Eco-Innovation is the platform that will enable us to operate a profitable business in the long-term. Our core skills help us tap into alternative energy sources and new opportunities, in order to underpin future growth and revenue generation. Eco-Innovation is making our business more resilient because we are developing revenue streams to complement – not replace – our fossil fuels businesses.

With Eco-Innovation, OMV uses its core competence to acquire alternative energy sources and business units, which should have a profitable economic value in the long-run.

The primary focus for our Eco-Innovation initiative is on hydrogen mobility and second-generation biofuels.

Following a feasibility study undertaken during 2012, we have decided not to pursue our interest in geothermal technology at this time. The study concluded that the market opportunities for geothermal are limited. As we enter 2013, our

focus remains squarely on hydrogen mobility and second-generation biofuels.

Hydrogen mobility

For a world that is wedded to road transport, hydrogen offers a very real and increasingly viable alternative, not only to traditional fuels such as diesel and gasoline but also to electricity. Hydrogen can be produced as a CO₂-neutral energy from gas – an area where OMV has extensive experience and expertise – and is an ideal fuel to counter the effects of climate change.

OMV assumes that combined with a fuel cell, hydrogen can be the mobility technology of the future. Since 2009, OMV has been an active member of the H₂ Mobility consortium – and during 2012, this project took a significant step forward when OMV opened Austria's first public hydrogen filling facility. Drivers are able to refuel in just three minutes and can drive up to 400 km on a single 'tankful'.

Second-generation biofuels

While first-generation biofuels such as grain and oilseeds compete with sources of food production, their second-generation counterparts have a smaller CO₂ footprint and offer greater sustainability.

During 2012, OMV established a pilot BioCrack™ plant at the refinery Schwechat, which is using biogenic material unfit for human consumption – such as woodchips and straw – to produce energy. The project draws on OMV's refining know-how and the existing facilities at Schwechat.

The focus for 2013/2014 is to develop further expertise in this area. If successful, it will deliver multiple benefits to OMV. In particular, OMV will no longer have to purchase biomass from third parties, thereby reducing the costs and improving profitability.

The end result of the refining process is a finished product that can be fed directly into the fuel chain. Even if alternative energies such as

Austria's first
public hydrogen
filling facility
opened

hydrogen mean that the traditional combustion engine is replaced by other systems in road vehicles, fuel from biogenic sources will have a significant market for many years in applications such as air and marine transport.

**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, Österreichische Industrieholding Aktiengesellschaft (ÖIAG) and International Petroleum Investment Company (IPIC), 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 26, 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, 2012, no other 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 2013

For 2013, OMV expects the average Brent oil price to remain above USD 100/bbl, whilst the Brent-Urals spread is anticipated to stay relatively tight. In the European gas market, hub prices are expected to increasingly influence market prices over oil-linked gas prices. In Romania, the published roadmap towards gas price liberalization foresees three further domestic gas price increases for industrial customers in 2013. Refining margins, which experienced a high in 2012, are expected to return to more modest levels. In the petrochemical business, margins are expected to remain at the 2012 level. Marketing volumes are expected to remain similar to the level of 2012.

CAPEX before acquisitions for 2013 is expected to increase to around EUR 2.8 bn following the recent acquisitions in Norway. OMV aims to achieve world class HSSE standards with zero fatalities and the reduction of the lost-time injury rate (LTIR) from 0.69 in 2012. The group-wide performance improvement program "energize OMV", which targets a 2% points ROACE increase by 2014, is on track and will continue to be implemented.

In 2013, while the **E&P** business segment will continue to further implement its growth strategy, production is expected to be broadly similar to 2012. In the core countries, Romania and Austria, the target remains to keep the production stable in the range of 200 to 210 kboe/d. In order to achieve this, focus will be on speeding up the process of bringing the field redevelopments closer to their implementation stage and employing the production performance initiatives under the "energize OMV" program. In the international portfolio, with the return of relative political calm after the Arab Spring, production in Libya is expected to remain at 2012 levels and Yemen is expected to raise its production volumes vs.

Increase in
CAPEX in 2013

Significantly
higher exploration
expenditure

2012. In both countries, the security situation remains, however, uncertain, especially in Yemen. In the UK, the Schiehallion FPSO vessel will be taken out of operation and production has been halted in early 2013. The continued maturation of field development projects in the international portfolio will support the organic growth target for 2016. Key field developments throughout 2013 are, among others, Latif and Mehar (Pakistan), Edvard Grieg and Aasta Hansteen (Norway), Nawara (Tunisia), Rosebank (UK) and Habban (Yemen). Across its entire portfolio, E&P will significantly increase its exploration expenditure vs. 2012 and continue focusing on high impact exploration targets. In 2013, OMV aims to drill up to eight high impact exploration and appraisal wells, half of which in Norway. Triggered by the high 61% exploration well success ratio in 2011 and 2012, appraisal expenditure will be further increased in 2013, aiming at an accelerated maturation of the discoveries. In Romania, key appraisal activities in 2013 will be the further appraising of the Totea field as well as acquiring 3D seismic and progressing the appraisal program for the Neptun block. Within the group-wide performance improvement program, E&P's initiatives on operational excellence and capital efficiency will be implemented, supporting the overall profitability.

Renegotiation
of long-term gas
supply contracts

In the **G&P** business segment, the main focus of the supply, marketing and trading business will be on renegotiating the long-term gas supply contracts to adjust pricing to current market circumstances in EconGas. The contract with Gazprom allows for the possibility of a price adjustment from April 2013. OMV Trading will start gas trading activities and will leverage the market access of all related G&P assets. In Romania, the gas business will focus on maintaining the leading position in the free gas market whilst adapting the sales strategy to the expected liberalization under the new energy law. In Turkey, power sales and trading activities will be started, the growth strategy in natural gas sales will be followed and the market position in trucked-LNG business is expected to improve. In

gas logistics, Nabucco West, which was selected as the most competitive route into Central Europe, and the Shah Deniz II consortium have recently signed cooperation and equity option agreements. The final decision by the Shah Deniz II consortium for their preferred transport partner is expected in 2013. Further steps for development and refinement of operating activities as Market Area Manager will be taken by Gas Connect Austria. The storage market is expected to remain challenging in 2013 due to the overall gas oversupply situation at all European trading spots, as well as low summer/winter spreads. Storage capacities are, however, fully contracted for 2013. With the launch of the new Austrian gas market model on January 1, 2013, CEGH started operations of the Virtual Trading Point in Austria and also launched the "CEGH Gas Exchange Within-Day Market of Wiener Börse". The "Within-Day Market" will increase turnover and liquidity on "CEGH Gas Exchange of Wiener Börse" in 2013. In the power business, the gas-fired power plant Brazi will continue to consolidate its position in the market, enhancing the value of equity gas. A one-month shutdown of the Brazi power plant for the installation of a gas treatment plant is planned for Q2/13 subject to further alignment with the Romanian grid operator. The gas-fired power plant Samsun is expected to be ready for start-up in H1/13. Commercial operation, however, is subject to final court rulings on the legal validity of the rezoning decision as well as the electricity generation license.

The **R&M** business segment will continue to face a challenging economic environment reflected in subdued demand and margin pressure. Refining margins, which experienced a high in 2012, are expected to return to more modest levels in 2013 as capacity returns to OMV's main markets. Marketing volumes are expected to remain under pressure and on the level of 2012 as mature Western markets are not expected to show any growth, and Southeastern Europe is still negatively affected by the economic downturn and sovereign debt crisis. In the Petrobrazi refinery, further steps of

the modernization program are ongoing, with finalization due in 2014. A regular maintenance shutdown of the Bayernoil crude distillation unit in Vohburg is planned for four weeks in Q1/13. No further major shutdowns are planned in 2013. The divestment program with the aim of generating up to EUR 1 bn by 2014 will be progressed further. Petrol Ofisi is expected to deliver a continued strong performance in 2013 and to further improve profitability. As part of "energize OMV", working capital will be further reduced by approximately EUR 350 mn. The sale of a portion of OMV's Austrian emergency stocks will contribute approximately EUR 180 mn upon closing of the transaction.

Continued strong performance of Petrol Ofisi expected

Vienna, March 20, 2013

The Executive Board



Gerhard Roiss



David C. Davies



Hans-Peter Floren



Jacobus Huijskes



Manfred Leitner