

Directors' report (incl. outlook)

Directors' report of OMV Group

Group financials			EUR mn
	2013	2012	Δ
Sales revenue	42,415	42,649	(1)%
Earnings Before Interest and Taxes (EBIT)	2,717	3,104	(12)%
Net income for the year	1,729	1,790	(3)%
Net income attributable to stockholders of the parent	1,162	1,363	(15)%
Cash flow from operating activities	4,110	3,813	8%
Capital expenditure ¹	5,226	2,426	115%
Employees as of December 31	26,863	28,658	(6)%

¹ Includes acquisitions as well as equity-accounted investments 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

OMV generated an operating result of EUR 2,717 mn in 2013, 12% below last year's level, burdened by lower E&P sales volumes and decreased oil prices. Net special charges of EUR 143 mn (2012: EUR (304) mn) were mainly related to the sale of LMG Lagermanagement GmbH, partly compensated by the impairment of E&P assets in the Kurdistan Region of Iraq and the impairment of the Etzel gas storage in Germany. The net financial result of EUR (427) mn was below that in 2012 (EUR (246) mn). This was mainly caused by the write-down of financial assets being disposed of as part of the ongoing R&M divestment program, as well as the write-off of assets related to the Nabucco West project, which were booked as special items in the financial result. The contribution from equity-accounted investments was also lower. The effective tax rate was 25% in 2013 (2012: 37%). The decrease in effective tax rate was mainly a result of the lower profit contribution from highly taxed Libya. Net income attributable to stockholders of the parent was EUR 1,162 mn, below 2012 (EUR 1,363 mn). Non-controlling and hybrid interests amounted to EUR 566 mn (2012: EUR 427 mn).

ROACE at 11%

Return On Average Capital Employed (ROACE), at 11%, was at the same level as in 2012; Return On Fixed Assets (ROFA) decreased from 18% to 15%, and Return On Equity (ROE) declined from 13% to 11%. For definitions of these ratios, readers are referred to the glossary of abbreviations

and definitions, which is an integral part of the Directors' report.

2013 was an eventful year for the **Exploration and Production (E&P)** business segment. Production in mature core countries (Romania and Austria) was kept at a stable level, in line with the strategic target of 200-210 kboe/d. Furthermore, production in Romania showed a year-on-year increase for the first time since Petrom was acquired in 2004. In contrast, the international portfolio was impacted by the production interruptions in Libya and New Zealand. As a result, production remained behind last year's level. The acquisition of assets in Norway and the UK from Statoil further consolidated OMV's footprint in the North Sea area, a growth region for the Group. Further details are provided in Note 3 in the Consolidated Financial Statements. Exploration again had a successful year. The Wisting oil discovery opened up a new opportunity in the Barents Sea. Access to Sub-Saharan Africa was secured through farm-in deals in Madagascar and Gabon.

For the **Gas and Power (G&P)** business segment, the overall market environment remained challenging, nevertheless the first milestones towards increasing profitability were reached in 2013. The supply, marketing and trading business renegotiated the long-term gas supply contract with Statoil and reached an interim

agreement with Gazprom in favor of a more competitive position. In the power business, the gas-fired power plant Samsun in Turkey successfully started commercial operations. The gas logistics business implemented an entry/exit system including a new tariff scheme in Austria. The Central European Gas Hub substantially increased its exchange traded gas volumes.

The result of the business segment **Refining and Marketing including petrochemicals (R&M)** increased compared to 2012, mainly related to the completed sale of LMG Lagermanagement GmbH in Q1/13. The refining business focused on high unit availability, cross-site and cross-business integration along the entire value chain, as well as cost and performance management. Overall, the refinery utilization rate reached 92% compared to 88% in 2012. The refining result was significantly down compared to 2012, mainly due to a strong decrease in the OMV indicator refining margin. The petrochemicals result increased vs. 2012 due to higher ethylene and propylene margins, which more than compensated for lower butadiene margins. The marketing result was well above the level of 2012, driven by higher margins, supported by better cost management. Overall marketing volumes were down by 1% compared to 2012 mainly due to the sale of the Marketing business in Croatia and Bosnia-Herzegovina. Petrol Ofisi sustained its successful operational results in 2013 by focusing on profitability, cost management and operational excellence.

Earnings Before Interest and Taxes (EBIT)

E&P EBIT decreased by 27% to EUR 1,990 mn, mainly due to significantly lower sales volumes in Libya and lower production in the UK, Austria and New Zealand. Total daily production of oil, NGL and gas of 288 kboe/d was 5% below the level of 2012, mainly due to lower volumes from Libya and the UK (due to sold assets in the North Sea) as well as lower contributions from Austria. Total OMV daily oil and NGL production was down by 7%, mainly reflecting lower production levels in Libya and the UK. Total OMV daily gas production decreased by 3% vs. 2012, as the decline in Pakistan and the UK was not compensated by production increases in Romania and Tunisia. In 2013, net special charges of EUR (96) mn were related to the impairment of assets in the Kurdistan Region of Iraq and Tunisia.

G&P EBIT decreased from EUR 43 mn in 2012 to EUR 1 mn, due to special items of EUR (137) mn mainly related to the impairment of the Etzel gas storage in Germany. The business unit supply, marketing and trading recorded a 3% decrease in total gas sales volumes vs. 2012. The performance of EconGas was slightly positive due to the renegotiated long-term gas supply contracts, an improved Gate LNG position as well as reduced logistics costs. Petrom's gas sales remained relatively stable whereas the margins were lower. In Turkey the weaker TRY against the USD in 2013 led to higher gas supply costs and therefore lower margins vs. 2012. In the business unit gas logistics, the result

Marketing result well above previous year's level

Earnings Before Interest and Taxes (EBIT)		EUR mn	
	2013	2012	Δ
Exploration and Production (E&P) ¹	1,990	2,743	(27)%
Gas and Power (G&P)	1	43	(99)%
Refining and Marketing incl. petrochemicals (R&M)	772	417	85%
Corporate and Other (Co&O)	(53)	(66)	(19)%
Consolidation: Elimination of inter-segmental profits	7	(33)	n.m.
OMV Group	2,717	3,104	(12)%

¹ Excluding inter-segmental profit elimination

contribution of the storage business decreased significantly due to tariff and capacity reductions for running gas storage contracts in Austria. The gas transportation business increased the result mainly due to the start-up of the expansion of the West-Austria-Gas pipeline in January 2013. The power business recorded a net electrical output of 4.34 TWh mainly from the gas-fired power plant in Brazi (Romania) and the gas-fired power plant Samsun (Turkey) which started operations in June 2013. The performance of the power business was, however, impacted by unfavorable market conditions.

+85% R&M EBIT

R&M EBIT came in at EUR 772 mn, significantly higher than the EUR 417 mn in 2012, mainly coming from special items related to the sales of LMG Lagermanagement GmbH, into which a major part of R&M's Austrian compulsory emergency stocks was transferred, of the LPG business in Romania and of marketing subsidiaries in Croatia and Bosnia-Herzegovina. The refining result was significantly down compared to 2012, mainly due to a strong decrease in the OMV indicator refining margin as a result of lower gasoline and middle distillate spreads. The OMV indicator refining margin East of USD (2.83)/bbl remained negative compared

to the level of 2012 which was USD (1.39)/bbl. The petrochemicals result increased due to higher ethylene and propylene margins which more than compensated for lower butadiene margins. The marketing result came in above the level of 2012, reflecting increased margins and a better cost management in both the retail and commercial business. Lower sales volumes are due to the sale of the marketing business in Croatia and Bosnia-Herzegovina.

EBIT in the **Corporate and Other (Co&O)** segment increased by 19% to EUR (53) mn in 2013, as the 2012 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.

Summarized income statement	EUR mn		
	2013	2012	Δ
Sales revenues	42,415	42,649	(1)%
Direct selling expenses	(343)	(364)	(6)%
Cost of sales	(37,723)	(36,971)	2%
Other operating income	704	258	172%
Selling and administrative expenses	(1,381)	(1,440)	(4)%
Exploration, research and development expenses	(530)	(510)	4%
Other operating expenses	(425)	(520)	(18)%
Earnings Before Interest and Taxes (EBIT)	2,717	3,104	(12)%
Net financial result	(427)	(246)	73%
Taxes on income	(561)	(1,067)	(47)%
Net income for the year	1,729	1,790	(3)%
Thereof attributable to hybrid capital owners	38	38	0%
Thereof attributable to non-controlling interests	528	389	36%
Net income attributable to stockholders of the parent	1,162	1,363	(15)%

Compared to 2012, **consolidated sales revenues** decreased by 1% to EUR 42,415 mn, mainly driven by lower oil sales volumes as well as lower marketing sales. As a result of this, sales of the **E&P** segment decreased by 11% to EUR 5,378 mn. After the elimination of intra-group transactions of EUR 4,336 mn, the contribution of the E&P segment to consolidated sales revenues was EUR 1,043 mn or about 2% of the Group's total sales revenues (2012: EUR 1,387 mn or 3%). **G&P** sales increased to EUR 12,236 mn (2012: EUR 11,883 mn). After elimination of intra-group sales to refineries, the G&P segment's contribution in 2013 was 28% of total sales or EUR 12,035 mn (2012: EUR 11,707 mn or 27%). Consolidated sales in the **R&M** segment amounted to EUR 29,331 mn or 69% of total sales (2012: EUR 29,551 mn or 69%).

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 14,732 mn or 35% of the Group's total (2012: EUR 15,978 mn or 37%). Sales revenues in Germany increased from EUR 6,983 mn in 2012 to EUR 7,443 mn in 2013, representing a revenue contribution of 18% (2012: 16%). In Romania, sales revenues of EUR 4,172 mn or 10% of total sales revenues, were close to last year's level in terms of proportion (2012: EUR 4,667 mn or 11%). Turkey contributed 16%, or EUR 6,699 mn, to OMV Group's total sales in 2013 (2012: EUR 5,491 mn or 13%). Sales in the rest of CEE were EUR 4,025 mn or 9% of Group sales revenues (2012: EUR 4,161 mn or 10%). Rest of Europe accounted for EUR 2,706 mn or 6% (2012: EUR 2,082 mn or 5%). Sales revenues in the Rest of the World decreased to EUR 2,638 mn, representing 6% of total sales revenues (2012: EUR 3,287 mn or 8%).

Direct selling expenses, mainly consisting of third-party freight-out expenses, decreased by 6% to EUR (343) mn. **Cost of sales**, which include variable and fixed production costs as well as costs of goods and materials employed,

increased by 2% to EUR (37,723) mn. **Other operating income** was at EUR 704 mn, mainly related to the sale of LMG Lagermanagement GmbH in the amount of EUR 440 mn. **Selling expenses** of EUR (963) mn decreased by 5% compared to last year, while **administrative expenses** decreased by 1% to EUR (418) mn.

Exploration expenses amounting to EUR (513) mn increased by 5% compared to last year, mainly driven by write-offs in connection with the relinquishment of some exploration blocks and higher drilling exploration expenses in Romania, while **research and development (R&D) expenses** decreased by 19% to EUR (17) mn.

Other operating expenses decreased by 18% compared to 2012, amounting to EUR (425) mn, due to provisions for onerous contracts related to contracted long-term transport and LNG capacity bookings of EconGas which were recognized in 2012.

The **net financial result** showed a loss of EUR (427) mn (2012: EUR (246) mn). This was mainly caused by write-down of financial assets being disposed as part of the ongoing R&M divestment program as well as the write-off of assets related to the Nabucco West project, which were booked as special items in the financial result. **Income from equity-accounted investments** in total amounted to EUR 163 mn (2012: EUR 200 mn) and reflected mainly the share of the pro rata result of Borealis group at the amount of EUR 152 mn (2012: EUR 172 mn). **Dividend income** amounted to EUR 11 mn (2012: EUR 12 mn). The **net interest result** showed an expense balance of EUR (233) mn (2012: EUR (376) mn), mainly reflecting lower interest expenses due to the improved financing structure as well as the 2012 one-time effect of a provision for alleged late payment interest charges following a tax review of OMV Petrom SA.

Taxes on income decreased by EUR (506) mn to EUR (561) mn compared to 2012. This was mainly caused by a decrease in expenses for current income taxes by EUR (514) mn to EUR (692) mn.

Lower interest expenses due to improved financing structure

Deferred tax income amounted to EUR 131 mn compared with EUR 139 mn in 2012. The Group's effective tax rate decreased to 24.5% (37.3% in 2012). The decrease in effective tax rate was mainly a result of the lower profit contribution from highly taxed Libya.

Capital expenditure (CAPEX)

Capital expenditure increased to EUR 5,226 mn (2012: EUR 2,426 mn).

E&P invested EUR 4,431 mn (2012: EUR 1,598 mn) mainly driven by the purchase of Statoil assets, together with field redevelopments in Romania and Austria and field developments in Norway and the UK. CAPEX in the **G&P** business segment of EUR 270 mn (2012: EUR 351 mn) was mainly related to the acquisition of the non-controlling stake in Baumgarten-Oberkappel Gasleitungsgesellschaft m.b.H., to the exercise of put options held by Oberösterreichische Ferngas Aktiengesellschaft leading to an increase of OMV's indirect stake in EconGas GmbH, to the acquisition of RWE's stake in NABUCCO Gas Pipeline International GmbH, and to investments in the power plant project Samsun (Turkey). CAPEX in the **R&M**

segment amounted to EUR 493 mn (2012: EUR 435 mn), mainly comprising investments in the modernization of the Petrobrazi refinery in Romania, in Petrol Ofisi, the revamp of the butadiene plant in Schwechat and the start of construction of the butadiene plant in Burghausen. CAPEX in the **Co&O** segment was EUR 32 mn (2012: EUR 42 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 to be 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, decommissioning 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.

Capital expenditure ¹	EUR mn		
	2013	2012	Δ
Exploration and Production	4,431	1,598	177%
Gas and Power	270	351	(23)%
Refining and Marketing incl. petrochemicals	493	435	13%
Corporate and Other	32	42	(25)%
Total capital expenditure	5,226	2,426	115%
+/- Changes in the consolidated Group and other adjustments	1,156	370	213%
- Investments in financial assets	(183)	(11)	n.m.
Additions according to statement of non-current assets (intangible and tangible assets)	6,199	2,785	123%
+/- Non-cash changes	(1,443)	(300)	381%
Cash outflow due to investments in intangible and tangible assets	4,755	2,485	91%
+ Cash outflow due to investments in securities, loans and other financial assets	48	13	271%
Investments as shown in the cash flow statement	4,803	2,498	92%

¹ Includes acquisitions as well as equity-accounted investments 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				EUR mn	
	2013	%	2012	%	
Assets					
Non-current assets	23,641	74	21,073	69	
Intangible assets and property, plant and equipment	20,648	65	17,827	58	
Equity-accounted investments	1,853	6	1,811	6	
Other non-current assets	748	2	1,136	4	
Deferred tax assets	392	1	300	1	
Current assets	7,564	24	9,191	30	
Inventories	2,456	8	3,202	10	
Trade receivables	3,270	10	3,822	13	
Other current assets	1,838	6	2,167	7	
Assets held for sale	582	2	255	1	
Equity and liabilities					
Equity	14,545	46	14,530	48	
Non-current liabilities	8,894	28	8,713	29	
Pensions and similar obligations	1,022	3	978	3	
Bonds and other interest-bearing debts	3,899	12	4,413	14	
Decommissioning and restoration obligations	2,765	9	1,995	7	
Other provisions and liabilities	536	2	548	2	
Deferred tax liabilities	673	2	778	3	
Current liabilities	8,257	26	7,180	24	
Trade payables	4,914	15	4,290	14	
Bonds and other interest-bearing debts	996	3	376	1	
Provisions and other liabilities	2,348	7	2,514	8	
Liabilities associated with assets held for sale	89	0	96	0	
Total assets/equity and liabilities	31,786	100	30,519	100	

Statement of financial position

Total assets increased by EUR 1,267 mn to EUR 31,786 mn. The increase in **non-current assets** amounting to EUR 2,568 mn was mainly due to investment activities in intangible assets and property, plant and equipment, which include the purchase of Statoil assets, together with E&P investments in Petrom and field developments in Norway and the UK.

Equity-accounted investments increased by EUR 42 mn. Changes of equity-accounted investments include the result contribution of Borealis as well as the proportional results from other equity-accounted investments, translation of foreign operations and other changes. **Other non-current assets**, which primarily comprise non-current receivables, loans and securities, decreased by EUR 388 mn to EUR 748 mn.

Deferred tax assets increased to EUR 392 mn.

Current assets decreased by EUR 1,627 mn. This was mainly related to a EUR 747 mn decrease in inventory mainly due to the sale of LMG Lagermanagement GmbH, the company who manages the emergency stock in Austria and the significant sales from the gas storage, a EUR 551 mn decrease in **trade receivables**, mainly due to factoring and securitization and a EUR 522 mn decrease in **cash and cash equivalents**.

Current assets held for sale increased by EUR 326 mn, mainly due to the future sale of the 45% stake in the German Bayernoil refinery network and the related business, partially compensated by divestments in R&M.

Increased E&P
asset base

+8% cash flow from operating activities

Equity (including non-controlling interest) remained stable, whereas the equity ratio decreased slightly to 46% (2012: 48%).

Pensions and similar obligations increased by EUR 44 mn. **Non-current decommissioning and restoration obligations** rose by EUR 769 mn, mainly due to the acquisition of the Statoil assets in Norway and UK.

Current and non-current bonds and other interest-bearing debts increased by EUR 106 mn, mainly due to the issuance of a new EUR 500 mn Eurobond, partly compensated by repayments made during the period.

Trade payables increased by EUR 623 mn, mainly due to the increase in the investing activity and to positive effects on working capital from the performance improvement program "energize OMV".

Current and non-current other provisions and other liabilities decreased by EUR 179 mn, mainly due to the use of provision for alleged late payment interest charges following a tax review of the years 2009 and 2010 of OMV Petrom SA, and the valuation of derivatives in EconGas and OMV Trading.

Deferred tax liabilities decreased to EUR 673 mn.

Gearing ratio

As of December 31, 2013, short- and long-term borrowings, bonds and financial leases amounted to EUR 5,076 mn (2012: EUR 4,974 mn), while cash and cash equivalents decreased to EUR 705 mn (2012: EUR 1,227 mn) in total. **Net debt** increased by EUR 625 mn to EUR 4,371 mn (2012: EUR 3,747 mn). At December 31, 2013, the **gearing ratio**, defined as net debt divided by equity, was 30% (2012: 26%). This reflects the issuance of a new bond and the decrease of the cash position. The EUR 500 mn Eurobond was issued on November 18, 2013 and has a coupon of 1.75% and a maturity date of November 25, 2019.

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 297 mn or 8% from EUR 3,813 mn to EUR 4,110 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 1,709 mn for 2013 (2012: EUR 1,785 mn). The adjustment for depreciation, amortization and impairments was EUR 2,253 mn (2012: EUR 2,036 mn) and EUR (131) mn (2012: EUR (139) mn) for deferred taxes. The current tax expense less net tax payments resulted in a decrease of EUR 3 mn (2012: Increase of EUR 53 mn). The share of equity-accounted investments' result and other dividend income less the dividend payments received contributed to a decrease of EUR 140 mn (2012: EUR 160 mn). The net interest expenses related to loans and other liabilities less interest paid resulted in a decrease of EUR 26 mn (2012: EUR 47 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 41 mn (2012: Positive adjustment of EUR 73 mn). The total of write-ups of fixed assets and other non-cash items resulted in a decrease of EUR 208 mn (2012: Increase of EUR 69 mn).

In 2013, net working capital decreased by EUR 673 mn (2012: EUR 237 mn). Receivables and inventories decreased by EUR 118 mn (2012: Increase of EUR 570 mn), and liabilities increased by EUR 560 mn (2012: EUR 920 mn). Short-term provisions decreased by EUR 4 mn (2012: EUR 113 mn).

Cash outflows for investments in non-current assets of EUR 4,803 mn (2012: EUR 2,498 mn) were partly offset by proceeds from the sale of non-current assets, subsidiaries and businesses,

net of cash disposed, amounting to EUR 835 mn (2012: EUR 218 mn), mainly related to the sale of LMG Lagermanagement GmbH, a company which holds and manages a major part of R&M's Austrian emergency stocks and to other divestments. **Net cash outflow from investment activities** totaled EUR 3,968 mn (2012: EUR 2,279 mn).

Cash inflows from the net increase of short-term and long-term borrowings amounted to EUR 120 mn (2012: Net decrease of EUR 38 mn). In 2013, the Group acquired the non-controlling stake of 49% in Baumgarten-Oberkappel Gasleitungsgesellschaft m.b.H. and exercised the put options held by Oberösterreichische Ferngas Aktiengesellschaft that led to an increase of OMV's indirect stake in EconGas GmbH, partly compensated by the decrease in the stake held in Austrian Gas Grid Management AG. In 2012, the Group sold 15% of the stake held in the Central European Gas Hub AG for EUR 7 mn. Cash outflows for dividend payments amounted to EUR 627 mn (2012: EUR 626 mn), of which EUR 391 mn (2012: EUR 359 mn) was paid to OMV shareholders, EUR 185 mn (2012: EUR 222 mn) to shareholders of non-controlling interests and EUR 51 mn (2012: EUR 45 mn) to hybrid capital owners. In 2013, the Group issued a new Eurobond with a nominal value of EUR 500 mn. In 2012, there were EUR 1,500 mn cash inflows from issuance of new Eurobonds. **Net cash outflow from financing activities** amounted to EUR 641 mn (2012: EUR 658 mn).

Risk management

OMV is an integrated, international oil and gas company. Its operations extend from hydrocarbon exploration and production and processing through to trading and marketing of mineral products and gas. Furthermore, OMV is operating two gas-fired power plants, in Romania and 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), project risks, 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. 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, 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 Romania, Turkey and Norway.

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)

OMV has a long history of sustainability management and a track record that reflects its sense of responsibility towards society and the environment. During 2013, OMV made good progress in implementing the sustainability concept "Resourcefulness" - setting new milestones and embedding sustainability deeper into operations. Rolled out in 2012, Resourcefulness puts sustainability at the heart of the business. OMV aims to create long-term, sustainable win-win situations that benefit society, the environment and OMV. This is a key enabler of the strategy "Profitable Growth". Resourcefulness initiatives focus on Education & Development, Environmental Management and New Energies.

Strong governance ensures that OMV develops and integrates the concept in the core business. An internal Resourcefulness Executive Team, headed by Gerhard Roiss, CEO of OMV, is responsible for setting strategic priorities, supported by a Resourcefulness Advisory Board, which comprises recognized external experts advising OMV on further development of the Resourcefulness concept.

OMV made significant progress across its focus areas in 2013. OMV submits information to leading sustainability rating agencies and participates in the Carbon Disclosure Project (CDP). OMV has been awarded "Prime Status" by oekom research AG, one of the world's leading sustainable investment rating agencies. OMV is also listed in the Austrian Sustainability Index (VÖNIX) of the Vienna Stock Exchange as well as the United Nations Global Compact 100 index. In 2013, OMV significantly improved the CDP score to above sector and Austrian average.

Health, Safety, Security and Environment (HSSE) is a top priority for OMV and a basic requirement for business success. OMV strongly emphasizes the safety of the people and has emergency and crisis management plans in place at all assets. Following a risk-based safety strategy, OMV keeps working to make operations

increasingly resilient to changing socio-political circumstances. The main concern is the physical and mental well-being and safety of the people who work for OMV, as well as the integrity of operating facilities. Loss prevention and proactive risk management, in particular, are vital for maintaining the license to operate. Sadly, in 2013, there were four work-related fatalities. OMV will continue working hard to prevent such tragedies.

Key actions in 2013 comprised:

- ▶ Establishment of a revised HSSE risk management approach, aligned with ISO 31000, and commencing roll-out
- ▶ Improving of Major Accident Event assessments and setting up a process safety network across OMV Group to promote operational excellence
- ▶ Increasing top management participation in incident investigations and focusing on high potential incidents
- ▶ Road safety was addressed by a Transportation Safety Forum in Petrom and by the further roll-out of an in-vehicle monitoring system

In 2013, OMV provided 353,349 HSSE training hours for employees.

OMV takes responsibility for managing environmental impacts along its entire value chain. The goal is to optimize processes so OMV efficiently uses natural resources and reduce emissions and discharges. Spill risk management is a key focus across operations. In 2013, OMV recorded no significant hydrocarbon spills. Petrom has further rolled out a spill risk map, already implemented in six E&P assets. Spill-related emergency exercises were also conducted. OMV constantly carries out a broad range of incremental energy efficiency improvements. For example, at Petrobrazi refinery, steam tracers have been replaced with electrical ones and steam re-boilers have been introduced.

Improved
Carbon Disclosure
Project score

Focus on hydrogen mobility and second generation biofuels

Eco-Innovation

Eco-Innovation contributes to long-term profitable and sustainable operations. OMV uses its core expertise and employs new technologies to develop alternative energy sources and new business areas. In doing so, OMV focuses on hydrogen mobility and second generation biofuels.

OMV continues to contribute to the development of the hydrogen retail station network and in general the support of the implementation of fuel cell vehicles. In 2012, OMV opened the first public hydrogen filling station in Austria. In 2013, a new ambitious milestone was set, along with the "H2 Mobility" initiative partners. OMV has agreed an action plan for the construction of a hydrogen refueling network for fuel cell vehicles. The current network shall expand to about 400 filling stations in Germany by 2023. In Austria, OMV is elaborating a roadmap for the research and development of hydrogen and fuel cell technologies.

The highly innovative second generation BioCrack™ plant in the Schwechat refinery, which converts biomass such as wood chips and straw into diesel fuel, has been improved to allow continuous test runs with different feedstocks. This enables OMV to collect further valuable data and practical experience regarding this new technology.

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 any 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 could be repurchased via the stock exchange, by way of public tender or in any other legally permitted way and to any legally permitted purpose until November 16, 2013. The Executive Board had 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 until the same date.

- 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 bears 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, 2013, 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, based on the annual audit plan approved by the audit committee, or through ad-hoc audits. The results of those audits are presented to the audit committee. 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. For the main "End-to-end" processes (e.g. Purchase-to-Pay, Order-to-Cash) group-wide standards are defined. Based on a rolling time plan, the implementation and the effectiveness are being monitored. 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 36 in the Consolidated Financial Statements.

Outlook

Mid-term guidance

The current upstream portfolio, including the completion of projects under development, should enable OMV to reach a production level of approximately 400 kboe/d and a three-year average reserve replacement rate of 100% by 2016. Average group CAPEX for the period 2014-2016 is expected to be EUR ~3.9 bn p.a. with roughly 80% being directed to E&P. Assuming market conditions similar to those currently prevailing, the Group's operating cash flow and planned divestments are expected to be adequate to fund this investment program as well as the dividends to shareholders with the gearing ratio remaining in line with the long-term target of $\leq 30\%$. ROACE performance in the mid-term will be adversely affected by capital consumed in project developments, though it will return towards target levels as these developments come on stream. The dividend is expected to increase in line with net income attributable to stockholders (payout ratio 30%).

Market environment

For 2014, 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 Romania, scheduled domestic gas price increases due in January have already been implemented, with further increases due in April, July and October 2014. The G&P market environment is expected to remain highly challenging. Refining margins are forecast to remain under pressure in 2014 due to sluggish economic recovery and persisting overcapacity on European markets. In the petrochemical business, margins are expected to remain on similar levels as in 2013. Marketing volumes are anticipated to remain under pressure as ongoing demand weakness caused by a still weak economic environment continues to affect OMV's core markets. Marketing margins are expected to remain at or slightly below 2013 levels.

OMV aims to achieve world class HSSE performance with safe workplaces as well as processes and to further improve the Lost-Time Injury Rate (LTIR). CAPEX for 2014 is expected to be around EUR 3.9 bn. The group-wide performance improvement program "energize OMV", which targets a 2% points ROACE contribution, is on track to achieve its target by the end of 2014.

In the **E&P** business segment, the security situation in Libya and Yemen remains very difficult to predict. Taking this into account, the production level in 2014 is expected to be in the range of 320-340 kboe/d. In Romania and Austria, production is expected to remain within the targeted production range of 200-210 kboe/d. In Norway, production from Gudrun (start-up expected in Q1/14) and Gullfaks is expected to rise to about 40 kboe/d during 2014. Production in New Zealand is expected to be higher on a yearly basis following the successful completion of the refurbishment program in Maari in 2013 and additional production coming from the Maari Growth project in 2014. E&P capital expenditure for 2014 will be around EUR 3 bn, with the following major investment projects: Gullfaks, Aasta Hansteen, Edvard Grieg and Gudrun in Norway, Schiehallion in the UK, Habban Phase 2 in Yemen, Nawara in Tunisia and field redevelopments in Romania and Austria. In Romania, following data interpretation of the 3D seismic survey of the Neptun block, a new drilling campaign is anticipated to start around mid-2014. In Norway, appraisal work on the oil discovery in Wisting Central is expected to start in H1/14. Exploration and appraisal expenditure will be around EUR 0.7 bn with up to 12 high impact exploration wells expected to be drilled in Romania (Black Sea), Norway (Barents Sea), Gabon, New Zealand, Faroe Islands (West of Shetland) and Austria.

**EUR ~3.9 bn CAPEX
planned for 2014**

**Production increase
in Norway expected**

Finalization of the Petrobrazi refinery modernization program during 2014

In the **G&P** business segment, further renegotiations of the long-term gas supply contract with Gazprom will continue in EconGas with the aim of achieving full market-based pricing. The focus on improving the Gate LNG position will also continue. Gas demand in Romania is expected to further decrease, which will lead to increased competition and margin pressure in 2014. The gas business in Turkey is expected to be significantly burdened by the gas prices as set by the dominant local gas supplier Botas and by the expected FX rate development. In the gas storage business, the second tranche of caverns in Etzel will be handed over for operation in mid-2014. The very low level of summer/winter spreads and of storage prices are expected to further reduce profitability. A significantly lower contribution from the Austrian gas transportation business is expected as restructuring measures following the changes in the Austrian Gas Act will be implemented. In Romania and Turkey, a further deterioration of spark spreads is expected, partly driven by the increase in Romanian gas prices, leading to an overall negative power result in 2014.

In the **R&M** business segment, the Petrobrazi refinery modernization program will be finalized during 2014, leading to improvements in both refining efficiency and yield structure. In this context, a 30-day shutdown and turnaround is planned for the refinery during Q2. Further major shutdowns in 2014 are planned for the Schwechat refinery in Q2 (15 days for crude unit cleaning) and the Burghausen refinery in Q4 (40 days general shutdown for the regular TÜV inspection). The closing of the Bayernoil disposal is expected in the first half of 2014. The divestment program is well on track and expected to deliver the target of up to EUR 1 bn by the end of 2014. The recent volatility in the economic development in Turkey creates a challenge for Petrol Ofisi's profitability.

Vienna, March 19, 2014

The Executive Board



Gerhard Roiss



David C. Davies



Hans-Peter Floren



Jaap Huijskes



Manfred Leitner