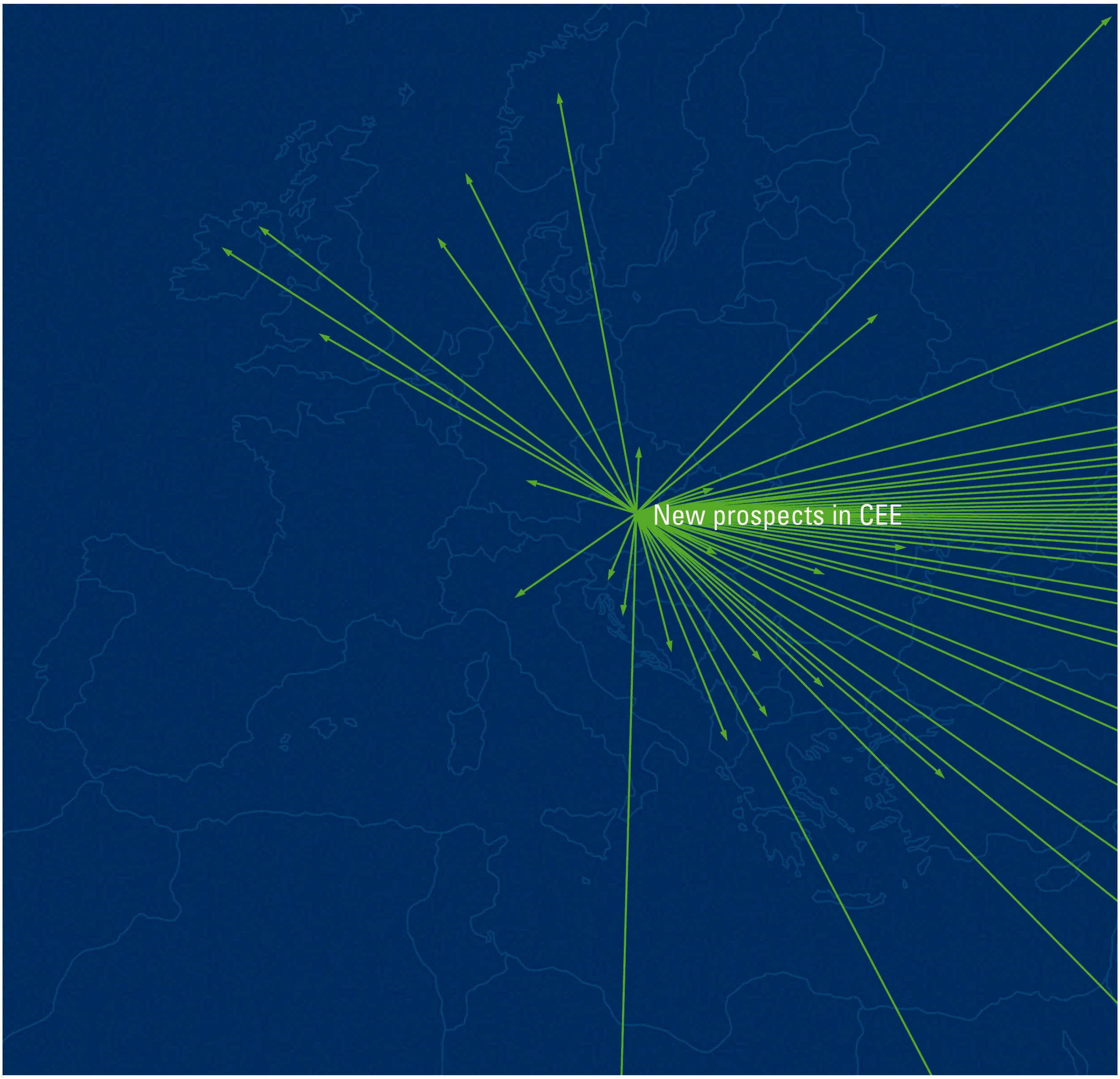
Annual Report 2007 of OMV Aktiengesellschaft



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OMV

Annual Report 2007 of OMV Aktiengesellschaft

Executive Board

Wolfgang Ruttenstorfer (*1950)
As of January 1, 2002, Chairman and Chief Executive Officer. Mr Ruttenstorfer began his career with OMV after graduating from the Vienna University of Economics and Business Administration in 1976, going on to head the planning and financial control, corporate development and marketing functions, among others. He was a member of the Executive Board from 1992 to 1997. From 1997 to 1999 he was Austria's Deputy Finance Minister. In January 2000, he returned to the OMV Group as Deputy Chief Executive Officer, with responsibility for Finance and the Gas segment.

Gerhard Roiss (*1952)
As of January 1, 2002, Deputy Chairman; responsible for Refining and Marketing including petrochemicals as well as Chemicals. Mr Roiss' business education in Vienna, Linz and Stanford (USA) was followed by managerial responsibilities at various companies in the consumer goods industry. In 1990 he joined OMV as head of the Group Marketing department. In the same year he was appointed to the board of PCD Polymere GmbH. In 1997, he was appointed to the OMV Executive Board. Until the end of 2001 he was responsible for Exploration and Production, and for the Plastics operations.

Werner Auli (*1960)
As of January 1, 2007, member of the Executive Board; responsible for Gas and Power. After graduating from the Technical University in Vienna, Mr Auli started his career with OMV in 1987. From 2002 to 2004 he worked as general manager of the 50% OMV subsidiary EconGas GmbH. In 2004 he became the general manager of OMV Gas GmbH and since 2006 he has been the head of OMV Gas International GmbH.

David C. Davies (*1955)
As of April 1, 2002, Chief Financial Officer. Mr Davies graduated from the University of Liverpool (UK) in economics in 1978 and began his career as a chartered accountant. He subsequently held positions in international companies in the beverage, food and health industries. Before joining OMV he was finance director of a number of UK companies.

Helmut Langanger (*1950)
As of January 1, 2002, responsible for Exploration and Production. Mr Langanger complemented his education at the Mining University in Leoben with a degree in economics in Vienna and joined OMV in 1974. He was appointed Senior Vice President for Exploration and Production in 1992. In this position he played a key role in building up the Group's international E&P portfolio.

The terms of office of the Board members run until the end of March 2010 (Werner Auli until the end of December 2009). Directorships in companies that do not form part of the OMV Group and in which OMV does not hold equity interests (section 228 (1) Austrian Commercial Code): Ruttenstorfer (member of the Supervisory Board of Wiener Börse AG, Wiener Städtische Wechselseitige Versicherungsanstalt and F. Hoffmann-La Roche AG); Roiss (member of the Supervisory Board of Österreichische Post AG); Langanger (member of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG)..

Statement by the Chairman of the Supervisory Board

Dear shareholders,

The 2007 financial year brought another record profit, and featured major projects and initiatives aimed at keeping OMV on its course of profitable growth. At this particularly challenging time in the history of our industry, we need to position OMV to play a lasting role in the consolidation of the international oil and energy sectors, without losing sight of our environmental and social responsibilities. I see it as the task of the Supervisory Board to assist the Executive Board in developing the Group's strategy, and to exercise sufficient control to balance its risks and opportunities so as to ensure that shareholders continue to receive an appropriate return.

Corporate governance, good teamwork on the Supervisory Board, close cooperation with the Executive Board, and regular, timely and comprehensive information create a sound basis for us to perform this role.

The following key issues were discussed at Supervisory Board meetings:

- The integration of Petrom, and its acquisition of the oil service activities of Petromservice in order to gain operational control of them.
- Strengthening the gas business through projects related to supply source diversification, and the transportation and liquefaction of natural gas.
- Expanding cooperation with IPIC – notably through the transfer of its interests in AMI Agrolinz Melamine International to Borealis. Here, particular importance was attached to obtaining two fairness opinions, and to IPIC's abstention from the discussion and the vote on the transaction.
- The Declaration of Intent regarding the combination of OMV and MOL, including the procedure, financing, strategic and value creation aspects. The Supervisory Board believes this combination should be pursued energetically, and is supporting the Executive Board in this difficult process.

A Supervisory Board meeting was again devoted exclusively to strategy, so as to be in a position to monitor implementation on the basis of goals formulated jointly with the Executive Board. Among other matters, the Board's committees dealt with selected areas of control such as risk management and internal audit reports. In the course of committee meetings we were also able to reassure ourselves that comprehensive employee development, succession planning arrangements, and a functioning issuer compliance system are in place.

In 2007, the Supervisory Board carried out a self-evaluation in accordance with international standards. This was aimed at continuously improving our working methods so as to ensure that we are capable of continuing to fulfil our responsibilities to shareholders and all stakeholders.

Annual financial statements and dividend
Following thorough examination and discussions with the auditors at the Audit Committee and plenary meetings, the Supervisory Board approved the directors' report, prepared in accordance with section 127 Stock Corporation Act, and the Company's financial statements for 2007, which were thereby adopted under section 125 (2) of the Act. The Board also approved the consolidated financial statements and the Group Directors' report.

The Supervisory Board has approved the Executive Board's proposal to pay a dividend of EUR 1.25 per share and to carry forward the remaining EUR 81,138.38 to new account.

Finally, I should like to congratulate the Executive Board and the entire workforce on these results, and thank them for their dedication to OMV.

Vienna, March 26, 2008

Rainer Wieltsch
Chairman of the Supervisory Board

Members of the Supervisory Board

Rainer Wieltsch (*1944), Chairman
First elected at the AGM held on May 24, 2002
Member of the Supervisory Boards of: Austrian Airlines Österreichische Luftverkehrs AG, Österreichische Post AG, Telekom Austria AG

Mohamed Nasser Al Khaily (*1966), Deputy Chairman [1]; First elected at the AGM held on June 7, 1995; Managing Director of IPIC until May 28, 2007; Member of the Supervisory Board of: Compañía Española Petroleos S.A.

Peter Michaelis (*1946), Deputy Chairman,
First elected at the AGM held on May 23, 2001; Member of the Management Board of ÖIAG, Member of the Supervisory Boards of: Austrian Airlines Österreichische Luftverkehrs AG (Chairman), Österreichische Post AG (Chairman), Telekom Austria AG (Chairman)

Murtadha Mohammed Al Hashemi (*1966)
First elected at the AGM held on May 18, 1999; Division Manager/Finance of IPIC, Member of the Supervisory Board of: Compañía Española Petroleos S.A.

Helmut Draxler (*1950); First elected at the AGM held on October 16, 1990; until January 12, 2007 Chairman of the Management Board of RHI AG; Member of the Supervisory Board of: RHI AG

Wolfram Littich (*1959); First elected at the AGM held on May 23, 2001 Chairman of the Management Board of Allianz Elementar Versicherungs-AG

Gerhard Mayr (*1946); First elected at the AGM held on May 24, 2002 Member of the Supervisory Boards of: Lonza Group Ltd, UCB S.A., Alcon

Herbert Stepic (*1946); First elected at the AGM held on May 18, 2004 Deputy Chairman of the Management Board of Raiffeisen Zentralbank Österreich AG

Herbert Werner (*1948); First elected at the AGM held on June 4, 1996 Member of the Supervisory Boards of: Innstadt Brauerei AG (Chairman), Ottakringer Brauerei AG

Norbert Zimmermann (*1947); First elected at the AGM held on May 23, 2001 Chairman of the Management Board of Berndorf AG; Member of the Supervisory Boards of: Schoeller- Bleckmann Oilfield Equipment AG (Chairman), Bene AG, Oberbank AG

Delegated by the Group Works Council:
Leopold Abraham, Wolfgang Baumann, Franz Kaba, Ferdinand Nemesch, Wolfgang Weigert (until February 23, 2007), Markus Simonovsky (since February 23, 2007)

These disclosures comprise all seats on Supervisory Boards and comparable functions in Austrian or foreign listed companies. The terms of all the members of the Supervisory Board run until the AGM in 2009. Members delegated by the Group Works Council may be recalled at any time.

Presidential and Nomination Committee: Wieltsch (Chairman), Al Khaily (Deputy Chairman), Michaelis (Deputy Chairman), Al Hashemi, Abraham, Baumann

Audit Committee: Wieltsch (Chairman), Al Khaily (Deputy Chairman), Michaelis (Deputy Chairman), Littich, Draxler, Werner, Abraham, Baumann, Nemesch

Project Committee: Wieltsch (Chairman), Al Khaily (Deputy Chairman), Michaelis (Deputy Chairman), Al Hashemi, Littich, Zimmermann, Abraham, Kaba, Nemesch

Remuneration Committee: Wieltsch (Chairman), Al Khaily, Michaelis

Number of meetings: Five Supervisory Board meetings took place, thereof one strategic meeting. Furthermore, the Audit and Remuneration Committee met twice, the Project Committee as well as the Presidential and Nomination Committee each held a meeting once.

All the shareholder representatives have declared their independence from the Company and its Executive Board during the 2007 financial year and up to the time of making such declaration (Rule 53 ACCG). Under Rule 54 ACCG, Supervisory Board members Draxler, Littich, Mayr, Stepic, Werner and Zimmermann have made a declaration stating that they had no connections to any major shareholders during the 2007 financial year and up to the time of making such declaration. Under the articles of incorporation, the Annual General Meeting (AGM) resolves the remuneration of the elected members of the Supervisory Board for the past financial year. The following remuneration for the 2006 financial year was approved at the AGM 2007:

EUR 29,200 for the Chairman
EUR 21,900 for the Deputy Chairmen
EUR 14,600 for the ordinary members
EUR 12,000 for the Committee Chairmen
EUR 10,000 for the Committee Deputy Chairmen
EUR 8,000 for Committee members

[1] Al Khaily attended less than 50% of the Supervisory Board and Committee meetings.

Directors' report

Business developments in 2007

Sales for the 2007 financial year were EUR 74.44 mn (2006: EUR 91.94 mn). As OMV Aktiengesellschaft is a pure holding company, most of the sales consist of corporate service charges billed to the successor companies.

The decline in **EBIT** is largely a reflection of increased expenses arising from the stock option program, and of the harmonization of the method of calculating the provisions for the program with the IFRS treatment. EBIT was negative by EUR 41.61 mn (2006: negative EUR 25.21 mn).

The **financial result** in 2007 was EUR 1,121.57 mn (2006: EUR 1,210.66 mn).

Owing to the fact that OMV Aktiengesellschaft acts as a pure holding company the financial items chiefly relate to dividend payments and income from tax pooling agreements. **Income from equity interests** was well up on the previous year at EUR 1,106.83 mn (2006: EUR 886.47 mn). Dividends from Petrom increased markedly on 2006, to EUR 155.22 mn (2006: EUR 108.94 mn), mainly as a result of higher crude oil prices.

The contribution of the **Exploration and Production** (E&P) segment excluding Petrom to income from equity interests rose sharply to EUR 614.99 mn, buoyed by higher crude oil and gas prices.

Investment income from the **Refining and Marketing** (R&M) segment excluding Petrom advanced to EUR 185.71 mn. The main factor behind the upturn was a higher dividend from OMV Deutschland.

Investment income from the **Gas** segment excluding Petrom jumped to EUR 130.59 mn. This improvement was mainly driven by a pick-up in storage business and the expansion of transit system capacity.

Investment expenditure
The largest investment in 2007 was the increase in the holding in Petrol Ofisi – the Turkish retail and commercial market leader – from 34% to 39.58%. Petrol Ofisi has about 3,600 outlets, and is the only operator in Turkey with a nationwide retail network.

During the second half of 2007, OMV Aktiengesellschaft's 50% holding in AMI Agrolinz Melamine International GmbH – a leading melamine and fertilizer producer – was transferred to Borealis. The transaction changed the ownership structure of Borealis, in which IPIC now holds 64% (previously 65%) and OMV 36% (formerly 35%). OMV Aktiengesellschaft holds 3.33% of Borealis directly, and 32.67% through OMV Refining & Marketing.

Convertible bonds
In 2004, OMV Aktiengesellschaft floated a EUR 550 mn convertible bond issue to part-finance the acquisition of the Romanian company, Petrom. Owing to our strong cash flow in 2006 and 2007, and our desire to avoid diluting existing shareholders we redeemed the convertible bonds in 2007. We repurchased convertible bonds worth EUR 499.27 mn in 2006, and the remaining EUR 50.73 mn in 2007. Because of the sharp run-up in our stock and bond prices, the buyback resulted in a loss of EUR 0.32 mn which was recognized as expense (2006: EUR 191.20 mn). Other conversions, using own shares, took place during the year, giving rise to EUR 17.82 mn in expense. The remaining 326 bonds were redeemed at a cost of EUR 6 thousand.

Cash flows from operating activities for financial 2007 were positive by EUR 1,101.18 mn (2006: EUR 754.10 mn), and cash flows from investing activities by EUR 49.27 mn (2006: EUR negative by 824.52 mn), while cash flows from financing activities turned negative by EUR 1,193.53 mn (2006: positive by EUR 24.19 mn). The principal financing activities items were the convertible bond buyback, a dividend payment of EUR 311,940 thousand, and borrowing of EUR 594,714 thousand via OMV Clearing und Treasury GmbH to cover external financing of OMV Aktiengesellschaft. The main investing activities items were the acquisition of an additional interest of about 6% in Petrol Ofisi and repayments of long-term receivables.

Net income for the year was EUR 1,078.32 mn (2006: EUR 1,262.87 mn).

Total assets rose to EUR 8,049.73 mn (2006: EUR 7,454.77 mn).

At balance sheet date **stockholders' equity** including untaxed reserves was EUR 6,174.89 mn (2006: EUR 5,408.61 mn). The equity ratio as of December 31, 2007 was 76.71% (2006: 72.55%).

The ratio of **fixed assets** to total assets was 57.04% at balance sheet date (2006: 62.26%). Fixed assets were 65.43% (2006: 73.87%) covered by equity and long-term borrowings.

Return on equity (**ROE**), i.e. net income for the year/average stockholders' equity) was 19% (2006: 26%).

In 2007, the average number of **employees** at the holding company was 113 (2006: 100).

Disclosure in accordance with section 243a Austrian Business Code (ABC)

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

2. There is a consortium agreement between the core stockholders, International Petroleum Investment Company (IPIC) and Österreichische Industrieholding Aktiengesellschaft (ÖIAG) which provides for block voting and certain limitations to transfers of stockholdings.

3. ÖIAG holds 31.5% and IPIC 17.6% of the capital stock.

4. There are no shares conferring special rights of control.

5. Employee stockholders can exercise their voting rights directly at the Annual General Meeting.

6. The Company's Executive Board must consist of between two and six members. Candidates who would complete their final term of office after reaching the age of 66 may not be appointed. The Company's Supervisory Board must consist of at least six members elected by the General Meeting and of the members nominated under Section 110 (1) Arbeitsverfassungsgesetz (Austrian Labor Relations Act). Members of the Supervisory Board may not be over 65 years of age at the time of their election. For capital increases under section 149 AktG (Austrian Stock Corporation Act) and amendments to the articles of incorporation (other than changes in the company’s objects) a simple majority of the votes cast and of the capital represented at the meeting is sufficient.

7. a) The Executive Board was authorized by resolution of the Annual General Meeting held on May 24, 2007, subject to the consent of the Supervisory Board, to increase the capital stock of the company by May 23, 2012, in one or more tranches, by an aggregate amount not exceeding EUR 36.35 mn, by issuance of up to 36,350,000 new shares of no par value in bearer form against cash or contributions in kind, but excluding 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 up to EUR 36.35 mn under section 159 (2) (1) Austrian Stock Corporation Act by issuance of up to 36,350,000 shares of no par value in bearer form (conditional capital).The conditional capital increase may only be effected if holders of the convertible bonds issued on the basis of the resolution of the General Meeting held on May 24, 2007 exercise their right to convert them into the Company’s stock.

   c) The total number of new shares actually or potentially to be issued under the terms and conditions of the convertible bonds, and the number of shares to be issued from the authorized capital may not exceed 36,350,000 (determination of the amounts of the authorizations in accordance with clauses a) and b)); the conversion rights of the holders of the convertible bonds must under all circumstances be granted.

   d) The Annual General Meeting held on May 24, 2007 authorized the Executive Board for a period of 18 months from the date of the resolution to purchase the Company's stock up to the legal limit (currently 10% of the capital stock). The treasury shares can be used to satisfy the stock option plans and convertible bonds. The Company’s capital stock may also be reduced by retiring treasury shares without further resolution of the Annual General Meeting, and the treasury shares may sold on the stock market or by means of a pubic offering.

8. Under the terms of the agreement between OMV and Dogan Şirketler Grubu Holding A.S. (Dogan) regarding Petrol Ofisi A.S., in the event of a transfer of control at either OMV or Dogan to a strategic acquirer (i.e. an acquirers that includes OMV or Dogan in IFRS consolidation or enjoys equal rights of joint control with a third party), the other party is entitled to acquire a 34% interest in Petrol Ofisi A.S. until May 16, 2016 according to an agreed price formula, thereby terminating the partnership agreement.

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

Risk management

Risk management is a Group-wide integrated function embedded in Group Treasury at OMV Aktiengesellschaft. The Group-wide risk identification and assessment process is coordinated by the department and the risk of the entire portfolio is aggregated as a net position. A variety of risk management measures are taken on the basis of this position (which is mitigated by diversification effects), as part of the overall risk avoidance strategy. This concerns, in particular, direct financial risks including interest rate, foreign exchange, liquidity and pension risk. Group Treasury is also responsible for analyzing strategic price risk. In addition, OMV Aktiengesellschaft monitors the Group's exposure to investment risk (value at risk), as well as the transaction risks associated with major investments.

Interest rate and liquidity risk are managed by imposing limits. Derivatives (swaps) may be employed by Group Treasury for risk management purposes. Parts of the existing debt portfolio have been converted from fixed to variable interest rates.

Price hedges are proposed to the Executive Board by an operating committee, and are centrally managed and monitored. No strategic hedging of risks pertaining to 2007 was undertaken during the year. However, about 18% of the output of the E&P segment was hedged against the risk of a sharp price decline in 2008, by means of over-the-counter (OTC) transactions with top rated banks.

Foreign exchange risk management activities did not involve the use of derivatives to hedge long USD positions against transaction risks in 2007. The currency risk associated with investments (translation risk) – i.e. the impact on the income statement and balance sheet – is centrally monitored.

The fact that Group financing is highly centralized means that OMV Aktiengesellschaft is necessarily obliged to assume the default risk on behalf of Group companies. Frequent reviews of corporate intrayear liquidity planning permit constant monitoring of Group companies' status, and enable countermeasures to be taken where necessary.

The investments are regularly tested for impairment, using generally accepted valuation methods. Valuation adjustments are made as necessary.

Health, safety, security and environment (HSE)

OMV Aktiengesellschaft plays a dual role in HSE management, performing a strategic management function for the Group as a whole whilst also implementing these policies internally. Group directives and targets are also applied to the holding company. The focus of operational HSE activities is on health and safety. In 2007, there was one road accident. Apart from mounting a number of preventive health programs, during the year we set up a health circle to enable employees to voice their health concerns and make suggestions. Awareness of health, safety and environmental issues was raised through role descriptions, training courses and information events.

Outlook for 2008

We expect the main market parameters, including crude prices, refining margins and the USD exchange rate to remain highly volatile. We see the average crude price and USD exchange rate remaining at 2007 levels, despite high short-term volatility. We anticipate a slight decline in refining margins.

Vienna, March 26, 2008

The Executive Board

Balance sheet as of December 31, 2007

Assets			EUR 1,000
	Note	**2007**	2006
Fixed assets	1		
Intangible assets		0	0
Tangible assets		9,446	9,565
Financial assets		4,582,274	4,631,798
		4,591,720	**4,641,363**
Current assets			
Inventories			
Services not yet invoiced		0	6
Payments on account		16	–
		16	**6**
Accounts receivable and other assets	2		
Receivables from trade		0	506
Receivables from affiliated companies		3,368,908	2,652,190
Receivables from associated companies		0	4
Other receivables and other assets		36,692	51,481
		3,405,600	**2,704,181**
Own shares		13,930	14,141
Cash in hand, checks, and cash at bank		19,986	63,071
		3,439,532	**2,781,399**
Deferred taxes		**17,263**	**27,720**
Prepaid expenses and deferred charges		**1,213**	**4,289**
		8,049,728	**7,454,771**

Liabilities			EUR 1,000
	Note	2007	2006
Stockholders' equity	3		
Capital stock		300,000	300,002
Capital reserves			
appropriate		1,006,610	1,006,608
unappropriated		334	334
Revenue reserves		4,473,961	3,766,848
Treasury stock		13,930	14,141
Unappropriated income thereof income brought forward in 2007: 3,268 (2006: 335)		374,587	315,208
		6,169,422	**5,403,141**
Untaxed reserves	4		
Valuation reserve for special depreciation allowances		5,464	5,464
Provisions	5		
Provisions for severance payments		6,694	5,798
Provisions for pensions		8,043	7,525
Provisions for taxes		21,550	–
Other provisions		83,369	76,673
		119,656	**89,996**
Liabilities	6		
Bonds		250,000	300,730
Amounts due to banks		941,662	1,080,465
Accounts payable from trade		11,825	9,854
Accounts payable to affiliated companies		317,202	378,408
Other liabilities		234,497	186,713
		1,755,186	**1,956,170**
		8,049,728	**7,454,771**
Contingent liabilities	7	1,529,414	533,870

Statement of income

EUR 1,000

		Note	2007	2006
1.	**Sales**	8	**74,436**	**91,943**
2.	Changes in inventories of finished products, work in progress, and services not yet invoiced		(6)	4
3.	Other operating income	9	6,907	2,742
4.	Cost of materials and services	10	(2,954)	(3,448)
5a.	Personnel expenses	11	(60,874)	(30,806)
5b.	Expenses for severance payments and pensions	12	(4,295)	(3,809)
6.	Depreciation and amortization		(426)	(506)
7.	Other operating expenses	13	(54,402)	(81,326)
8.	**Subtotal of items 1 to 7 (Earnings before interest and tax)**		**(41,614)**	**(25,206)**
9.	Income from equity interests thereof affiliated companies: 1,105,989 [2006: 873,193]	14	1,106,815	886,471
10.	Income from other securities and Loans shown under financial assets thereof affiliated companies: 9,436 [2006: 8,033]		15,386	14,751
11.	Other interest and similar income thereof affiliated companies 94,506 [2006: 44,188]		106,711	61,130
12.	Income from the disposal and write-up of financial assets and securities held as current assets		715	611,079
13.	Expenses arising from financial investments and securities held as current assets		(3,881)	(4,732)
14.	Interest and similar expenses thereof affiliated companies 21,972 [2006: 43,042]		(104,176)	(358,044)
15.	**Subtotal of items 9 to 14 (Financial items)**		**1,121,570**	**1,210,655**
16.	**Income from ordinary activities**		**1,079,956**	**1,185,449**
17.	Taxes on income	15	(1,637)	77,424
18.	**Net income for the year**		**1,078,319**	**1,262,873**
19.	Reversal of untaxed reserves		—	—
20.	Allocation to revenue reserves		(707,000)	(948,000)
21.	Income brought forward		3,268	335
22.	**Unappropriated income**		**374,587**	**315,208**

Statement of untaxed reserves

	As of Jan. 1, 2007	Additions/ Consump-tions	Transfer	As of Dec. 31, 2007
				EUR 1,000
Valuation reserve for special depreciation allowances				
I. Tangible assets				
1. Land and buildings	5,464	—	—	5,464
	5,464	—	—	**5,464**

Statement of fixed assets under section 226 para 1 ACC

	As of Jan. 1, 2007	Additions
I. Intangible assets		
1. Concessions, patents similar rights and licenses	4	–
	4	**–**
II. Tangible assets		
1. Land and leasehold rights and buildings, including buildings on third-party land	20,636	–
2. Plant and equipment	1,029	–
3. Other fixed assets, tools and equipment	4,958	307
	26,623	**307**
III. Financial assets		
1. Investments in affiliated companies	3,535,318	–
2. Loans to affiliated companies	169,702	130,440
3. Investments	945,881	34,602
4. Securities (loan stock rights) of fixed assets	104,427	–
5. Other loans	78,961	–
	4,834,289	**165,042**
	4,860,916	**165,349**

EUR 1,000

Transfer	Disposals	As of Dec. 31, 2007	Depreciation (cumulative)	Net book value as of Dec. 31, 2007	Net book value as of Dec. 31, 2006	Depreciation	Write-ups 2007
—	—	4	4	—	—	—	—
—	**—**	**4**	**4**	**—**	**—**	**—**	**—**
—	—	20,636	11,736	8,900	9,027	127	—
—	—	1,029	1,019	10	10	—	—
—	297	4,968	4,432	536	528	299	—
—	**297**	**26,633**	**17,187**	**9,446**	**9,565**	**426**	**—**
5,321 [1]	—	3,540,639	87,066	3,453,573	3,448,252	—	—
(5,498) [1]	155,732	138,912	16,396	122,516	158,494	—	—
(95,279) [2]	—	885,204	—	885,204	850,602	—	—
—	14,724	89,703	11,654	78,049	95,537	2,953	—
—	35,985	42,976	44	42,932	78,913	—	4
(95,456)	**206,441**	**4,697,434**	**115,160**	**4,582,274**	**4,631,798**	**2,953**	**4**
(95,456)	**206,738**	**4,724,071**	**132,351**	**4,591,720**	**4,641,363**	**3,379**	**4**

1 Deviation due to exchange rates.
2 AMI merged into Borealis AG.

Notes

The accounts of **OMV Aktiengesellschaft**, 1090 Vienna, Austria, as of December 31, 2007 have been drawn up in accordance with the Austrian Business Code (ABC) as amended. As the parent company of the OMV Group, OMV Aktiengesellschaft also prepares separate consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

In the interests of clear presentation, some items of the balance sheet and income statement have been aggregated. The detailed disclosures are shown in the notes to the accounts. The total cost format is used for the presentation of the income statement.

The annual financial statements were prepared in euro (EUR). The presentation is in units of one thousand euro (EUR 1,000; EUR thousand). This may result in rounding differences.

Accounting and valuation principles

Intangible assets and **tangible fixed assets** are capitalized at cost and amortized/depreciated on a straight-line basis.

Depreciation is based on the following useful economic lives:

Category	Useful life
Buildings	10–50 years
Plant and equipment	4–20 years
Other fixtures and fittings, tools and equipment	4–25 years

In accordance with the relevant fiscal law provisions, a whole year's depreciation is recognized for **additions** in the first half of the year, and half a year's depreciation for additions in the second half.

Sustained and material **impairments** of fixed assets in excess of scheduled depreciation are recognized by writedowns.

Low value assets up to EUR 400 are capitalized and fully written off in the year of acquisition, and are shown as additions and disposals in the statement of fixed assets.

Investments are carried at acquisition cost less any permanent, material impairment. Securities held as fixed assets are carried at the lower of cost or market value at the last trade date of the year.

In 2007, OMV Aktiengesellschaft transferred its 50% interest in AMI Agrolinz Melamine GmbH to Borealis AG, receiving an interest of 3.33% of the latter entity in consideration.

In order to gain a presence in Turkey, one of Europe's largest growth markets, OMV acquired a 34% interest in Petrol Ofisi – the leader in the country's filling station and commercial segments – from Dogan Holding on May 16, 2006. OMV built up its interest in Petrol Ofisi during the year under review, and held 39.58% at balance sheet date.

On August 31, 2006, the Turkish Energy Market Regulatory Authority (EMRA) imposed fines totaling TRY 1.6 billion (EUR 0.9 billion) on 28 of Turkey's 30 oil distribution companies arising from litigation relating to the supply of unlicensed distributors during the transition period following the introduction of the new Petroleum Act at the beginning of 2005.

The fine imposed on Petrol Ofisi A.S. and its subsidiary ERK Petrol Yatirimlari A.S. amounted to some TRY 600 mn (approximately EUR 349 mn). Petrol Ofisi has appealed the fine in the Supreme Court and the Administrative Court, and has applied for its suspension until the end of the proceedings. On January 31, 2007, the Supreme Court upheld the application for suspensive effect until the end of the proceedings. Due to the court's ruling, as in the previous year no provision was made for this contingency in 2007.

On February 7, 2006, Petrol Ofisi received a notice of assessment from the Turkish tax authorities. The notice contains tax demands for 2004 and 2005 including penalties in connection with a transaction in 2002 (merger of IS-Dogan with Petrol Ofisi). Dogan, Petrol Ofisi's largest shareholder and the seller of the 34% interest acquired by OMV, agreed to indemnify OMV for these tax-related losses from the period prior to the sale. The payment in question, amounting to TRY 275 mn, was made to the Turkish Finance Ministry on June 11, 2007. As agreed, OMV was indemnified by Dogan by means of a compensation payment.

Accounts receivable and other assets are stated at cost. Non-interest bearing receivables with maturities of over one year are discounted. Foreign currency receivables are stated at the lower of acquisition cost or the European Central Bank (ECB) exchange rate at balance sheet date. All recognizable risks are accounted for by valuation allowances.

In the year under review deferred taxes arising from temporary differences were recognized pursuant to section 198(9–10) ABC. Current deferred taxes are reported under the Taxes on income item. In the 2005 financial year, OMV Aktiengesellschaft began charging tax contributions to Group companies due to the formation of a tax group under section 9 Corporate Tax Act. OMV Aktiengesellschaft retains the profits and losses of its successor companies under a profit and loss pooling agreement.

OMV Aktiengesellschaft has both defined contribution and defined benefit pension plans. In the case of the defined contribution plans, the Company no longer has any obligations beyond payment of the agreed premiums, and hence no provision is recognized. By contrast, in the case of the defined benefit plans commitments are made to participants to pay specific pensions, and the related risk is borne by the Company.

Provisions for pensions, severance payments and jubilee payments are calculated using the projected unit credit method, which spreads the estimated benefit payments over the entire duration of employment, and hence takes future salary increases into account. In calculating pension and severance payment provisions, actuarial gains and losses falling within a corridor of 10% of the greater of projected benefit obligations and plan assets – measured in both cases at the beginning of the period – are not recognized. Actuarial gains and losses falling outside this corridor are amortized over the average remaining years of service of the participants in the plan. Interest expense accruing on pension provisions and returns on plan assets are disclosed under the financial items.

The Company’s pension obligations are partly funded by payments to an external pension fund. These are reported as expenses for pensions.

Liabilities arising from personnel separations are recognized if the amounts are fixed and a detailed plan, approved by management, is in existence before the balance sheet date, and is irrevocable.

All risks recognizable in the light of sound commercial judgement and contingent liabilities are provided for.

Liabilities are stated at the higher of nominal value or the amount repayable. Foreign currency liabilities are stated at the higher of cost or the ECB exchange rate at balance sheet date.

Stock option plan

On the basis of resolutions of the respective Annual General Meetings, since 2000 the Company has operated long-term performance related remuneration plans for the Executive Board and certain senior executives of Group companies. Under these plans the above persons are granted options to acquire OMV stock (or the monetary equivalent of such rights) at preferential terms, subject to own investments, on condition that the Company’s stock price rises by at least 15%.

The numbers of options and the values shown in the tables below have been adjusted for the ten-for-one stock split effected on July 11, 2005.

At the times of award the plans were as follows:

Main conditions

	2007 plan	2006 plan	2005 plan	2004 plan	2003 plan
Plan commencement	1.9.2007	1.9.2006	1.9.2005	1.9.2004	1.9.2003
Plan expiration	31.8.2014	31.8.2013	31.8.2012	31.8.2011	31.8.2008
Blocking period	2 years	2 years	2 years	2 years	2 years
Exercise price	EUR 47.850	EUR 45.190	EUR 34.700	EUR 16.368	EUR 10.404
Number of options per own share held	20	20	20	15	15
Eligibility conditions					
Own investment: Executive Board	1,230 shares [1]	1,242 shares [1]	2,390 shares [1]	3,980 shares [1]	5,600 shares [1]
Own investment: Other senior executives	410 shares [1]	414 shares [1]	800 shares [1]	1,330 shares [1]	1,860 shares [1]
Number of options granted					
Executive Board members					
Auli [2]	24,600	8,280	–	19,950	–
Davies	24,600	24,840	47,800	59,700	84,000
Langanger	24,600	24,840	47,800	59,700	84,000
Roiss	24,600	24,840	47,800	59,700	84,000
Ruttenstorfer	24,600	24,840	47,800	59,700	84,000
Total – Executive Board	**123,000**	**107,640**	**191,200**	**258,750**	**336,000**
Total – other senior executives	471,520	360,220	532,000	484,350	286,050
Total number of options granted	**594,520**	**467,860**	**723,200**	**743,100**	**622,050**
Plan threshold: share price of	**EUR 55.030**	**EUR 51.970**	**EUR 39.910**	**EUR 18.823**	**EUR 11.965**

[1] Or 25%, 50% or 75% thereof.
[2] Member of the Executive Board since January 1, 2007.

As of the balance sheet date some of the options under the 2003, 2004 and 2005 plans had been exercised. As of December 31, 2006, all of the options under the 2002 plan and some of those under the 2003 and 2004 plans had been exercised.

Participation in the stock option plans is subject to the following conditions:

1. Eligibility requires an investment by the participant, who must hold the shares at the start of the plan and for the entire period until exercise.

2. For all plans, the number of shares that participants are required to hold is calculated by dividing the maximum permitted own investment by the average price of the stock in the month of May in the year of issue. The exercise of options on 25%, 50% or 75% of the maximum holding is also permitted.

3. In the event of participants' disposing of their own investments, the options are forfeited. The options are not transferable and lapse if not exercised.

4. The exercise price for the 2003, 2004, 2005, 2006 and 2007 plans is the average price for the period from May 20 to August 20.

5. Provided that the plan thresholds are attained, the options may be exercised in the exercise periods for the 2003 and 2004 plans during the 20 trading days after publication of the quarterly reports (exercise window). For the 2005, 2006 and 2007 plans the exercise windows are the periods during which exercise in accordance with the rules set out below is permitted. Options may not be exercised:

   - If the holder of the option is a party to insider information;

- During the blocking periods specified by the Issuer Compliance Order (six weeks before the scheduled publication of annual results, three weeks before the publication of quarterly results or any other blocking periods established by compliance officers on a case-by-case basis);

- If the Executive Board prohibits exercise for the duration of a period explicitly determined by the Board.

6. Evidence of the participant's own investment in the Company must be furnished when exercising an option. The options may be exercised by purchasing the shares, by requesting payment of the difference between the current share price and the exercise price in cash, or by requesting payment in the form of shares, if OMV's share price is at least 15% higher than the exercise price at the time of exercise.

Movements in options under the stock option plans during the 2007 and 2006 financial years were as follows:

Stock option plans

		2007		2006
	Number of options	Weighted average exercise price EUR	Number of options	Weighted average exercise price EUR
Outstanding options as of January 1	**2,085,585**	**28.529**	**1,760,150**	**22.904**
Options granted	563,760	47.850	467,860	45.190
Options exercised	(743,495)	21.048	(142,425)	13.752
Lapsed options	—	—	—	—
Outstanding options as of December 31	**1,905,850**	**37.163**	**2,085,585**	**28.529**
Exercisable at year end	**874,230**	**25.974**	**894,525**	**14.825**

During the year under review, 743,495 options granted under the 2003, 2004 and 2005 plans were exercised. In the case of 722,495 options the difference between the current share price and the exercise price was paid; in all cases the amount due was paid in cash. The exercise of 21,000 options took the form of the purchase of stock. In 2007, the weighted average stock price at the time of exercise was EUR 50.087. The intrinsic value of the shares available for exercise as of December 31, 2007 was EUR 25,742 thousand.

Some 142,425 options granted under the 2003 and 2004 plans were exercised in 2006. In the case of 112,425 options the difference between the current share price and the exercise price was paid; in all cases the amount due was paid in cash. The exercise of 30,000 options took the form of the purchase of stock. In 2006, the weighted average stock price at the time of exercise was EUR 43.061. The intrinsic value of the shares available for exercise as of December 31, 2006 was EUR 25,194 thousand.

The breakdown of options exercised by plan participants was as follows:

Options exercised

	2007 Options exercised	Weighted average exercise price in EUR	2006 Options exercised	Weighted average exercise price in EUR
Executive Board members				
Auli	–	–	–	–
Davies	84,000	10.404	–	–
Langanger	71,850	12.882	–	–
Roiss	–	–	30,000	16.368
Ruttenstorfer	42,000	10.404	42,000	10.404
Total – Executive Board	**197,850**	**11.304**	**72,000**	**12.889**
Total – other senior executives	545,645	24.581	70,425	14.634
Total options exercised	**743,495**	**21.048**	**142,425**	**13.752**

The amount of compensation in the form of the exercise of options, which corresponds to the value of the options exercised during the year under review at the time of exercise, was as follows:

Compensation **EUR 1,000**

	2007	2006
2003 plan	6,722	2,198
2004 plan	10,694	1,976
2005 plan	4,174	–
Total	**21,590**	**4,174**

Of the above remuneration in 2007, payments to members of the Executive Board accounted for EUR 7,447 thousand (2006: EUR 2,155 thousand) and payments to other senior executives for EUR 14,143 thousand (2006: EUR 2,019 thousand).

As of December 31, 2007, **outstanding options** under the various plans (adjusted for the 2005 ten-for-one stock split) were as follows:

Outstanding options

Plan	Exercise price in EUR	Number of options outstanding	Maturities in years	Exercisable options at year end
2003	10.404	52,500	0.7	52,500
2004	16.368	346,530	3.7	346,530
2005	34.700	475,200	4.7	475,200
2006	45.190	467,860	5.7	–
2007	47.850	563,760	6.7	–
Total		**1,905,850**		**874,230**

Valuation of the options is according to the Black-Scholes model. The expected average stock price volatility was calculated on the basis of the volatility exhibited by the price over the previous five years. The possibility of premature exercise was accounted for by determining the risk-free interest rate on the basis of market rates at balance sheet date.

Fair value at balance sheet date was calculated on the basis of the outstanding options, while the fair value as of the time of award is based on the total number of options granted. Assuming that the conditions for exercise are fulfilled during the exercise period, the fair value of the stock option plans is as follows:

Valuation as of December 31, 2007

	2007 plan	2006 plan	2005 plan	2004 plan	2003 plan
Fair value of plan in EUR 1,000	11,214	9,375	11,604	12,930	2,323
Calculation variables					
Market price of stock in EUR	55.42	55.42	55.42	55.42	55.42
Risk-free rate	4.598%	4.570%	4.557%	4.544%	4.658%
Remaining term of options (including blocking period)	6.7 years	5.7 years	4.7 years	3.7 years	0.7 years
Average dividend yield	2.2%	2.2%	2.1%	2.1%	2.0%
Share price volatility	30%	30%	30%	30%	30%

Provision is made for the expected future cost of unexercised options on the basis of the fair values at balance sheet date. The expense of new plans is spread over the two-year blocking period. As of December 31, 2007, the provision amounted to EUR 34,976 thousand (2006: EUR 11,724 thousand). The net allocation during the year under review was EUR 23,252 thousand (2006: EUR 4,749 thousand).

Notes to the balance sheet

1 Fixed assets

In the year under review, fixed tangible assets were itemized in accordance with minimum statutory requirements. Movements in fixed assets in 2007 are presented in the statement of fixed assets.

The Land and buildings item includes land valued at EUR 5,901 thousand (2006: EUR 5,901 thousand).

Liabilities arising from the use of off-balance sheet fixed assets were as follows:

		EUR 1,000
	2007	2006
Maturing in one year	1,293	1,204
Maturing within the next five years	2,089	1,562
Total	**3,382**	**2,766**

Loans with maturities of up to one year amounted to EUR 9 thousand (2006: EUR 9 thousand). All the loans to affiliated companies have maturities of over one year. During the year under review, OMV Aktiengesellschaft waived an amount of HUF 1,350,000,000 (EUR 5,321 thousand) due from OMV Hungaria Kft., a subsidiary of OMV Refining & Marketing GmbH, thereby increasing its equity interest in OMV Refining & Marketing GmbH.

In 2007, the Company acquired an additional interest of EUR 86,856 thousand (5.58%) in Petrol Ofisi A.S. In June 2007, Dogan Holding A.S. refunded an amount equivalent to EUR 52,254 thousand paid by Petrol Ofisi to the Turkish tax authorities. During the year, a capital increase from own resources increased Petrol Ofisi's capital stock by TRY 74,550 thousand.

2 Accounts receivable and other assets

				EUR 1,000
		2007		2006
	≤ 1 year	> 1 year	≤ 1 year	> 1 year
Receivables from trade	–	–	506	–
Receivables from affiliated companies	3,368,908	–	2,652,190	–
[whereof trade]	[7,552]	[–]	[1,522]	[–]
Receivables from associated companies	–	–	4	–
[whereof trade]	[–]	[–]	[4]	[–]
Other receivables and assets	36,692	–	51,481	–
Total	**3,405,600**	–	**2,704,181**	–

Other receivables and assets include interest on securities and receivable from banks amounting to EUR 2,178 thousand (2006: EUR 2,270 thousand) due after balance sheet date, and an outstanding tax credit of EUR 28,652 thousand (2006: EUR 45,000 thousand) consisting of corporate income tax prepayments.

3 Stockholders' equity

The Company's **capital stock** consists of 300,000,000 (2006: 300,002,400) fully paid-up shares of no par value with a total value of EUR 300,000 thousand (2006: EUR 300,002 thousand). The reduction of EUR 2 thousand in the Company's capital during the year under review was effected by retiring 2,400 treasury shares. There is only one class of share, and there are no shares conferring special rights of control. All shares are entitled to dividends for the 2007 financial year, with the exception of own shares held by the Company.

A conditional increase of EUR 29,998 thousand in the capital stock by the issuance of up to 29,997,600 common shares in bearer form was authorized under section 159(2) (1) AktG (Stock Corporation Act). This capital increase was conditional upon the bearers of convertible bonds issued on the basis of the Annual General Meeting resolution of May 18, 2004 making use of their right to convert bonds into the Company's shares. As of December 31, 2006, the number of outstanding convertible bonds represented less than 10% of those originally issued in December 2004, and all of the convertible bonds still outstanding on February 21, 2007 were therefore redeemed on that date. In consequence, a conditional capital increase by way of the convertible bonds issued in December 2004 is no longer possible.

A total of 1,793,868 convertible bonds were issued on December 22, 2004. Bearers were entitled to convert the bonds into common stock at par (ten for one since the 2005 share split) between January 1, 2005 and November 19, 2008. The issuing price was EUR 306.60, bringing the Company total proceeds of EUR 550,000 thousand. The equity component of the convertible bonds, amounting to EUR 35,921 thousand, is disclosed under the capital reserves. By December 31, 2006, a total of 469,780 convertible bonds had been converted into 4,697,800 treasury shares, and 1,158,629 convertible bonds had been repurchased by the Company. The conversion of some 240 bonds (70 of them in 2005) was satisfied by conditional capital, increasing the capital stock by EUR 2,400. All the other bonds converted were satisfied by treasury shares. In 2007, a further 162,413 convertible bonds were satisfied by treasury shares, 2,720 were repurchased by the Company, and the remaining 326 were redeemed.

The authorization granted to the Executive Board by the 2004 Annual General Meeting, subject to the approval of the Supervisory Board, to increase the Company's capital stock by up to EUR 36,350 thousand by issuance of up to 36,350,000 no par value shares not later than May 17, 2009 (authorized capital) was extended until May 23, 2012 by the 2007 Annual General Meeting.

The Annual General Meeting held on May 24, 2007 authorized the Executive Board for a period of 18 months from the date of the resolution to purchase the Company's stock up to the legal limit (currently 10% of the capital stock). The treasury shares can be used to satisfy the stock option plans and convertible bonds. The Company's capital stock may also be reduced by retiring treasury shares without further resolution of the Annual General Meeting, and the treasury shares may sold on the stock market or by means of a pubic offering.

OMV Aktiengesellschaft proposed the payment of a dividend of EUR 1.05 per eligible share for the 2006 financial year, and this was paid in May 2007.

OMV Aktiengesellschaft is proposing the payment of a dividend of EUR 1.25 per eligible share for the 2007 financial year.

The 2000–2007 Annual General Meetings approved stock repurchases in connection with the approval of stock option plans.

Movements in holdings of treasury shares (adjusted for the 2005 split) were as follows:

Own shares

	No par shares	Repurchase cost EUR 1,000
January 1, 2006	**1,319,606**	**14,470**
Additions	4,695,400	201,793
Disposals	(4,725,400)	(202,122)
December 31, 2006	**1,289,606**	**14,141**
Additions	1,627,390	64,861
Disposals	(1,647,930)	(65,072)
December 31, 2007	**1,269,066**	**13,930**

Movements in the **number of shares in circulation** were as follows:

	Shares	Treasury stock	Shares in circulation
January 1, 2006	**300,000,700**	**1,319,606**	**298,681,094**
Purchase of own shares	—	4,695,400	(4,695,400)
Satisfaction of conversions and stock options	—	(4,725,400)	4,725,400
Capital increase from conversion	1,700	—	1,700
December 31, 2006	**300,002,400**	**1,289,606**	**298,712,794**
Capital reduction	(2,400)	(2,400)	—
Purchase of own shares	—	1,627,390	(1,627,390)
Satisfaction of conversions and stock options	—	(1,645,130)	1,645,130
Sale of own shares	—	(400)	400
December 31, 2007	**300,000,000**	**1,269,066**	**298,730,934**

4 Untaxed reserves

The **untaxed reserves** relate to valuation reserves with respect to undeveloped and developed land, amounting to EUR 5,464 thousand (2006: EUR 5,464 thousand).

5 Provisions

Provisions for employee benefits are recognized in accordance with IAS 19. The indexed pension commitments have been transferred to an external pension fund managed by APK-Pensionskasse AG. The entitlements under defined benefit plans are generally based on years of service and the employee’s average compensation over the last five calendar years of employment.

These pension plans are non-contributory. Changes in the funding of defined benefit plans, and in provisions for jubilee payments were as follows:

						EUR 1,000
	Pensions	Severance payments	**2007** Jubilee payments	Pensions	Severance payments	2006 Jubilee payments
Present value of obligations funded by contributions to an external fund	23,140	—	—	21,738	—	—
Fair value of plan assets	(12,242)	—	—	(11,045)	—	—
Unrecognized actuarial gains/(losses)	(2,855)	—	—	(3,168)	—	—
Provision for benefit obligation funded by contributions to an external fund	**8,043**	—	—	**7,525**	—	—
Present value of benefit obligation not funded through an external fund	—	7,485	409	—	6,854	417
Unrecognized actuarial gains/(losses)	—	(790)	—	—	(1,056)	—
Provision for benefit obligation not funded by contributions to an external fund	—	**6,695**	**409**	—	**5,798**	**417**
Provision at January 1	**7,525**	**5,798**	**417**	**5,851**	**5,276**	**439**
Expense for the period	1,238	918	32	2,369	616	28
Allocation to the fund	(720)	—	—	(695)	—	—
Disbursements	—	—	(5)	—	(93)	(77)
Group transfer	—	(21)	(35)	—	(1)	27
Provision at December 31	**8,043**	**6,695**	**409**	**7,525**	**5,798**	**417**
Interest expense	979	292	19	869	219	18
Expense due to employee service in current period	638	626	13	601	397	10
Service expense not relating to period	—	—	—	1,147	—	—
Expected return on plan assets	(663)	—	—	(590)	—	—
Recognized actuarial gains/(losses)	284	—	—	342	—	—
Expense for the period	**1,238**	**918**	**32**	**2,369**	**616**	**28**

Assumptions made in calculating pension expense and projected defined benefit entitlements as of December 31, 2007:

	Pensions	**2007** Severance and jubilee payments	Pensions	2006 Severance and jubilee payments
Market interest rate	4.50%	4.50%	4.50%	4.50%
Future salary increases	3.85%	3.85%	3.85%	3.85%
Inflation rate	1.90%	—	1.90%	—
Long-term return on plan assets	6.00%	—	6.00%	—

At balance sheet date, plan assets were invested as follows:

	2007		2006	
	VRG IV	VRG VI	VRG IV	VRG VI
Asset category				
Equity	37.9%	42.1%	38.3%	52.0%
Bonds	54.8%	45.9%	58.8%	42.2%
Other	7.3%	12.0%	2.9%	5.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Investment policies are aimed at an optimum portfolio structure and funding of existing entitlements at all times. The investment of plan assets is governed by section 25 Pension Fund Act and the Investment Fund Act. Beyond these legal requirements, the investment guidelines of APK-Pensionskasse AG determine the breadth of asset allocation, the use of umbrella funds and the selection of fund managers. Any use of new instruments or widening of the range of funds employed requires the approval of the APK-Pensionskasse AG management board. Diversification of both the equity and debt securities is global though most of the bonds are denominated in euro.

The assets of the VRG (investment and risk pool) IV fund are invested in euro denominated bond funds and international equity funds. Risk diversification efforts led to attention being paid to management and investment styles in the selection of the asset managers. As of December 31, 2007, the VRG IV portfolio was 37.9% invested in equities and 54.8% in bonds.

In 2005, the VRG VI fund switched to an investment strategy emphasizing value maintenance. This involves investing in European equities and other, lower risk assets. A predefined value floor at a given date may not be undershot, but the opportunity of benefiting from positive stock market trends is left open. As of December 31, 2007, the fund was 42.1% invested in equities and 45.9% in bonds.

Due to varying maturities and market developments, the various investment and risk pools may experience positive or negative deviations from the expected returns on plan assets.

Contributions of EUR 4.5 mn to APK-Pensionskasse AG for defined benefit plans are planned for 2008.

Other provisions largely consisted of the following:

EUR 1,000

	2007	2006
Personnel provisions	44,066	19,280
Sundry provisions	39,303	57,393
Total	**83,369**	**76,673**

Personnel provisions include a provision for share options granted, amounting to EUR 34,976 thousand (2006: EUR 11,724 thousand). During the year under review, the valuation of stock options was harmonized with that according to IFRS due to early adoption of the recommendations made by the AFRAC position paper “The treatment of share-based payment in ABC financial statements”. The resultant negative income effect was EUR 23,252 thousand, which was recognized as salary expense. Other provisions include reinsurance amounting to EUR 35,047 thousand (2006: EUR 53,157 thousand) and a long-term provision of EUR 1,679 thousand (2006: EUR 1,500 thousand) for dismantling and removing costs.

6 Liabilities

EUR 1,000

	2007 ≤1 year	2007 > 1 year	2006 ≤1 year	2006 > 1 year
Bonds	–	250,000	50,730	250,000
Bank borrowings	661,662	280,000	760,340	320,125
Accounts payable from trade	5,017	6,808	3,054	6,800
Accounts payable to affiliated companies	40,074	277,128	101,280	277,128
[whereof trade]	[118]	[–]	[1,284]	[–]
Other liabilities	228,216	6,280	181,545	5,168
[whereof taxes]	[218,211]	[–]	[175,305]	[–]
[whereof social security expenses]	[167]	[–]	[154]	[–]
Total	**934,969**	**820,216**	**1,096,949**	**859,221**

Other liabilities include personnel separation expenses and interest expense of which EUR 6,692 thousand are due after balance sheet date (2006: EUR 6,469 thousand), A prepayment of EUR 4,750 thousand arising from the disposal of fixed assets was recognized in 2006.

Liabilities with maturities of more than five years totaled EUR 160,000 thousand (2006: EUR 224,000 thousand); all of these related to borrowings from banks. The liabilities arising from the convertible bond were repaid in 2007 (see Note 3).

7 Contingent liabilities under section 199 ABC

Contingent liabilities are as follows:

EUR 1,000

	2007	2006
Garanties	**1,529,414**	**533,870**
[whereof in favor of affiliated companies]	[1,529,414]	[533,870]

The increase in contingent liabilities reflects a EUR 1,000 mn guarantee given by OMV Aktiengesellschaft in 2007 as short-term finance for a subsidiary.

During the year under review, OMV Aktiengesellschaft extended a guarantee of EUR 30,000 thousand in connection with the construction of a central office building.

OMV Aktiengesellschaft is liable for the redemption of the USD 320 mn (EUR 217,376 thousand) US bond issue by OMV (U.K.) Limited.

The following **other financial commitments** are not reported under liabilities or contingent liabilities:

OMV Aktiengesellschaft has given an undertaking to OMV Clearing und Treasury GmbH, which runs the Group's clearing operations, to maintain its liquidity for the duration of its membership of the Group.

The disposal of companies in past years (Chemie Linz GmbH and PCD Polymere GmbH) has led to the Company's assuming contingent environmental liabilities. The total amount of the contingent liabilities in question is limited to EUR 101.74 mn. As of the balance sheet date the Company was not aware of any liabilities arising from the above disposals.

Various liabilities were assumed – in particular, for all environmental risks and pending litigation – in connection with the disposal of the Company's interest in AMI Agrolinz Melamine International GmbH (AMI), up to a limit of EUR 67,500 thousand. With only a few exceptions, the liability periods are 60 months from the closing of the transaction.

Letters of comfort for a total amount of EUR 24,345 thousand were issued on behalf of AMI as collateral for bank loans.

In 2005, OMV Aktiengesellschaft assumed liability on behalf of OMV Finance Ltd for a EUR 850 mn multicurrency revolving credit facility. As of the balance sheet date, this credit facility had not been utilized.

OMV Aktiengesellschaft has issued guarantees and letters of comfort on behalf of certain exploration, production and distribution companies in respect of the fulfillment of concession and license agreements, and of various other agreements of indeterminate amount. In connection with the disposal of PCD Polymere GmbH (PCD), OMV Aktiengesellschaft has taken out an option to acquire real estate owned by PCD in Schwechat.

OMV Aktiengesellschaft is liable in the event of default by its successor companies on pensions, additional contributions to rectify shortfalls in the funding of obligations transferred to external pension funds, and bridging payments to separated employees.

Notes to the statement of income

8 Sales

EUR 1,000	2007	2006
Domestic	65,229	81,355
Foreign	9,207	10,588
Total	**74,436**	**91,943**

As OMV Aktiengesellschaft has been operating as a holding company since January 1, 2004, most of the sales consist of corporate service charges paid by the successor companies. During the year under review, intragroup payments were significantly lower than in 2006. The reason for this was the previous year's catch-up payments in connection with stock option plans.

9 Other operating income

EUR 1,000	2007	2006
Gains on the disposal of fixed assets other than financial assets	51	1,438
Income from the reversal of provisions	5,749	–
Other	1,107	1,304
Total	**6,907**	**2,742**

Income from the reversal of provisions results from a reinsurance contract.

In 2007, the guarantee provision, recognized in an amount of EUR 814 thousand, was stated as a financial item (2006: EUR 550 thousand, reported under Other operating income; the comparative figure was not adjusted).

10 Cost of materials and services

EUR 1,000	2007	2006
Cost of materials	213	827
Cost of services	2,741	2,621
Total	**2,954**	**3,448**

The main components of Cost of materials and services are expenses for temporary labor and other third-party services.

11 Personnel expenses

EUR 1,000	2007	2006
Salaries	56,957	27,634
Statutory social security contributions, and pay-related levies and compulsory contributions	3,548	2,586
Other expenses for employee benefits	369	586
Total	**60,874**	**30,806**

The main reason for the increase in this item was a change of EUR 23,252 thousand in the valuation of stock options due to the adoption of the IFRS treatment (see Note 5).

12 Expenses for severance payments and pensions

EUR 1,000	2007	2006
Expenses for severance payments	918	616
Payments to employee benefit funds	48	31
Defined contribution pension expense	722	587
Defined benefit personnel expense	2,607	2,575
Total	**4,295**	**3,809**

Expenses for pension payments and pension fund contributions include EUR 1,292 thousand in provisions for personnel reduction programs (2006: EUR 44 thousand).

The breakdown of expenses for severance payments and pensions is as follows:

EUR 1,000	2007		2006	
	Severance payments	Pensions	Severance payments	Pensions
Executive Board	268	611	149	1,648
Senior executives	90	294	74	253
Other employees	608	2,424	424	1,261

13 Other operating expenses

EUR 1,000	2007	2006
Taxes not shown under item 17	854	1,040
Other	53,548	80,286
Total	**54,402**	**81,326**

Other expenses include: EUR 15,364 thousand in insurance expense (2006: EUR 14,006 thousand), EUR 15,364 thousand in legal and consultancy fees (2006: EUR 14,006 thousand), EUR 13,007 thousand in advertising expenditure (2006: EUR 12,264 thousand), and EUR 13,603 thousand in services (2006: EUR 12,899 thousand).

14 Financial items

Income from equity interests amounting to EUR 1,106,815 thousand (2006: EUR 886,471 thousand) include EUR 941,918 thousand (2006: EUR 764,256 thousand) in income from profit pooling arrangements, EUR 164,071 thousand (2006: EUR 108,937 thousand) in income from investments in affiliated companies and EUR 826 thousand (2006: EUR 13,278 thousand) in other income from investments.

These items also include EUR 585 thousand in expenses arising from profit pooling arrangements (2006: EUR 878 thousand), as well as EUR 2,953 thousand in writedowns (2006: EUR 3,854 thousand). During the year under review the disposal of securities held as fixed assets resulted in a loss of EUR 344 thousand.

Interest and similar expenses includes expenses of EUR 18,145 thousand (2006: EUR 257,390 thousand) arising from the repurchase of convertible bonds and satisfaction thereof with treasury shares.

15 Taxes on income

EUR 1,000	2007	2006
Current taxes	(8,814)	(77,454)
Deferred taxes	10,451	30
Total	**1,637**	**(77,424)**

Current taxes comprise EUR 1,131 thousand in deferred tax credits, as well as the portion of the corporate income tax attributable to the top-tier corporation in consequence of the formation of a tax group under section 9 KStG (Corporate Tax Act) (EUR 13,084 thousand), and the recognition of a provision of EUR 5,400 thousand. The increase in deferred tax chiefly reflects the provision for sEnergy and the utilization of one-seventh of the impairments recognized in previous years.

Interest rate risk management and derivatives

The profile of our liabilities in terms of fixed and variable interest rates, currencies and maturities is analyzed in order to achieve balanced interest rate risk exposure. Target ratios are set, and derivatives used to adjust exposure where bands were transgressed. For instance, fixed interest can be converted into variable interest loans or vice versa by means of interest rate swaps. Thus, swaps were used to convert EUR 100 mn and USD 50 mn of fixed interest debt into variable interest debt during the fourth quarter of 2005. The interest rate difference between a swap and a loan is recognized as an adjustment to interest expense.

EUR 1.000

				2007			2006
		Nominal value	Fair value	Carrying value	Nominal value	Fair value	Carrying value
IRS, Societe Generale	EUR	50,000	(755)	(755)	50,000	(629)	(629)
IRS, Barclays	EUR	50,000	(631)	(631)	50,000	(436)	(435)
IRS, ÖVAG	USD	33,965	1,000	—	37,965	(476)	(476)
FX Swap EUR/HRK	HRK	6,821	(86)	(86)	—	—	—

Where necessary, the Company hedges its own and Group companies' foreign currency risks. At balance sheet date there were no open positions relating to foreign currency hedges.

Governing bodies and employees

The average number of employees was:

	2007	2006
Salaried employees	113	100
Total	**113**	**100**

The breakdown of the **remuneration of the Executive Board** of OMV Aktiengesellschaft is follows:

Remuneration of the Executive Board EUR 1,000

2007	Auli	Davies	Langanger	Roiss	Ruttenstorfer	Total
Fixed	350	525	460	530	600	**2,465**
Variable	68	1,105	1,105	1,273	1,442	**4,993**
Pension fund contributions	72	208	129	99	145	**653**
Benefits in kind (car and accident insurance) and expenses	8	9	8	8	8	**42**
Total	**498**	**1,847**	**1,702**	**1,910**	**2,195**	**8,153**

Remuneration of the Executive Board EUR 1,000

2006	Davies	Langanger	Roiss	Ruttenstorfer	Total
Fixed	525	460	530	600	2,115
Variable	1,067	1,067	1,227	1,387	4,748
Pension fund contributions	208	129	99	145	581
Benefits in kind (car and accident insurance) and expenses	9	8	8	8	33
Total	**1,809**	**1,664**	**1,864**	**2,140**	**7,477**

Directors' and officers' (D&O) liability insurance and legal insurance cover are taken out for the members of the Executive Board. In both cases, a large number of other OMV employees are also insured, and as group premiums are paid to the insurers it is not possible to determine the costs attributable to individual board members.

Payments to former members of the Executive Board and their surviving dependents amounted to EUR 1,043 thousand (2006: EUR 1,117 thousand).

The total expenses (excluding stock option plans) occasioned by 39 Group executives (2006: 32) were EUR 10,707 thousand (2006: EUR 9,960 thousand). Short-term benefits such as salaries, provisions for unconsumed vacation and bonuses accounted for EUR 8,997 thousand (2006: EUR 8,641 thousand) and pension expenses for EUR 1,250 thousand (2006: EUR 839 thousand) of this amount. Payments related to the termination of employment were EUR 437 thousand (2006: EUR 409 thousand), and other long-term benefits EUR 23 thousand (2006: EUR 71 thousand). The Note Stock option plans gives details of these plans.

The remuneration of the Supervisory Board totaled EUR 374 thousand in 2007. This includes a provision reversal of EUR 5 thousand (2006: EUR 418 thousand, including an increase in provisions of EUR 34 thousand).

During the year under review a provision of EUR 34,976 thousand was recognized for stock options granted to members of the Executive Board and senior executives (2006: EUR 11,724 thousand). The additional allocation, made to bring the provision up to the level required by IFRS, gave rise to a negative income effect of EUR 23,253 thousand.

Dividend recommendation

Unappropriated income for the 2007 financial year amounted to EUR 374,587 thousand (2006: EUR 315,208 thousand).

We recommend payment of a dividend of EUR 1.25 per share (excluding treasury stock) for the 2007 financial year, and carrying forward of the remainder.

Investments
of OMV Aktiengesellschaft with an interest of at least 20%

EUR 1,000

	Equity interest in %		Equity/(loss) as at December 31, 2007	Net income/(loss) for the year 2007
Domestic				
OMV Gas International GmbH, Vienna [1]	100.00		81,086	130,587
OMV Exploration & Production GmbH, Vienna [1]	100.00		253,947	614,985
OMV Future Energy Fund GmbH, Vienna [1]	100.00		35	(585)
OMV Insurance Broker GmbH, Vienna [1]	100.00		35	2,043
OMV Refining & Marketing GmbH, Vienna [1]	100.00		699,980	184,930
OMV Solutions GmbH, Vienna [1]	100.00		845,958	8,593
Non-domestic				
Amical Insurance Limited, Douglas	100.00	EUR	25,477	8,196
OMV AUSTRALIA PTY LTD., Perth [1]	100.00	AUD	(2,787)	3,111
OMV FINANCE LIMITED, Douglas	100.00	EUR	297	341
Petrol Ofisi A.S, Istanbul [2]	39.58	TRY	2,645,927	301,708
Petrom S.A., Bukarest	51.01	RON	13,184,121	1,778,048

[1] Team member according to § 9 KStG.
[2] Estimated figures 2007.

Vienna, March 26, 2008

The Executive Board

Wolfgang Ruttenstorfer
Chairman

Gerhard Roiss
Deputy-Chairman

Werner Auli

David C. Davies

Helmut Langanger

Auditors’ Report

We have audited the financial statements, including the accounting records of **OMV Aktiengesellschaft, Vienna** for the fiscal year from January 1 to December 31, 2007. Management is responsible for the preparation and content of the financial statements and the accounting records and the directors’ report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in accordance with the financial statements.

We conducted our audit in accordance with Austrian Standards on Auditing and the applicable Austrian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and whether we can state that the management report is in accordance with the financial statements. In determining audit procedures we considered our knowledge of the business activity, the economic and legal environment of the company and expectations about potential errors.

The audit involves procedures to obtain evidence about amounts and disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections. In our opinion, the financial statements are in accordance with legal requirements and present fairly in all material respects, the financial position of the **OMV Aktiengesellschaft** as of December 31, 2007 and of the results of its operations and its cash-flows for the fiscal year from January 1, 2007 to December 31, 2007 in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements.

Vienna, March 26, 2008

Deloitte Wirtschaftsprüfungs GmbH

Mag. Walter Müller

Dr. Bernhard Vanas

Certified Public Accountants

Abbreviations and definitions

ACC Austrian Company Code

bbl, bbl/d barrels (1 barrel equals approximately 159 liters), barrels per day

bitumen is produced when high grade crude oil is distilled. It is used to surface roads, and in roofing and insulation materials.

bn, mn billion, million

boe, boe/d barrels of oil equivalent, boe per day

bcf, bcm billion standard cubic feet (60 °F/16 °C), billion cubic meters (32 °F/0 °C)

CAPEX capital expenditure

capital employed equity including minorities plus net debt and provisions for pensions, less securities used for asset coverage of pension provisions

cbm, cf standard cubic meters, standard cubic feet

CFPS cash flow from operating activities per share

Co&O Corporate and Other

EBIT earnings before interest and tax

equity ratio stockholders' equity divided by balance sheet total expressed as a percentage

EU, EUR European Union, euro

EPS earnings per share

EPSA Exploration and Production Sharing Agreement

E&P Exploration and Production

finding cost total exploration expenses divided by changes in proved reserves (extensions, discoveries and revisions of previous estimates)

gearing ratio net debt divided by stockholders' equity expressed as a percentage

HSE Health, safety, security and environment

IASs, IFRSs International Accounting Standards, International Financial Reporting Standards

LTIR, TRIR lost time incident rate, total recordable incident rate

monomers collective term for ethylene and propylene

n.a., n.m. not available, not meaningful

net debt bank debt less liquid funds (cash and cash equivalents)

net income net operating profit after interest, tax and extraordinary items

NOPAT net operating profit after tax; profit on ordinary activities after taxes plus net interest on net borrowings and interest on pensions, less extraordinary result plus/minus tax effect of adjustments

NGL natural gas liquids; natural gas which is extracted in liquid form during the production of hydrocarbons

Payout ratio total dividend payment divided by net income after minorities expressed as a percentage

PCF price cash flow ratio; share price divided by cash flow from operating activities per share

production cost cost of material and personnel during production excluding royalties (OPEX)

PRT, PRRT Petroleum Revenue Tax, Petroleum Resource Rent Tax

ROfA return on fixed assets; EBIT divided by average intangible and tangible assets expressed as a percentage

ROACE return on average capital employed; NOPAT divided by average capital employed expressed as a percentage

ROE return on equity; net income for the year divided by average stockholders' equity expressed as a percentage

RON New Romanian Leu

R&M Refining and Marketing including petrochemicals

SEC United States Securities and Exchange Commission

SFAS Statement on Financial Accounting Standards

t, toe metric ton, ton of oil equivalent

USD US dollar

WACC weighted average cost of capital