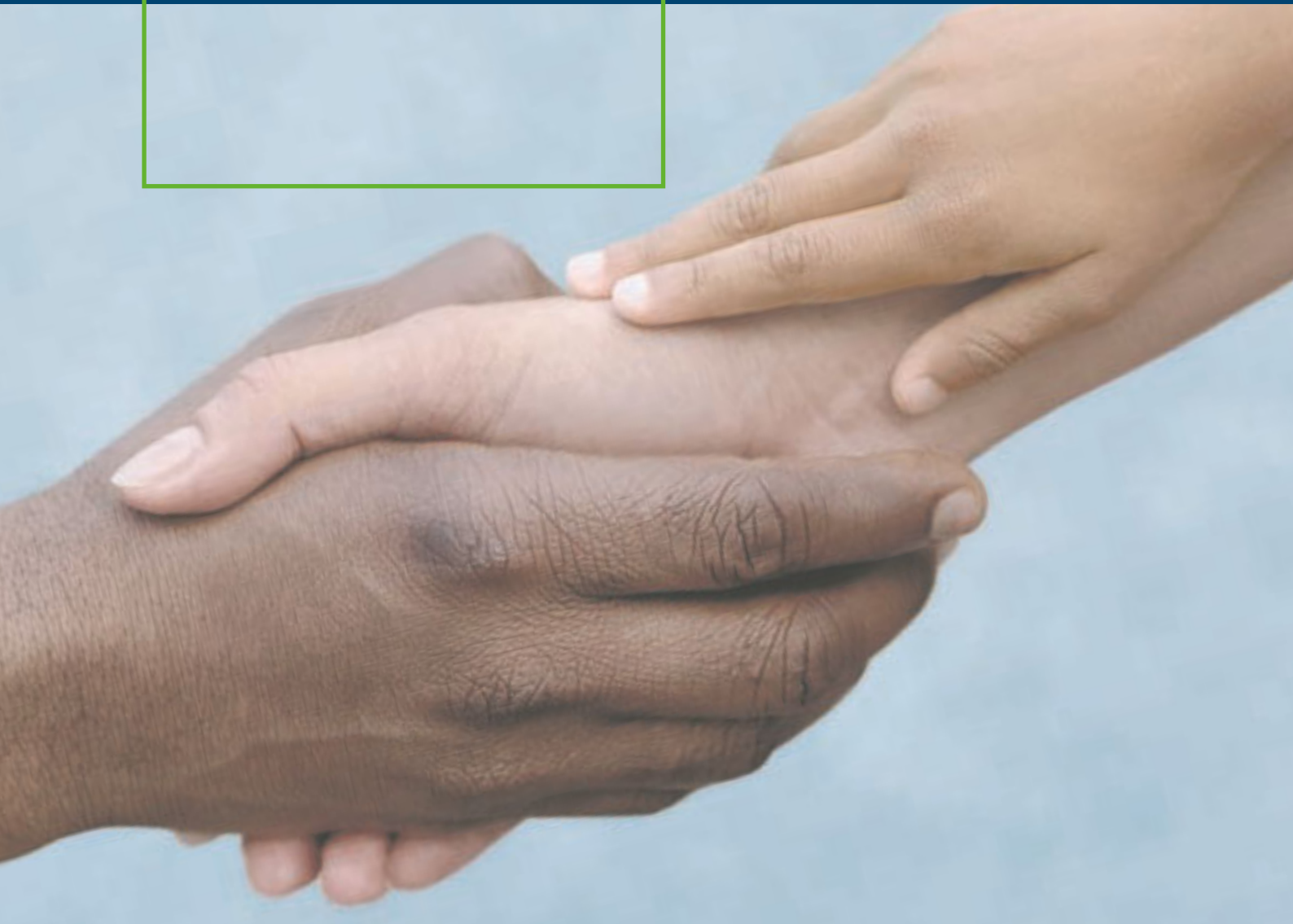


Corporate Social Responsibility

Performance Report 2003/2004





None of the information provided in this Performance Report constitutes an invitation to purchase or trade in stocks, securities of any kind or American Depository Receipts (ADR) issued by OMV Aktiengesellschaft or is supposed to constitute an invitation of this kind.

In the interests of a fluid style, which is easy to read, non-gender specific terms have been used throughout: the identifiers customers, employees, associates, contracting parties, stockholders etc. relate to both men and women in every case.

Statistical data relate to the reporting period 2003 and 2004 or, to make it easier to compare the data provided, to the reporting period 2000 to 2004.

We report on joint ventures with holdings of more than 50 per cent or on joint ventures in which we are the operator in consortia.

The documentation of major changes to the Group through expansion and the documentation of additional process management systems, directives and or reference projects include the stub period 2005.

Mag. Ana-Barbara Kunčič, Dr. Helga Pražak-Reisinger, Dr. Georg Horacek, Dr. Karl Jung and Mag. Simone Alaya are responsible for the formulation and implementation of financial, environmental and social topics.

Please find additional information on OMV social responsibility at www.omv.com

The last Performance Report was issued in November 2003.

The majority of the photographs used in this Performance Report were produced in the course of an in-house photographic competition. We are most grateful to the staff, who allowed us to use this material.



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Foreword of the CEO

Ladies and Gentlemen,

We are pleased to present OMV second performance report on corporate and social responsibility. It is more detailed and more specific than our first report, which naturally focused on presenting the values we profess.

Every company is a "citizen" of our society with rights and obligations. The ecological and social risks that go hand in hand with entrepreneurial activity are making people more aware today than previously.

This leads to companies being measured not only against economic criteria but also against the degree to which they accept their social responsibilities. In our understanding of social responsibility, economic, ecological and social values combine to form one unit in the sense of the "Triple Bottom Line". Therefore, our actions are not focused solely on corporate performance but also to an equal extent on mankind, its surroundings and our environment.

We are firmly convinced that as an oil company, which operates overwhelmingly with finite resources, we too - or perhaps to a particular extent - can and must contribute a great deal to sustainability.

We believe that companies have a social responsibility irrespective of their legal obligations. This results in values that we stand by, that we wish to extend and promote. Simply for the sake of the values themselves.



Action on climate change, health and safety as well as dealing responsibly with our environment - with mankind and nature - are neither lip service nor simply a matter of fulfilling our obligations but a central component of our corporate strategy. We are convinced that the related investment will not constitute a burden but on the contrary produce a win-win situation, which both our stakeholders and we will benefit from.

The present performance report offers us the opportunity to be more specific and, with the help of many examples, to document how we are implementing these values on a day-to-day basis.

Social responsibility has many aspects. We do not operate in countries with low social and environmental standards because we want to minimize costs but because we are endeavoring to increase our oil and gas reserves worldwide and to expand our "number one position" in Central and Eastern Europe. We are implementing - in some cases at considerable cost - our own sophisticated standards locally. We are launching bio-fuels on the market to push alternative fuels and to reduce emissions at the same time. We are increasing the opportunities for staff discussions and the range of training to increase our staff's qualifications and their opportunities continuously.

However, at this point I must admit that it is not easy either in small matters or large ones to live up to the high standards set. I am very aware that we are far from

reaching our targets in the specific examples. On the other hand, it is only by committing to values that we can ascertain how far we have fallen short of them and this helps us to work continuously at improving our performance. The path is the destination here.

OMV is working hard at implementing all the values and attitudes enshrined in its code of conduct. This guarantees a continuous, quantifiable and transparent improvement process. It is an important concern for me personally that we critically measure our behaviour against the values we have set ourselves every day.

Our stakeholders are informed, responsible and critical. They will not be impressed by either glossy brochures or be satisfied by the remark that they were printed on chlorine-free paper. The content is what matters. We therefore held a round table discussion with our stakeholders in June 2005 because we considered it important to communicate the content that they expect from us and not the one we would like to convey.

CSR is not a project in the traditional sense but an attitude that is worth committing to.

This report has been prepared in accordance with the Global Reporting Initiative Guidelines 2002. It represents a balanced and appropriate presentation of our organisation's contribution to sustainability.

Dr. Wolfgang Ruttenstorfer
CEO and Chairman of the Executive Board of OMV
Aktiengesellschaft





Spotlight on OMV



Executive Board

Wolfgang Ruttenstorfer (*1950)

As of January 1, 2002 Chairman and Chief Executive Officer; responsible for Gas and Chemicals

He 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 State Secretary. At the beginning of 2000 he returned to the OMV Group as Deputy Chief Executive Officer, assuming responsibility for Finance and the Gas segment.

David C. Davies (*1955)

As of April 1, 2002 Chief Financial Officer

David C. Davies graduated from the University of Liverpool (UK) in Economics in 1978 and started his career as a chartered accountant. He then held positions in international companies in the beverage, food and health industry. Before joining OMV he had been finance director of a number of UK companies.

Gerhard Roiss (*1952)

As of January 1, 2002 Deputy Chairman; responsible for Refining and Marketing including Petrochemicals

His business education at Vienna, Linz and Stanford (USA) prepared him for managerial responsibilities at various companies in the consumer goods industry. In 1990 he started as head of OMV Group marketing department. In the same year he was appointed to the board of PCD Polymere GmbH. He moved across to the OMV Executive Board in 1997. Until the end of 2001 he was responsible for Exploration and Production, and for the Plastics operations.

Helmut Langanger (*1950)

As of January 1, 2002 responsible for Exploration and Production

Helmut Langanger complemented his education at the Mining University in Leoben with a degree in economics in Vienna. In 1974 he began his career with OMV. He was appointed Senior Vice President for Exploration and Production in 1992 and played a key role in building up the Group's international E&P portfolio.

The terms of office of all Board members run until the end of March 2010.

Supervisory Board

In addition to managers with international experience of our core shareholders, the Supervisory Board also includes highly qualified independent members elected at the Annual General Meeting (AGM). Regarding the definition of independence, OMV orients itself towards the recommendations of the EU.

Rainer Wieltsch

Chairman
Member of the ÖIAG Management Board
Member of 4 supervisory boards (chairman of 1 board)
First election at the AGM on May 24, 2002

Peter Michaelis

Deputy Chairman
Spokesman of the ÖIAG Management Board
Member of 3 supervisory boards (chairman of 2 boards)
First election at the AGM on May 23, 2001

René Alfons Haiden

until May 18, 2004
First election at the AGM on October 16, 1990

Wolfram Littich

Chairman of the Management Board of Allianz Elementar Versicherungs-AG
First election at the AGM on May 23, 2001

Herbert Werner

Member of 2 supervisory boards (chairman of 1 board)
First election at the AGM on June 4, 1996

Norbert Zimmermann

Chairman of the Management Board of Berndorf AG
Member of 2 supervisory boards
First election at the AGM on May 23, 2001

Mohamed Nasser Al Khaily

Deputy Chairman
Managing Director of IPIC
Member of 1 supervisory board
First election at the AGM on June 7, 1995

Helmut Draxler

Chairman of the Management Board of RHI AG
First election at the AGM on October 16, 1990

Murtadha Mohammed Al Hashemi

Division Manager/Finance of IPIC
First election at the AGM on May 18, 1999

Gerhard Mayr

Member of 1 supervisory board
First election at the AGM on May 24, 2002

Herbert Stepic

Deputy CEO of Raiffeisen Zentralbank Österreich AG since May 18, 2004
First election at the AGM on May 18, 2004

Delegates of the Group Works Council

Leopold Abraham
Wolfgang Baumann
(since November 11, 2004)
Franz Kaba
Hugo Jandl
(until November 11, 2004)
Hugo Pleckinger
(since November 11, 2004)
Wolfgang Weigert
(until November 11, 2004)
Ferdinand Nemesch

Strategy and Project Committee

Rainer Wieltsch
Mohamed Nasser Al Khaily
Peter Michaelis
Murtadha Mohammed Al Hashemi
Wolfram Littich
Norbert Zimmermann
Leopold Abraham
Franz Kaba
Ferdinand Nemesch

Personnel and Presidential Committee

Rainer Wieltsch
Mohamed Nasser Al Khaily
Peter Michaelis
Leopold Abraham
Franz Kaba
(until November 11, 2004)
Wolfgang Baumann
(since November 11, 2004)

Accounting Committee

Rainer Wieltsch
Mohamed Nasser Al Khaily
Peter Michaelis
Wolfram Littich
Leopold Abraham
Franz Kaba
(until November 11, 2004)
Wolfgang Baumann
(since November 11, 2004)

The information regarding the supervisory board mandates refers to listed external companies other than OMV. Supervisory board mandates outside the Group are mandates held by the supervisory board member outside his Group, which are counted in accordance with rule 54 of the Austrian Corporate Governance Code (CGK).





Overview of OMV



New Management Holding Structure

OMV is the leading integrated oil and gas group in Central and Eastern Europe. It also owns the filling station brands Petrom and Avanti. We operate refineries in Austria, Germany and Romania.

Companies must constantly adjust their growth process to the economic and social environment and regenerate themselves again and again. OMV strategy is clearly focused on becoming more international. This means that in various sectors and various countries with different laws and market conditions we shall be faced with different competitors under changing framework conditions.

In order to deal with these challenges, we must increasingly adapt our business units to the specific conditions in question. They must be able to make market-related decisions more rapidly and more effectively than our competitors. This will secure our future.

OMV has been a holding company since the beginning of 2004. Compared with the previous parent company structure with its more centralized decision-making processes, this will allow many processes to be optimized and will promote staff development. A clear and transparent management structure with

flat hierarchies was created with the new management holding structure. Thanks to shorter and more rapid decision-making processes combined with greater responsibility for results, we are better able to concentrate on our customers' needs and the demands of the market.

Decisions are made and actions taken centrally in those cases where this will achieve a Group optimum and where values are stipulated that apply to OMV worldwide.

As a service network OMV Solutions GmbH is responsible for integrating the new structure.

The Executive Board member responsible in each case is the CEO of OMV Exploration & Produktion GmbH or of Refining & Marketing GmbH respectively.



Changes to the shareholder structure and major decisions during the period under review with regard to the geographical situation.

At the beginning of 2003, OMV concluded the acquisition of Preussag Energie's international exploration and production portfolio from TUI AG. The new E&P licenses are largely situated in OMV core E&P regions. As a result, the OMV Group has additional daily output of some 20,000 boe/d.

The international E&P assets of Preussag Energie GmbH in Albania, Ecuador, Yemen, Qatar, New Zealand, Tunisia and Venezuela were hived off into Preussag International GmbH. OMV acquired 100% of the shares in this company. The portfolio in New Zealand was acquired by OMV New Zealand Pty Ltd., a 100% subsidiary of OMV.

In mid-2003, the takeover of 313 Aral and BP filling stations in Southern Germany, Hungary and Slovakia, the acquisition of a 45% share in the BAYERNOIL refining network and of 18% in the Transalpine pipeline (TAL) by OMV took effect. With this acquisition OMV achieved a leading position in Bavaria and reinforced its presence in the EU accession countries Hungary and Slovakia.

The Group has created a strong strategic supply position through its investment in the 12 mn t BAYERNOIL refining network. In addition, the acquisition resulted in synergies with the existing OMV refinery in Burghausen/Bavaria. With an additional 5.4 mn t, OMV increased its Bavarian refining capacity from around 3.4 to 8.8 mn t per year. With its additional 18% share in the Transalpine pipeline OMV now holds over 25% of one of the most important crude oil pipelines from the Mediterranean to Northern Europe.

The takeover of 139 filling stations owned by the Austrian retail network Avanti, which took effect at the end of October 2003, brought OMV additional volume in its most important sales markets.

At the end of 2004, OMV acquired 51% of Petrom including E&P assets in Kazakhstan. This meant that the goal of doubling the company's size by 2008 has already been reached. Since then OMV has been playing in a different league (Petrom on page 26).

The signing of a joint venture agreement as part of the Nabucco gas pipeline project was of particular significance for OMV role in the future European gas market.

The following decisions were also reached in 2003 and 2004, which led to changes with regard to the shareholder structure to be reported under the GRI:

- ▶ Sale of two exploration blocks in Sudan
- ▶ Sale of a 90% share in the Cabimas oil field in Venezuela
- ▶ Sale of the 25.1% holding in Rompetrol
- ▶ Sale of E&P assets in Qatar (Approval from Qatar Petroleum still outstanding)

We must summarize the following at this point:

OMV has withdrawn completely from Sudan. It has signed agreements for the sale of all its assets in Ecuador and Qatar, which only require approval from the government or the government owned oil company. OMV has sold the Cabimas oil field in Venezuela. OMV still has a minority interest in a smaller field in Venezuela where not OMV but BP is the operator. However, OMV intends to sell this field as well.

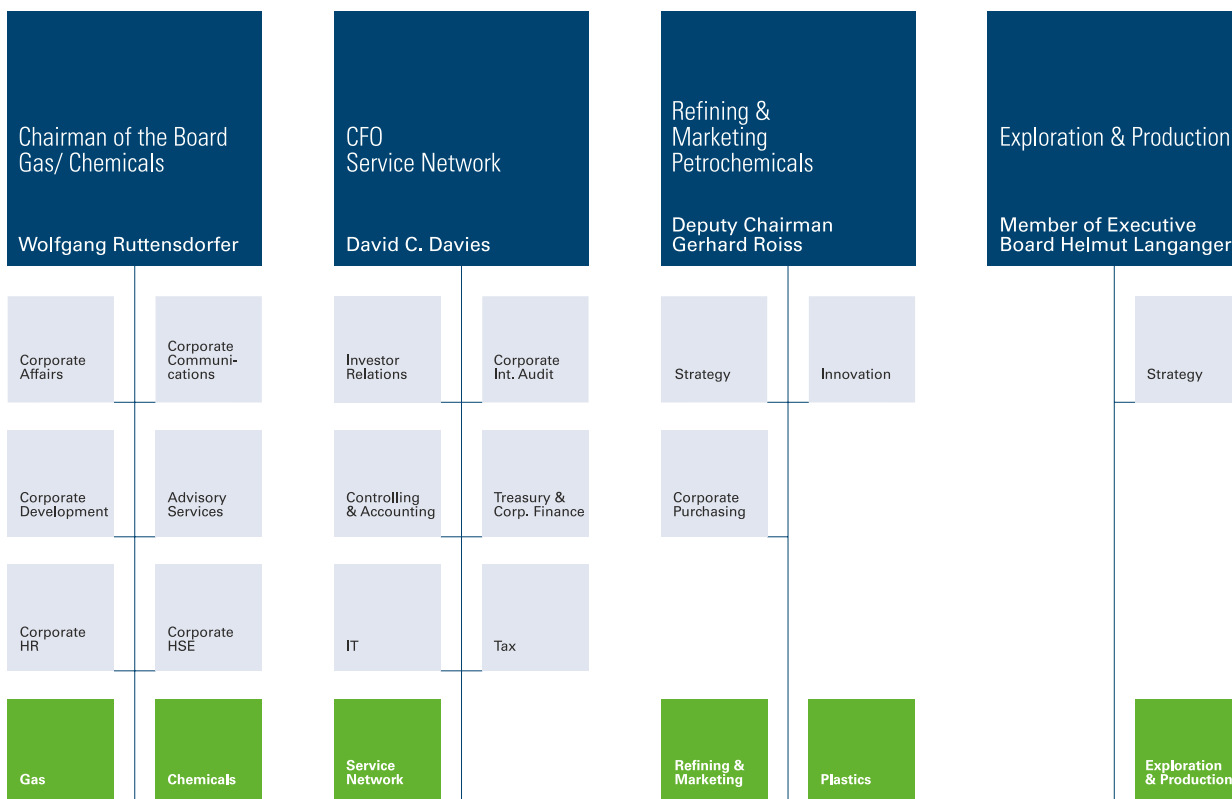


Core regions of OMV with regard to our growth strategy

For further information on the R&M division's core market please see page 168, EC2 "Geographic breakdown of markets".

In R&M (Refinery and Marketing) Central and Eastern Europe, particularly the countries to the west and east of the Danube and the Adriatic, constitutes OMV core market. The other strategic focus lies along the EU growth belt. The core regions in E&P (Exploration and Production) are Central Europe, the North Sea, North Africa, the Middle East, Australia/New Zealand. The aim is to have 50% of production originating from OECD countries. OMV core gas market is Central Europe.

OMV Group Organigram



Holding
 Operational business divisions

The Group's corporate profile in figures

	2004	2003	2002	2001	2000
Statement of income (in EUR mn)					
Sales (excluding excise petroleum tax)	9,880	7,644	7,079	7,736	7,455
Earnings before interest and tax (EBIT)	926	644	495	610	491
Financial items	28	(47)	(21)	(40)	(38)
Income from ordinary activities	954	596	474	570	453
Taxes on income	(312)	(203)	(152)	(188)	(130)
Net income	642	393	322	382	323

	2004	2003	2002	2001	2000
Balance sheet⁴ (in EUR mn)					
Fixed assets	8,170	5,204	4,254	3,983	3,929
Current assets	4,701	2,286	1,722	1,635	1,705
Stockholders' equity	5,381	2,685	2,411	2,248	1,968
Provisions	1,399	1,049	1,118	1,052	1,120
Liabilities	4,418	3,002	1,906	1,810	2,412
Balance sheet total	12,950	7,517	6,149	5,772	5,834

	2004	2003	2002	2001	2000	Targets over the business cycle ¹
Amounts in %						
Return on average capital employed (ROACE)	16 ²	12	11	14	12	13
Return on fixed assets (ROfA)	22 ²	16	16	20	16	–
Return on equity (ROE)	19 ²	15	14	18	18	–
Total shareholder return (TSR) ³	91	30	4	19	(12)	–
Gearing ratio	14	40	20	17	28	30
Payout ratio	20	27	29	31	36	30–40

¹ Long-term assumptions: EUR/USD exchange rate 1:1; oil price USD 18/bbl; refining margin USD 2/bbl

² Adjusted for impact of Petrom acquisition

³ Assuming no reinvestment of dividends

⁴ As of December 31, 2004 Petrom has been consolidated into OMV balance sheet

	2004	2003	2002	2001	2000
US GAAP (in EUR mn)					
Net income	655	372	301	389	359
Stockholders' equity	4,102	2,723	2,455	2,345	2,117

	2004	2003	2002	2001	2000
Capital expenditure (in EUR mn)					
Exploration and Production	156	498	227	132	86
Refining and Marketing incl. Petrochemicals	460	709	282	191	277
Gas	29	24	104	69	91
Chemicals	63	109	49	38	36
Corporate and Other	61	41	13	22	180
Petrom (51% stake)	1,505	-	-	-	-
Group	2,274	1,381	675	452	669

Figures by business division

	2004	2003	2002	2001	2000
Group sales (in EUR mn)					
Exploration and Production	329	341	202	289	255
Refining and Marketing incl. Petrochemicals	8,375	6,022	4,920	5,578	5,574
Gas	774	785	1,474	1,421	1,192
Chemicals	393	490	468	439	425
Corporate and Other	8	6	14	9	8
Group	9,880	7,644	7,079	7,736	7,455

	2004	2003	2002	2001	2000
Earnings before interest and tax EBIT (in EUR mn)					
Exploration and Production	459	303	256	273	320
Refining and Marketing incl. Petrochemicals	442	265	125	223	79
Gas	75	79	115	111	105
Chemicals	25	43	43	49	36
Corporate and Other	(76)	(46)	(44)	(46)	(49)
Group	926	644	495	610	491

	2004	2003	2002	2001	2000
Crude oil and NGL ¹ production (in mn bbl - barrel)					
Total	27.7	28.5	19.5	19.8	20

	2004	2003	2002	2001	2000
Natural gas production (in bcf - billion standard cubic feet)					
Total	109.3	91.2	65.6	52.3	51.5

	2004	2003	2002	2001	2000
Total production (in mn boe - barrel of oil equivalent)					
Total	45.9	43.6	30.4	28.5	28.5

	2004	2003	2002	2001	2000
Proved ² oil and NGL ¹ reserves (in mn bbl)					
Total ³	210.5	237.0	173.3	173	178.1

	2004	2003	2002	2001	2000
Proved ² natural gas reserves (in bcf)					
Total ³	1,046.2	1,038.8	1,119.2	1,004.8	959.1

	2004	2003	2002	2001	2000
Total proved ² reserves (in mn boe)					
Total ³	384.8	410.1	343.1	340.5	338

¹ Natural gas liquids; natural gas which is extracted in liquid form during the production of hydrocarbons

² Developed and undeveloped reserves as of December 31

³ Figures exclude Petrom reserves of 1,025 million boe



OMV Group Our position

Following the acquisition of Preussag's international E&P portfolio, part of the BP/Aral filling station network and an interest in BAYERNOIL refining network in 2003 as well as the acquisition of a majority stake in the Romanian oil and gas company Petrom in December 2004, OMV is today the leading oil and gas company in Central Europe. We operate in an attractive market of 100 million people with a demand for petroleum products of around 80 million t. In addition, OMV holds a 35% share in the second largest European polyolefin producer, Borealis A/S, and 10% of the Hungarian oil company MOL.



The Petrom acquisition - a milestone in OMV expansion drive

The acquisition of the majority of the shares in Petrom at the end of 2004 created the largest oil and gas company in Central Europe with:

- ▶ Some 1.4 bn boe of oil and gas reserves
- ▶ Daily production of approximately 345,000 boe
- ▶ Annual refining capacity of 26.4 mn t
- ▶ A market share of around 18% in the Danube area
- ▶ Some 2,400 filling stations in 13 countries

Our objectives

The Petrom acquisition means that in many areas of operations we have reached our goal of doubling the size of the Group between 2001 and 2008: oil and gas production has more than quadrupled from 78,000 boe/d in 2001 to 345,000 boe/d. Our market share of 18% in the Danube region is close to the 20% target for 2008. In the gas business wholesale and retail sales in Austria and neighbouring countries had already hit 8.4 bcm by 2004 and should reach our 10 bcm target by 2008. Further progress has been made on integrating production and processing.

Our strengths

Our strong market position in Central Europe. The high level of integration of our Exploration and Production and Refining and Marketing operations provide a strong platform for continued profitable growth. Thanks to our robust cash flow and a successful increase in capital, our strong financial position even after the Petrom acquisition creates a solid basis for further expansion.



Our position in Exploration and Production

We are involved as operator and partner in exploration, development, and production projects in our five core regions (Central Europe, the North Sea, North Africa, the Middle East and Australia/New Zealand).

Our strengths

- ▶ Strong track record in optimizing production from complex onshore fields
- ▶ Enhanced oil recovery (EOR) from mature fields
- ▶ Implementation of leading edge seismic technologies and exploration techniques

Our position in Refining and Marketing

We operate refineries in Schwechat, Austria and Burghausen, Southern Germany, both with integrated petrochemical production complexes. Together with Petrom's Petrobrazi and Arpechim refineries in Romania and our 45% stake in BAYERNOIL's refining network in Southern Germany, our combined nameplate capacity amounts to 26.4 mn t/y (540,000 bbl/d). We operate some 2,400 filling stations (incl. Petrom) in Central and Eastern Europe.

Our strengths

- ▶ Central European markets along the Danube
- ▶ High product quality and environmental standards in our Refining and Marketing business
- ▶ Pioneering rollout of a Europe-wide AdBlue filling station network for low emission trucks



Our position in Gas

We have completely restructured the Gas unit and are consequently well positioned to develop considerable growth potential as an energy supplier of the future in this core business. We are active along virtually the entire value chain. We meet about 90% of Austrian demand, drawing our supplies of gas from Russia, Norway, Germany and domestic reserves. We play a key role in gas transit with roughly one third of all Russian gas exports to Western Europe passing through the Baumgarten hub. Our 2,000 km pipeline network and our gas storage facilities play a major part in safeguarding security of supply in Austria and beyond.

Our strengths

- ▶ Availability of self-produced gas through the physical integration of the Gas and Exploration and Production businesses
- ▶ Long-term relationships with major gas suppliers
- ▶ Highly competitive storage and transportation costs
- ▶ Operation of the international gas transit hub

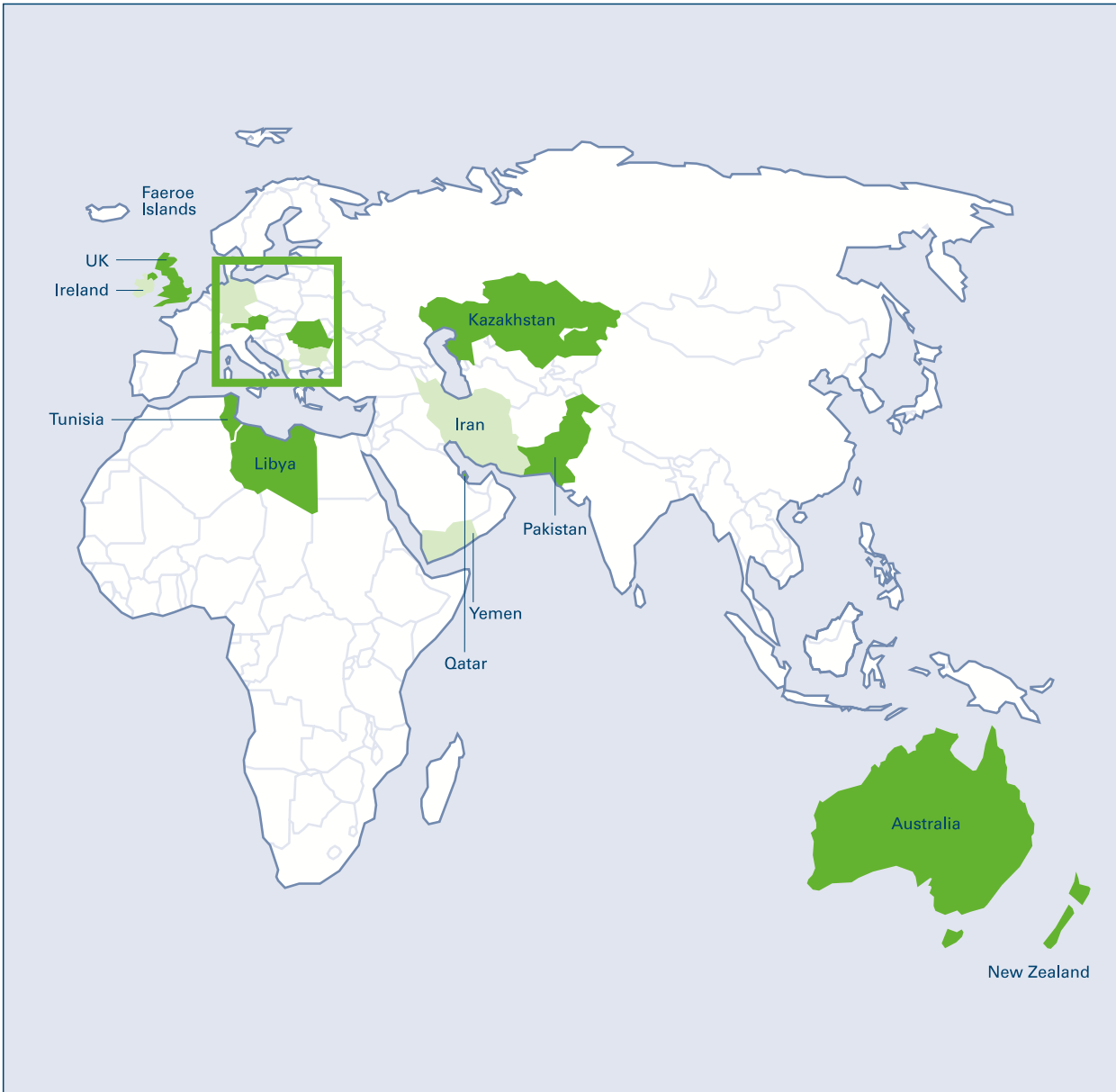
Our position in Chemicals

Our AMI Agrolinz Melamine International GmbH subsidiary is the world's second-largest producer of melamine - a synthetic resin used in laminate flooring, furniture and boards. AMI is currently expanding capacity and is drawing level with the world's largest supplier. We also lead the fertilizer market in Austria and Southeastern Germany.

Our strengths

- ▶ Strong position as one of the two global market leaders in melamine production
- ▶ Cost leadership through proprietary, patented production technology
- ▶ Excellent service quality

Exploration and Production Worldwide activities



■ Exploration and Production activities


■ OMV Exploration activities

Refining and Marketing

OMV is market leader in the Danube Region



 Capital cities

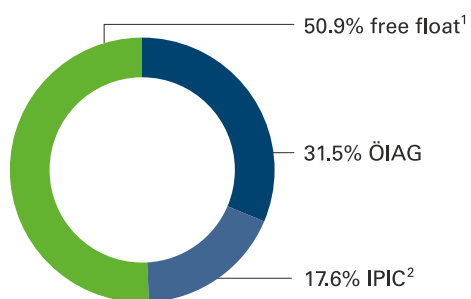
 OMV refineries



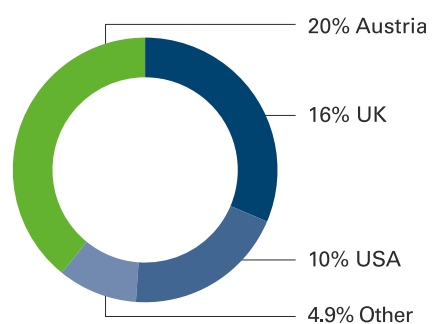
OMV

Shareholder structure

OMV's shareholder structure



Regional distribution of free float



¹ The funds managed by Fidelity International Ltd and FMR Corp. hold some 5,06% of the voting rights in total

² International Petroleum Investment Company, Abu Dhabi



OMV information with regard to ¹

- ▶ Number of employees
- ▶ Products/services produced (number or mass/volume)
- ▶ Net sales
- ▶ Total capitalization broken down into outside capital and equity

Number of employees	
Number of employees excluding Petrom	6,475
Number of employees at Petrom	51,005
Group employees	57,480

Net sales (in EUR mn)	
Total	9,880.229

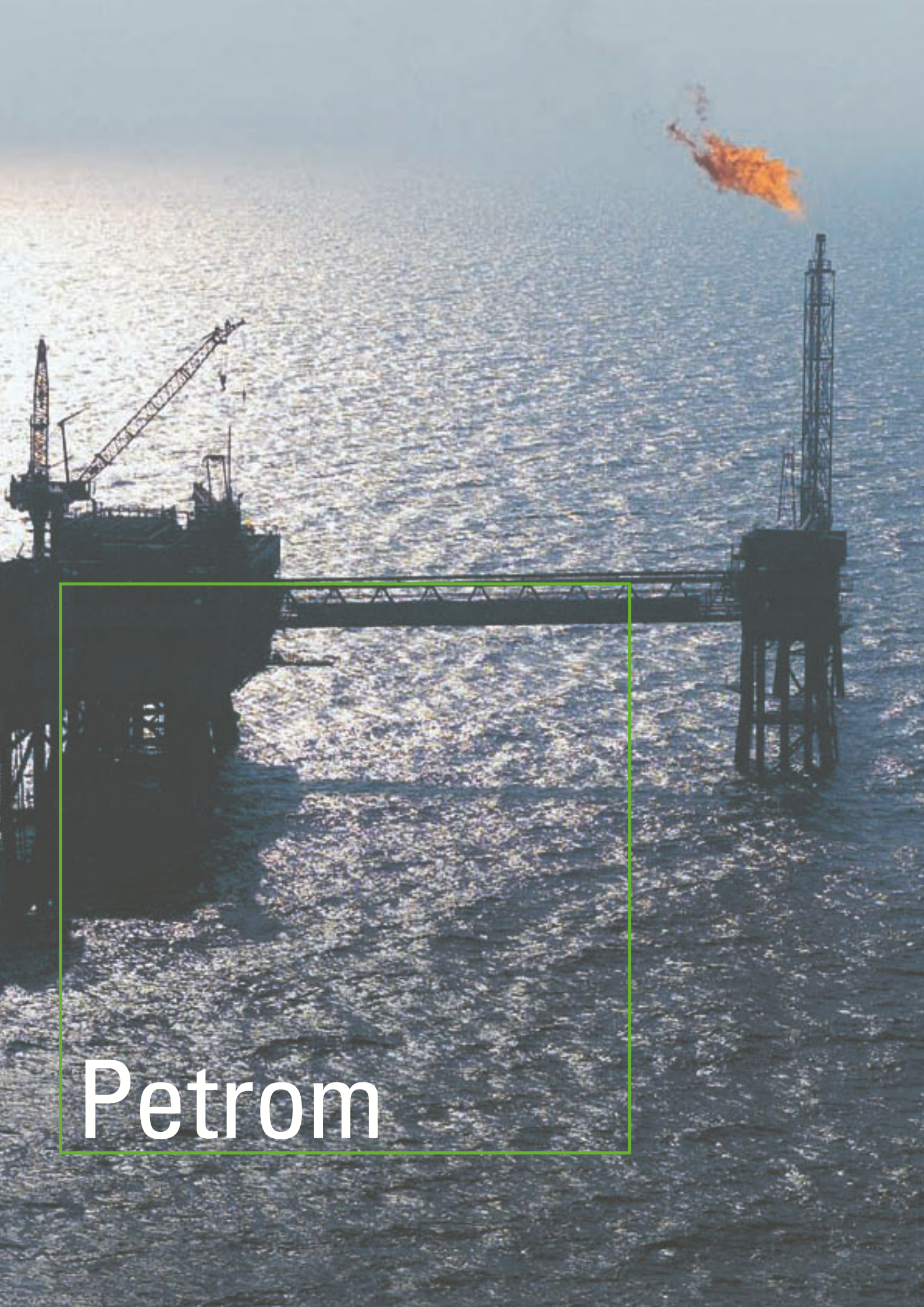
Products	
Crude oil	
NGL	
Gas	
Refinery products (e.g. fuel-oil, bitumen, fuel, ethylene, propylen)	
Filling station sales from fuels, NOB (car wash, shop, VIVA marts, Vienna cafés)	
Fertilizer, melamine	
Polyethylene, polypropylene	
Geotextiles	

Fixed assets (in EUR mn)	
Total	8,169.668

Capital (in EUR mn)	
Stockholders' equity	5,380.83
Outside capital	7,569.12

¹ Excl. Petrom which was not yet fully consolidated in 2004





Petrom



A Romanian company en route to the future



With the acquisition of 51% of SNP Petrom S.A., Southeastern Europe's largest oil and gas producer at the end of 2004, OMV has now moved up into a new league within the sector. Petrom is an integrated Romanian oil and gas group with estimated oil and gas reserves of around 1 bn boe, daily production of 220,000 boe, some 670 filling stations and a refinery capacity of 8 mn t. Petrom employs ca. 51,000 staff.

With this acquisition OMV has become the undisputed No. 1 in Central and Eastern Europe and is now operating in an attractive market in which 100 million people with an annual demand for around 80 mn t petroleum products live. In Exploration and Production (E&P) we have been able to more than double the daily production of 160,000 boe planned for 2008 and in Refining and Marketing (R&M) we have moved considerably closer to the 20% market share in Central Europe planned for 2008.



	OMV excluding Petrom	OMV including Petrom
Assets 2004		
Oil and gas production	125,000 boe/d	345,000 boe/d
Reserves	0.385 bn boe	1.393 bn boe
Filling station network	1,773	2,385
Refinery capacity	18.4 mn t	26.4 mn t

However, the acquisition also entails major challenges: measured against European standards Petrom has a great deal of ground to make up in many areas. Restructuring and modernization programs as well as the development of a new corporate culture are required to improve its long-term competitiveness. Product qualities, extraction technologies and principles for HSE must be developed, a market focus established and central organizational structures for more efficient operations created.

In the purchase agreement OMV undertook to raise the standards for production and management to an international level gradually. This goal should be achieved in three to five years. OMV will invest around EUR 3 bn in this modernization process up to 2010. The modalities for dealing with contamination due to operations prior to 2005 were also agreed in the privatization agreement. The Romanian government remains liable for toxic waste and has set aside funds for this purpose.





Prior to striking the deal, we agreed a detailed, staged plan for the next three years with clearly defined quarterly targets and are implementing it consistently.

Important steps already been set in the first six months of 2005:

- ▶ **Reorganization of the organizational structures and processes**
- ▶ **Negotiations on collective bargaining agreements for the first year**
- ▶ **A continuous dialogue with the trade unions to support the changes**
- ▶ **Petrom's move to new office buildings in Bucharest and Ploiesti due to the poor building condition of their former offices and the risk of earthquakes**
- ▶ **Centralization of the organization**
- ▶ **Substantial investment in all areas of business**
 - ▶ **Exploration & Production**
EUR 70 mn, predominantly for drilling, natural gas extraction and the natural gas network
 - ▶ **Refining/Petrochemicals**
EUR 62 mn for improving product quality, environmental protection and compliance with EU directives
 - ▶ **Marketing**
EUR 18 mn for the expansion and modernization of the filling station network

A staged plan was agreed with the trade unions, which is now gradually being implemented.



Expatriation

OMV has recruited 80 staff from its own ranks and posted them to Romania for a period of three to five years - of these around half are not Austrian but include German, British, Pakistani, Bulgarian, Czech and Hungarian citizens.

All expatriates underwent a multi-stage program of preparation, which among other things covered cultural awareness as well as security. It is a matter of importance for OMV to observe cultural differences when operating in a foreign country and to ensure that local people are dealt with in a respectful and considerate manner.

Reorganization of the company's management

The Petrom board includes four members of the OMV Executive Board, two representatives from the Romanian government and a member of the EBRD.

It is a matter of importance for OMV to leave as many of the 1,500 management positions in Romanian hands to ensure that the company retains its identity in future.

The reorganization has also demanded mobility on the part of the Petrom staff. OMV offers a relocation package which includes paying rent on a staged basis, offering relocation subsidies and interest free loans to finance the purchase of housing.

Training

The training programs for Petrom staff concentrate initially on language courses to make staff proficient in English - the Group language - and on HSEQ (health, safety, environment, quality) issues. Technical training will also be offered on a selective basis. In addition, management audits and functional audits of the company's technical operations are allowing us to evaluate the current state of affairs and determine the level of training required by managers. Management coaching programs are already underway in individual cases. In the first three months of 2005 alone, some 2,000 Petrom staff attended specialist training courses on technology, law, information technology, finance and economics. The bulk of the training sessions are planned for 2006.

CSP and talent management

Career and succession planning (CSP) is being introduced. Potential that merits promotion is recorded as part of a talent management program.

Remuneration

Negotiations on a new collective agreement started when OMV took a majority holding in Petrom.



Personnel policy

We carry out personnel-related changes and reorganization in close cooperation with the trade union and are endeavoring to transfer the Austrian model for a re-employment scheme to Romania. The project is still in the concept phase and more precise details will not be available for another two years. We provide staff with sustained support during any individual changes. In recent years OMV has developed - in agreement with employees' representatives - leaner structures in Austria. By implementing the knowledge we have gained here, we shall be able to find socially acceptable solutions in Romania too.

Communication and sponsoring

Immediately after taking a majority stake in Petrom, OMV started to build up and expand Petrom's corporate communication both inwardly and outwardly. Public relations work was concentrated in cooperation with colleagues in Bucharest. Press releases and press interviews transmit information on the company's strategies, actions and results to the general public. All Petrom staff also receive press releases now.

In line with the for Petrom at any rate new - understanding of public relations, internal communication is also of great importance. Press releases, the newly created internal newsletter, bulletins from the Executive Board and notices from Human Resources and HSEQ are published on notice boards, which also provide a space for information and illustrative material for new advertising campaigns.

A new bi-monthly staff newspaper is available for collection at separate info-points. The Communications Manual for Managers functions as a further information module. This folder provides Petrom managers with information on the reorganization and Group guidelines. It also contains a question and answer manual. Unit communicators have the role of optimizing the flow of information within the business units. They have been prepared for their role with training sessions in press relations, sponsoring, corporate design and advertising.

In its sponsoring activities, Petrom - like OMV - focuses on social issues and sports. In mid-2005, for example, it concluded longer-term agreements with UNICEF and the Red Cross. In addition, Petrom provided emergency aid of EUR 1 mn for the floods in 2005. Some of these funds went to the Red Cross and some directly to the flood victims.



HSE – Health, Safety, Environment

Petrom aims to achieve the same level of profitability as OMV by 2008. OMV will invest around EUR 3 bn in this modernization process up to 2010. The bulk of this investment will be devoted to replacing and improving plants - with a view to conforming with the EU's more exacting environmental and safety standards as well. In 2010, Petrom will be subject to the same HSE targets as the rest of the OMV Group and will rank among the best of the comparable oil and gas companies.

In future, Petrom will concentrate on developing its gas business as the energy of the future. As the leading gas producer in Romania, the company can produce 6 bn m³ annually up to 2008. A sales network will sell gas directly to its customers and will support the integration of the gas business in the company's operations.

New health, safety and environmental standards

At the beginning of 2005, a far-reaching HSE integration program was devised to introduce international best practice models. It focuses on employees' health and safety. The most important precondition for the improvements required is that managers are aware of their responsibility for people and the environment and they are being trained accordingly. The first steps to implementing this program successfully are the adoption of OMV HSE policy and the switch to new protective equipment. In 2005, safety data will be collected in line with OMV standards for the first time.

Incidents are analyzed and improvements for our own staff and for contractors are developed from the knowledge gained. OMV and the Romanian government have concluded an agreement on the modalities for dealing with contamination due to operations prior to 2005.



Environmental laws in Romania soon to reach EU standards

One of the biggest challenges for Petrom will be to raise environmental standards at its facilities to reach EU standards. In May 2005, Romania signed the treaty of accession to the European Union allowing it in all likelihood to become a Member State as of 2007. By this time, Romania should have adopted all EU environmental legislation, although transition periods for some areas are foreseen.

Key priorities for the next five years will be to align the sulfur content in fuels, environmental impact assessments, implementing the Integrated Pollution Prevention and Control Directive (IPPC Directive) and the Directive on the control of major-accident hazards involving dangerous substances (Seveso II Directive). Romanian environmental policy is enforced on the basis of the Environmental Protection Act passed in 1995 and by the environmental protection agencies established in all the regions. These agencies are also responsible for pollution monitoring and granting of permits.

Fertilizer production: new measures for plant operators and consumers

Petrom produces fertilizer based on ammonium nitrate at its facility in Doljchim in Craiova. This highly explosive product can only be produced and stored under very strict conditions, and in 2004 was involved in a very serious transportation accident in Romania. Immediately after OMV became a stockholder, a new non-explosive formula was devised by Agrolinz Melamine International (AMI) in conjunction with the local management team. The company has been delivering this safer product since May 2005.





Highlights of the Reporting Period

Corporate Social Responsibility (CSR)

The company-wide Code of Conduct was drawn up in January 2003 and we systematically implemented our CSR strategy and associated measures throughout the Group during the reporting period.

The strategy covers three key areas

- ▶ Raising awareness of CSR among executives and employees in accordance with the Code of Conduct
- ▶ Positioning the Group vis-à-vis stakeholders as a socially responsible company committed to sustainability
- ▶ Aligning CSR measures with the OMV Code of Conduct and the UN Global Compact and using the Global Reporting Initiative (GRI) as the basis for our reporting





Highlights during the Reporting Period

Introduction of the Code of Conduct as Group guideline and preparation of a 10 principle folder providing an extract from the Code of Conduct for all employees worldwide

- ▶ The Code of Conduct is a collection of the values we believe in.

FAQs on CSR available for employees on the portal; in-house CSR training and workshops

- ▶ CSR – corporate social responsibility – is a tool linking economic success with added value for society as a whole.

OMV benefit bazaar

- ▶ The proceeds from the sale of handicrafts from Pakistan in 2005 were offered to local people as self-help aid.

Preparation of a Q&A brochure

- ▶ Optimizing communications between OMV and SRI (socially responsible investment) ratings agencies.

Strengthening links with UN organizations

- ▶ Supporting UNICEF, maintaining links with the UN Global Compact office and participating in the UNGC summit.

Support to maintain biodiversity in the rainforest of Costa Rica

- ▶ OMV is committed to maintaining biodiversity and is supporting a research project conducted by the University of Vienna in the rainforest in Costa Rica. The cooperation aims to achieve sustainable reforestation and the cultivation of alternative cultures.



Environmental certification for Schwechat refinery

- ▶ In 2004 Schwechat refinery became one of the first in Europe to obtain certification to the new ISO 14.001:2004 standard. The refinery had already gained the OHSAS 18.001 certificate in 2003.

Launch of AdBlue technology

- ▶ OMV is pioneering the sale of the AdBlue urea solution for selective catalytic reduction (SCR). The solution breaks down nitrogen oxides into nitrogen and water, thereby clearly reducing emissions from diesel engines in commercial vehicles.

Sulfur-free gasoline at OMV filling stations throughout Austria

- ▶ Since January 1, 2004 – five years ahead of the EU deadline – OMV filling stations and direct customers in Austria have only been supplied with sulfur-free fuels. This makes a significant contribution to reducing CO₂ and particulate emissions.

Child labor

- ▶ In its Code of Conduct OMV undertakes to prohibit the use of child and forced labor in its area of influence and to promote measures to combat these practices. The company also checks the supply chain for the use of prohibited child labor.

Move & Help

- ▶ This project is supporting children's educational projects in twelve countries in cooperation with international aid organizations such as HOPE 87, SOS-Kinderdorf and Caritas.

Supporting the Reporters without Borders project

- ▶ OMV has been supporting "Reporters without Borders" since 2002. The organization is committed to maintaining journalistic standards, independence and freedom of the press throughout the world. In this context, OMV helped launch the "Press Freedom Award".





Stakeholders' Expectations

Round Table Dialogue on the OMV Performance Report

In June 2005, we arranged a Round Table Dialogue with our stakeholders and asked them about their expectations of the OMV Performance Report. The findings gleaned there put us in a position to tailor the report to the information required by our dialogue partners.

The following persons participated in the dialogue:

- ▶ **Wolfgang Rutenstorfer**
OMV Chief Executive Officer and
Chairman of the Executive Board
- ▶ **Christian Willi**
Spokesman for OMV Filling
Station Licensees Advisory Board
- ▶ **Monika Langthaler** (moderator)
brainbows gmbh
- ▶ **Robert Lechner**
Austrian Ecological Institute
- ▶ **Evelyn Bohle**
Senior Analyst oekom research AG
- ▶ **Manfred Nowak**
Ludwig-Boltzmann Institute of
Human Rights
- ▶ **Werner Muhm**
Director Arbeiterkammer
(Chamber of Labor) Vienna



► **Ruttenstorfer**

OMV developed a Code of Conduct – a compilation of those values that we wish to stand for – and published its first Performance Report as early as 2003.

There were two crucial factors behind this development: in the first place we are becoming more and more international and the statutory provisions in many countries in which we operate are still inadequate. The rights of employees, human rights, equality, the environment, community involvement or transparency are specified far less in countries such as Pakistan than in Austria. We have therefore given our staff a system of values on our path to globalization that will help us all to make the right decisions even in these countries and also to know which values the Group stands for there.

The second reason for the discussion of corporate social responsibility lies in the fact that politicians are less and less willing to assume additional responsibility. The policy of liberalization means that in Europe - and therefore in Austria too - business and companies are acquiring an ever-greater degree of responsibility.

For our second Performance Report it is important for us to learn from you:

What should be dealt with in this report in any case?

What must be included at all costs?

What may be of less significance?

Should we emphasize the positive things or also admit weaknesses?

► **Langthaler**

Ms Bohle, as an analyst at the independent German rating agency, oekom research, have you dealt with companies in the energy sector – and consequently also with OMV?



► **Bohle**

oekom research works for investors that invest their capital in ethical and ecological funds. Primarily these are ecclesiastical institutions, foundations and private investors. I have been dealing with OMV for five years and I always have a very good impression of the company.

As to reporting in general: a great deal has been achieved in the past five years. Initially a few very good companies reported in detail on the environment but included very little about social issues. They led the field while OMV featured somewhere in the mid-field.

Currently, there is evidence of a trend towards sustainability. Social issues are becoming more important. The public is well aware of the problems in non-OECD countries and they are frequently discussed. The spotlight is on the oil and gas sector in particular. The companies should be proactive here, they are critically monitored and therefore have to produce more detailed and constructive reports than others.

It is very important that OMV has moved from simply reporting on the environmental matters to focusing on sustainability.

► **Langthaler**

Mr. Muhm, the Chamber of Labor compared sustainability reports in December 2004. OMV fared rather well, didn't it?

► **Muhm**

OMV moved to sustainability reporting at a very early stage. The last report is good (publisher's note: the 2001/2002 report). The fact that it is geared to EU norms is positive. However, the GRI guidelines were only partly fulfilled. Only a few of the requisite indicators were used. Important parameters were missing. This restricts comparability and leaves the report open to different interpretations. The involvement of the labor representatives was one positive aspect of the last report.

Well-run companies wisely - if they want to be successful in the long term - react sensitively to environmental changes. By this I mean both social and political aspects as well as the environment in the narrow ecological sense.

Globalization as well as concentration and monopolization trends in the oil sector in particular - the five largest oil groups have a global market share of 58% - are the subject of critical discussion worldwide. The better the report is and the less it is merely a public relations and marketing exercise, the more successful it will be.

I would like to see the philosophy of the European model - the Lisbon strategy based on the three pillars of sustainability, social responsibility and competitiveness - take root in the heart of major groups operating in Central and Eastern Europe.

► **Langthaler**

Mr. Lechner, some environmental NGOs are very critical of companies' sustainability reports and argue that they are just done for marketing purposes.



► **Lechner**

I find the approach adopted in the last Performance Report 2003 (publisher's note: the 2001/2002 report, which appeared in 2003) and the candor in stating that the products produced by OMV are not sustainable per se since emissions contribute substantially to the problem of global warming admirable.

I cannot understand NGOs' anxieties about marketing. This is a very heated internal discussion between the NGOs and the entities involved therein. I think rather that companies will become more transparent and comparable thanks to sustainability benchmarking, which is a success in itself.

The more major groups draft reports of this kind the better. However, the use of generally accepted and comparable indicators as laid down in the GRI guidelines is essential here. I would use the GRI indicators as core indicators for a reporting system and if possible present the information even more clearly using additional sector or business specific indicators.

I view the 2003 report slightly as a prototype. I read a great deal of philosophy and huge numbers of commitments in the values but this is too much in my view. I want concrete information on the policy OMV is pursuing to reduce greenhouse gases for example.

Apart from transparency, the reader must be able to understand the data. Data that might be too much to be included in the report could be shown in more detail on the Internet.

► **Langthaler**

Manfred Nowak is Director of the Ludwig Boltzmann Institute of Human Rights in Vienna and UN Special Rapporteur on Torture.



► **Nowak**

I am also delighted by the type of corporate social responsibility practiced by OMV in Austria. CSR in Austria generally focuses heavily on the environment while OMV includes the environment, human rights and development - this is a first - in its Code of Conduct. This is very important. There are only a few companies in Austria that do this.

However, the trend is clearly evident worldwide that respect for human rights and combating poverty are major goals in addition to the environment in the question of corporate responsibility.

It would be good for companies to assume not just ethical responsibility but increasingly also political and legal responsibility. Transnational groups operating globally are more powerful than many small countries - particularly in the countries where we operate, namely in Africa, Asia and Latin America. They therefore have a global responsibility not just for their employees but also with regard to their customers and the people in the vicinity of their projects. I would view OMV Pakistani Community Development Project as a showpiece here because the communities there are supported with concrete projects – linked to health or education – aimed at combating poverty.

► **Langthaler**

Mr. Willi, as spokesman for OMV filling station associates, you have direct contact with customers. You are the first to realize that a large company's image is suffering: the most striking example in recent years was Shell and Brent Spar.

► **Willi**

It is certainly important that a company adopts a long-term approach, especially in dealing with its associates and, of course, with its customers.

For me it is extremely important to know where the way leads. Does the company welcome us as a partner or does it simply view us as employees? Should we remain independent or not? If we partners feel a great deal of motivation with regard to the Group, we shall be able to pass this motivation on to our customers. As for the Shell situation: customers actually stopped using Shell filling stations and came to us instead. We are on the front line but have no influence on the Group's decisions. I expect candor and honesty from the company.

► **Langthaler**

From your viewpoint, which points must be included in this report at all costs?



► **Bohle**

The relationship between OMV and its projects in Ecuador and Sudan must be included at all costs. It is a very complex assessment as to whether there are breaches of human rights, of employment law or a financial scandal there. If there are serious problems with one of these three points, it is virtually immaterial whether the company is good in other respects. For most investors, breaches of these criteria will result in a company being struck off their list of potential investments. The integration of Petrom is also important from our viewpoint. You have taken on a large workforce. We shall be watching how you deal with it and what steps will be taken to integrate it as well as the pace of integration. Of course, it is also important for us that you include more detail with regard to the indicators than in the last report.

► **Muhm**

I would consider it a wise move to address the GRI standards in greater depth. The published figures must be comparable, for example, with regard to the employees in the individual countries: a distinction between full and part-time jobs, staff turnover within the company, the percentage of staff that are members of independent trade unions etc. This would make it very clear in an international group just how different the standards worldwide still are.

The question of OMV future in Romania with the purchase of Petrom is also very important for us. With around 57,000 employees, OMV is a major player in this country. How is the restructuring going? In which technologies is the company investing? How are they dealing with the staff?



► **Lechner**

Perhaps the example of Romania can also illustrate the potential for ecological savings that may still be developed in these countries because investments in modern technologies bring substantial ecological benefits.

We are, of course, still waiting for indications as to how OMV will deal with the fact that oil and gas are finite resources. How much is OMV investing in the relevant research and development? What are its long-term strategies? That would certainly increase its plausibility.

► **Bohle**

Actually every oil company should also be involved in the field of renewable energies. OMV should be considering it. At some point they will have to make a start - and not just when the oil is running out. A move to renewable energies is evidence of farsightedness.

► **Nowak**

The report should be as honest and as realistic as possible. Today, civil society and international organizations are extremely clued-up, which means that unrealistic reports or those that paint too rosy a picture will rapidly be debunked.

I assume that OMV does not violate any human rights itself, but it may be indirectly responsible for such violations: no child labor, no forced labor, no exploitation of women in sweatshops etc. even in its supply chain. I expect the report to contain answers as to how their associates and suppliers deal with this issue.

► **Willi**

From the report I would like to know above anything else how they will deal with us filling station licensees in future and what they expect from us. However, we also expect answers about the finite nature of oil and gas.



► **Ruttenstorfer**

Thank you for the many proposals. For me, the most important thing is that the second Performance Report must be more specific. We shall comply with the GRI guidelines and publish comparable data.

We shall also comment on Petrom in detail. We are as yet unable to present any data on the period under review, namely 2003/2004, since we did not start operating until 2005. We shall, however, describe our goals and the progress we have made in integrating the company.

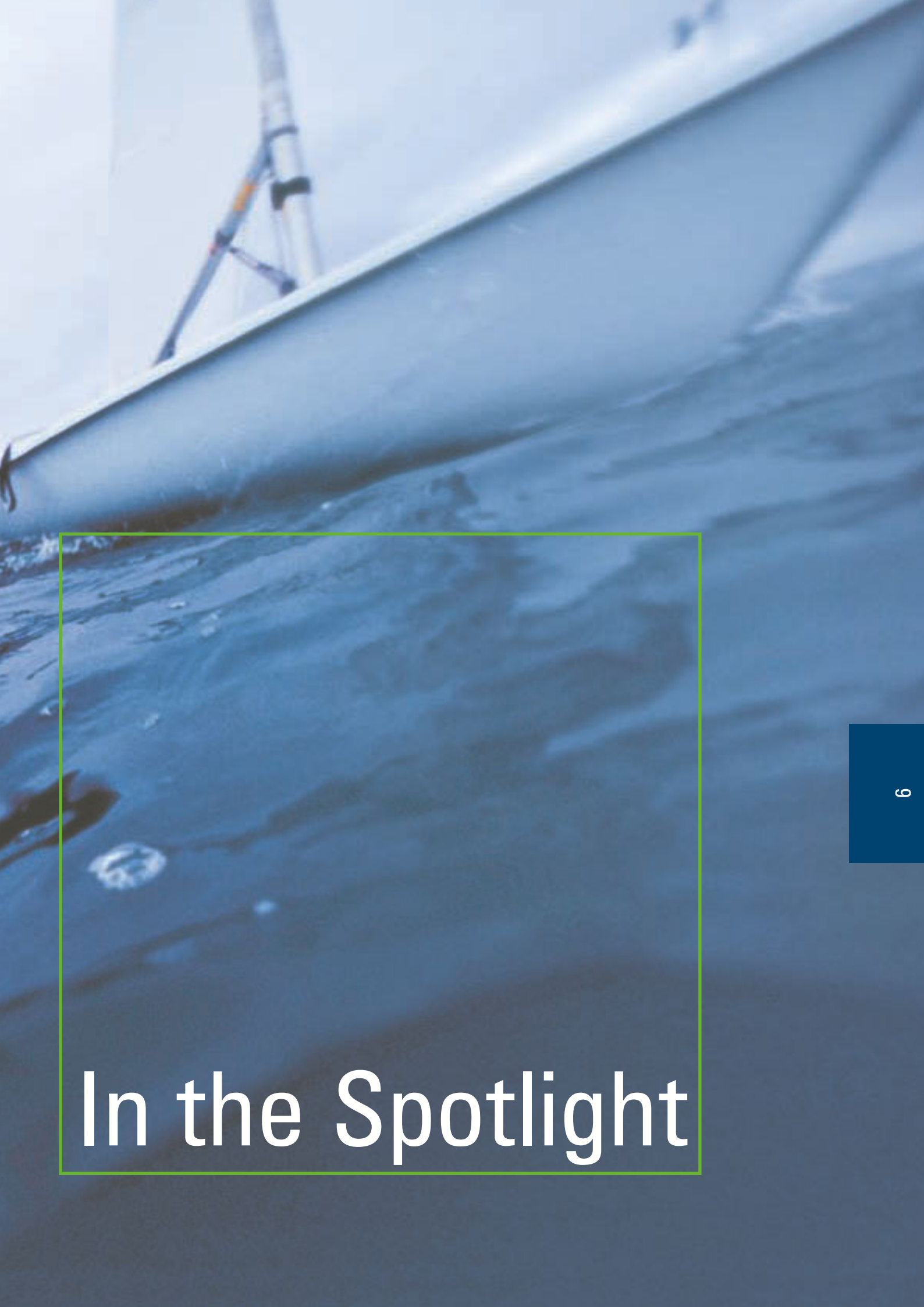
We shall also show how we are dealing with the issue of the finite nature of our resources and how we are looking at the issue of renewable energies although this may still be unsatisfactory for some stakeholders.

We shall, of course, highlight the issue of human rights, which we have previously taken very seriously and will deal with combating poverty in greater depth. Dialogue is important to us. We wish to continue it at all costs.

► **Feedback**

We have provided the participants in the Round Table Dialogue with a draft of this report and asked for feedback. We have been able to include many of their comments in the final version. We view all other points as valuable encouragement to enter into a dialogue more or to look at these issues in our next report.





In the Spotlight

In the Spotlight

As a Group with a focus on Central and Eastern Europe, OMV corporate philosophy is based on the European three pillar model of competitiveness, sustainability and responsibility. This forms the basis for our long term success and the model complies with the economic and socio-political agenda adopted at the EU summit in Lisbon in the spring of 2000.

The aim of the Lisbon strategy is to fundamentally restructure science, the economy and social systems to make the EU the most competitive and dynamic knowledge-driven economy in the world by 2010.

The challenge we face is to integrate the growth generated in recent years in line with our OMV standards and leverage potential and develop profitably. We need to ensure we have the human resources to do this by further developing our employees and recruiting new staff.

When a company with global operations undergoes a period of rapid growth, it is particularly important that it has a

strong and unmistakable identity that encompasses an independent corporate culture. In addition to the values outlined in our Guidelines, we want to make Corporate Social Responsibility (CSR) an even stronger element of our company culture. Our aim is to implement CSR in our day-to-day operations and link it with the demands of the capital market. Our efforts in this regard have also been recognized by rating agencies and fund managers.

Our growth projects have to take account of ethical principles and be CSR compliant. We carry out impact assessments to analyze our involvement from a CSR viewpoint and develop programs to



improve shortcomings in environmental conditions. Our commitment covers the protection of our employees from hazards as well as treating the environment with care and taking account of the needs of the regional population.

The first step for many acquisitions is the legal compliance process. Our goal, however, is to operate in line with European standards for all our global activities. This means that in many locations we voluntarily comply with regulations that are much stricter than the local legal requirements. Where feasible, and with regard to local needs, we try to gradually implement OMV values.

A company's social competence has become increasingly important in the wake of globalization. We believe that where human rights are concerned our commitment goes beyond simply adhering to regulations and conventions. In our terms and conditions of purchase, we require compliance with the values enshrined in our Code of Conduct. These include combating child labor and forced labor for example. However, it must be

said that the efforts of a single company, especially one like OMV which is not the biggest player in global terms, can only have a limited effect. It therefore makes sense to join forces and form organizations.

This is why OMV is represented in a series of relevant organizations and associations at national and international level. These include associations focusing on areas such as sustainability, training, social affairs, the environment and the economy, e.g.: ABCSD (Austrian Business Council for Sustainable Development), B.A.U.M. (German Environmental Management Association), ÖGUT (Austrian Society for Environment and Technology); memberships of universities and technical universities, the CEMS (Community of European Management Schools); "Nachbar in Not" (Neighbour in Need); Biowater Association; our CEO is also a member of the European Round Table of Industrialists.

In the following we look at several topics that are of particular concern to our stakeholders in the sustainability debate.



Crude Oil Price

The rapid hike in the price of crude oil will certainly bring additional costs for many people and dampen economic growth.

We assume that throughout the upcoming 3 to 5 years, the oil price will remain high at about USD 50. In the long run, however, we anticipate a price level of USD 30-35/bbl.

Our assumptions take into account the fact that there have already been huge fluctuations in the price of crude oil in the past. In 1980, the oil price hit USD 42/bbl, which equates to over USD 80 today. Then by the end of the 90's, the price had dropped to USD 10/bbl. Experience also shows that when the price of oil is high, investment in alternative energies increases and new production technologies are developed and become economically viable. On the supply side, this trend should reduce the oil price accordingly in 3-5 years. Naturally, the new technologies will impact on production costs, this is just one factor influencing the movement in oil prices. Although the oil industry is technologically very innovative, today's sophisticated methods were not even available 10 years ago.

Gasoline Prices

Fuel prices have always been and still are a very emotive subject, especially when the price is high.

The upward trend comes in for particular criticism when oil companies are reporting very good results.

However, such opinions often overlook the fact that the filling stations segment generates poor earnings and most of the profit comes from oil and gas extraction. The mineral oil product market is declining because of the high prices.

OMV pricing policy follows movements in the international markets. These are fluctuations over which OMV has no control and are governed by demand for crude oil or finished products, production capacities, OPEC policy and the psychological element produced by perceived crises.

The Austrian Ministry of Economic Affairs commissioned a survey - "The Austrian Fuels Market 2004" - which looked into whether the price of fuel at Austrian filling stations was unjustifiably higher than in other European countries. The survey covered the period from 1999 to 2004.

The conclusion stated that overall competition in the Austrian fuels market functioned well and therefore there is very little potential for savings and cost reductions compared to the total price.

The survey also concluded that the Austrian fuels market depends to a great extent on Rotterdam product prices and relevant transport costs. Competition in the filling stations market is predominantly regional and the authors of the survey identified a high level of concentration in the filling stations market - bordering on an oligopoly but not yet significantly dominant. The survey also confirmed that the Austrian market was very transparent, thus forming a basis for competition.

Another important fact is that our refinery business has become more international, with a clear increase in sales abroad by our Schwechat refinery. Demand for fuels in Austria accounts for less than 50% of the market covered by Schwechat and its sister refinery across the border in Germany.

In this connection it is also important to note that we use our profits to achieve sustainable, profitable growth. The significance of this for the economy as a whole is outlined on page 76.

The search for new oil and gas reserves and developing such fields is becoming more and more expensive. Competition is fierce with the number of players from countries with a growing demand for energy rising. In global terms, only one out of 10 wells drilled is successful. The oil industry is therefore investing much of its profit in maintaining, and during growth phases in expanding, the oil and gas reserves that are the jewel in the crown of every company.

What do these terms mean for our markets: “mobility” and “heat”?

In the mobility sector, conventional technologies will lead to improved efficiency and CNG (compressed natural gas) and hybrid vehicles are slowly offering alternative options. Fuel cells and hydrogen technology are, however, still in the research stage. It is important for OMV to participate in a large number of these research projects, which also enables the company to keep pace with the developments of the future (see Research + Development, page 128).

Combating Climate Change

OMV takes a three-tiered approach to combating climate change.

First of all, the increase in energy and environmental efficiency thanks to sulfur-free products and structural modifications at Schwechat refinery, for example, has led to a 5% energy saving and reduced CO₂ emissions.

Secondly, we are promoting the use of gas in the form of low carbon fuels and OMV strategy has upped the ratio of natural gas to oil. OMV is also involved in the Nabucco pipeline project which is set to transport gas from the Middle East to Europe via the Baumgarten hub by 2011. As part of its lower carbon fuel activities, OMV is expanding its network of gas filling stations. CNG supplies are already being delivered in the large conurbations.

Thirdly, we are focusing on zero carbon fuels or renewable energies and since October 2005, OMV diesel products have included 5% bio components.

(See additional information on page 117)

Hydrocarbons – a finite resource

For decades there has been talk of hydrocarbons running out. However, not only have hydrocarbon reserves not reduced since the mid 70's, they have risen clearly instead. This is also partly due to the fact that new methods are being used in oil and gas exploration and oil production. Such cost intensive methods naturally impact to a significant extent in the form of a high crude oil price.

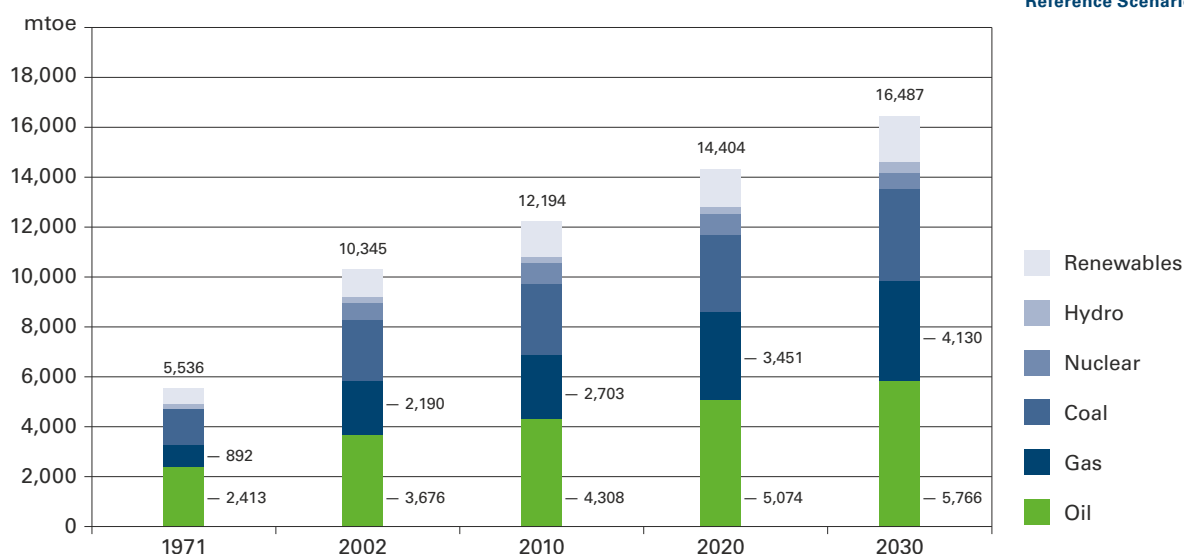
The global energy requirement currently stands at around 11 bn toe and is set to rise to around 16.5 bn by 2030 according to the IEA. Oil will continue to be the primary source of energy for the next few decades. The oil market is growing more slowly and will stagnate in mature markets, but worldwide it will remain the number one.

Gas will become considerably more important in the global market, which is why OMV is also involved in several projects in this field, such as the Nabucco pipeline (see Combating Climate Change).

Renewable energies are on the increase but will only be able to cover a minor portion of the additional energy requirement by 2030. During this period, two thirds of the increased requirement will have to be covered by hydrocarbons. OMV therefore sees increased energy efficiency and leveraging of all potential in this regard as a key focus for the supply of energy.

World primary energy demand by fuel

Source: IEA / World Energy Outlook 2004 "Reference Scenario".







OMV

Strategy + Vision



OMV Strategy + Vision

Our Vision

As the leading oil and gas group in Central Europe, headquartered in Vienna, our job is mobility. We keep people and ourselves moving.

Our Mission

We explore and produce oil and gas on five continents. We supply millions of people with transportation and heating fuels, and with goods and services to produce everyday consumer products.

Our Strategy

We are looking to double our oil and gas output in Exploration and Production, double the market share of our retail and commercial business in Refining and Marketing, and double sales volumes in our Gas and Chemicals businesses until 2008. We plan to produce half of the oil and gas we process ourselves. We are aiming for profitable organic growth and growth by selective acquisitions.



Our Values

► **Mobility**

We work with people who know how to get things moving. We are working for a world in which everyone has access to mobility and the opportunities it brings. Our “Move & More” claim stands for growth, innovation and entrepreneurial thinking on the part of each and every staff member.

► **Success**

Our measure of success is profitable growth. To get there, we depend on our people’s ability to innovate, execute, interact, maximize profits and to lead. Their skills depend critically on our ongoing staff development effort.

► **European roots**

We promote open-minded attitudes among our workforce, and require them to respect universal values.

► **People focused**

We put people first. Our growth comes from a service led approach, and from a strong sense of responsibility to our customers, stockholders, employees, and to the environment and society.

Our Position

In terms of sales, OMV is the biggest listed industrial company in Austria. Following the purchase of Preussag's international E&P operations, part of the BP/Aral filling station network and the holding in the BAYERNOIL refining network in 2003 as well as the acquisition of a majority in the Romanian oil and gas company, Petrom, in December 2004, we have become the leading oil and gas group in Central Europe. Our core activities comprise exploration & production, refining and marketing as well as natural gas.

OMV also holds a 50% stake in Agrolinz Melamine International GmbH (AMI) - the world number two in melamine production and the leading manufacturer of fertilizers in the Danube region, a 35% stake in Europe's second largest polyolefin producer Borealis A/S and a 10% shareholding in Hungary's oil group MOL.

Sustainability and Strategy

Implementation

OMV uses the balanced score card (BSC) as a management tool to implement and monitor its strategy. The score card is reviewed every six months by the Executive Board and reflects indicators covering finance, customers, processes and growth potential. There is a sustainability dimension to the BSC as it includes career and succession planning and LTIR (lost time incident rate) monitoring for example as well as checks for child labor on the supplier chain.

The BSC broadens the management perspective from the traditional view based on financials to encompass all the relevant areas, thereby contributing to a balanced picture of the company including sustainability.

OMV Growth Strategy 2008

Our activities during the reporting period covered by this Performance Report were governed by strategy 2008. By 2004, we had already achieved our goal of doubling the size of the Group between 2001 and 2008 in some areas, and will achieve this in others ahead of 2008. Oil and gas production has more than quadrupled from approximately 78,000 boe/d in 2001 to approximately 345,000 boe/d today. At 0.64 to 1, the ratio of oil and gas to refining capacity is well above our 0.50 to 1 target.

Our 18% market share in the Danube region is close to the 20% target for 2008. In the Gas business, wholesale and retail sales in Austria and neighbouring countries had already hit 8.4 bcm by 2004 and should reach our 10 bcm target by 2008.

The capital market has also recognized our position and the opportunities we have created as a result. Between the end of 2001 and the end of August 2005, OMV market capitalization more than quintupled from EUR 2.5 bn to EUR 13.2 bn.

OMV Strategy 2010

By the time this Report is completed, the new strategy 2010 will have been presented. Over the next few years the management will focus not only on developing and integrating Petrom, but also on a strong cash flow and successful capital increase which gives the Group a solid base for further growth. In future, we intend to achieve greater organic growth and further develop our operations in our core businesses. This will ensure our independence and add value for our stockholders.

The core element of the strategy is to extend our leading position in the oil and gas business in Central Europe and maintain the return on capital employed of 13%.

We will continue to grow successfully and profitably as

- ▶ EU growth regions will offer OMV additional business opportunities
- ▶ faster growth is possible in the dynamic markets of Eastern and Southeastern Europe
- ▶ we intend to increase our lead on our competitors
- ▶ we aim to enhance our earnings potential and fulfill the expectations of the capital market







We are setting ourselves new and ambitious goals for 2010:

R&M

We have a strong position in the Danube region and moving into new markets will improve our growth opportunities. In our core market, which is the Danube region, we will optimize the performance of our 500,000 bbl/d refining capacity. We intend to be able to take advantage of any opportunities for further capacity acquisitions of up to 500,000 bbl/d within the EU and its potential accession candidate countries. The target ratio for retail and the bulk business at refinery level is 0.2 to 1.

E&P

OMV extensive expertise should also become standard at Petrom and impact positively on the company value. The high level of integration of the E&P division in Refining and Marketing as well as Gas promotes growth and stability. By 2010, daily production should be 500,000 boe in the six core regions (Central Europe, North Sea, North Africa, Middle East, Australia/New Zealand and Russia/Caspian region). This will ensure a 0.5 to 1 ratio of E&P to R&M. OMV also aims to achieve a target ratio for E&P gas to gas sales of 0.33 to 1.

Gas

Growth in the gas market is being driven by the advantages it offers in terms of technology, environmental standards and efficiency. New target markets for gas operations are also showing stable growth potential. We are therefore setting up international gas operations with major supplier Ecomgas and will increase the market volume to 20 bcm by 2010. New projects should also increase our transport and storage business. The Nabucco pipeline will provide a new transport route and diversify the natural gas supply.

Chemicals

OMV intends to maintain its significant share of the growing international chemicals business (polyolefins, plant nutrients, melamine) with locations in Europe, the Middle East and Far East using in-house technology.



The aim of the strategy is to make OMV even more attractive to owners, stockholders and employees. We also want to evaluate and make better use of the market opportunities offered by the trend towards innovative technologies and more eco-friendly or alternative energy sources.





UN

Global Compact



UN Global Compact is our Guideline on Social Responsibility.

In 2002 OMV signed the UN Global Compact (UNGC). At national level we are a member of ABCSD, the Austrian Business Council for Sustainable Development.

With over 400 participants the Global Compact Leaders Summit in June 2004 was the biggest meeting of company delegates, government officials and NGO representatives from across the globe, who came together to discuss Global Corporate Citizenship.

In a creative and innovative setting, the participants, including an OMV representative, formed 40 working groups to talk about ideas and experiences related to corporate social responsibility. Together they drew up future visions of UNGC and discussed its practical implementation. As an active member of the UNGC, OMV is involved in the “communication on progress” procedure and publishes information about CSR projects on the UNGC website.

SUMMIT
JUNE 2004



At the summit, the UN Secretary General and patron of the initiative, Kofi Annan, announced the expansion of the UNGC from nine to ten principles. To ensure a sustainable and fair global economy, the UNGC principles now include fighting corruption.

“Let us not rest until we have truly succeeded in bringing positive change into the lives of people, and laid the foundations for peaceful, well-functioning, sustainable societies throughout the world”, declared Kofi Annan.

Annan also urged the delegates to do more to achieve the millennium development goals when carrying out CSR initiatives.

By signing the UN Global Compact in 2002 OMV underlined its support for the goals of the UNGC and its belief in these values. Thanks especially to the personal commitment of Kofi Annan, the UNGC has become a symbol throughout the world for the support of ethical values. The UN Global Compact initiative currently has more than 2,500 participants, five of which are in Austria, and about 45 national networks. The ten principles of the UNGC are derived from four standards:

- ▶ The Universal Declaration of Human Rights
- ▶ The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- ▶ The Rio Declaration on Environment and Development
- ▶ The United Nations Convention against Corruption

Within OMV, signing the UNGC was seen as a positive step and our undertaking backs up the management in its efforts to deal systematically with the topic of Corporate Social Responsibility (CSR). OMV CSR activities are based on the UN Global Compact and any shortcomings are eliminated in an ongoing evaluation process.

These are the ten UN Global Compact principles we have undertaken to uphold:

Human rights

- ▶ To support and respect the protection of international human rights
- ▶ To make sure that we are not complicit in human rights abuses

Labor relations

- ▶ To uphold freedom of association and the effective recognition of the right to collective bargaining
- ▶ To eliminate all forms of forced and compulsory labor
- ▶ To abolish child labor
- ▶ To eliminate discrimination with respect to employment and occupation

Environmental protection

- ▶ To support a precautionary approach to environmental challenges
- ▶ To undertake initiatives to promote greater environmental responsibility
- ▶ To encourage the development and diffusion of environmentally friendly technologies

Corruption

- ▶ To work against all forms of corruption, including extortion and bribery



OMV
OMV



Economic Significance of OMV in Austria and Germany

OMV moves Economies

Every job at OMV generates an additional two in other sectors.

OMV commissioned the Institute for Industrial Research (IWI) to conduct a survey to assess the company's significance for the economies in Austria and Germany as well as its importance as a client in other industrial sectors. The survey covered OMV in Austria, Agrolinz Melamine, Linz and OMV in Germany and assessed the impact of investments and ongoing operations on production, value added, gross wages, gross salaries and employment. The survey was based on fiscal year 2000 because the data required for the input/output analysis was only available from all industrial sectors for that year. However, certain assumptions can be made for 2004 based on the results. The survey focused on Austria and Germany because there is no comparable economic data for the other countries, although this will improve in the future, in the EU Member States at least.





Austria

Investment effects

OMV companies covered in the survey invested about EUR 222 mn (excluding VAT) in Austria in 2000. To meet demand for goods, production was required mainly in business operations in Austria. These companies produce goods, generate value added and secure jobs. These upstream suppliers require input materials, which in turn triggers similar effects. The full effect of investment is determined in this way.

The survey showed that gross output of about EUR 230 mn was required to meet the demand for capital goods - this represents a 1.54 fold increase.

Investment demand led to added value in all sectors of the economy in Austria of about EUR 110 mn, as well as gross wages and salaries of EUR 52.5 mn. The jobs of 1,838 full-time employees were secured. This means that an investment of EUR 1 mn invested by OMV in Austria creates 12 jobs in the country, which constitutes a strong boost for the domestic labor market.

Production effects

These show how many domestic goods are required to enable OMV to carry out production through the provision of intermediate inputs (taking into account all interdependencies through product cross-overs).

The ongoing production operations of the OMV companies covered by the survey required production in the Austrian economy of EUR 4,556 mn - 16% more.

In total OMV production operations generated value added of EUR 1,337 mn. The company is linked directly and indirectly to 7,300 jobs, mainly in the company service sectors, closely followed by the mechanical engineering and energy supply sectors.

Income effects

Taking account of taxes, charges and savings, the wages and salaries secured through OMV production and investment activities in Austria have an impact on domestic consumption and most of the money flows into Austria through the purchase of Austrian goods. The domestic consumer demand in turn boosts production, creates value added and secures jobs. The gross output amounts to EUR 346 mn, while value added stands at EUR 188 mn. The consumer effects triggered by OMV generated 3,432 jobs.

Overall economic significance

Looking at all the input/output analysis effects in total gives the overall picture of the economic significance of OMV. The following effects represent the lower level of the impact.

The total production "attributable" to OMV exceeds EUR 5 bn and the induced value added EUR 1.6 bn. The number of jobs secured outside OMV amounts to 12,600, and for every job at OMV, the company generates an additional two in other companies.

Germany

In the German economy, investment by OMV in 2000 led to overall production effects of EUR 133 mn and value added effects of EUR 63.5 mn, which in turn secured jobs for 1,156 employees. The overall production effects of OMV production operations amounted to EUR 1,340 mn and EUR 223.7 mn for value added. These effects were linked to 2,889 jobs. As in Austria, the overall effects clearly outperformed the primary effects. The boost to employment triggered by stimulating consumer demand was also very significant in Germany.





2004

The lack of economic data prevents any thorough analysis, but comments can be made about trends based on long-standing experience. Increased investment by OMV was countered by shifts in investment in other sectors and the two effects offset each other.

All the fundamental statements in the 2000 survey also apply to 2004 and despite the large sums invested outside Austria to achieve our growth targets, OMV remained just as significant in the Austrian economy.

Central and Eastern Europe

Currently there is little data available to assess OMV activities in Central and Eastern Europe.

Over the next few years the data inventory will improve both in terms of quality and quantity, particularly in the EU Member States. It will then be possible to properly document the positive effects of OMV investment and production in these countries.

Taxes and levies

The assessment of OMV overall economic impact should also include the considerable amount OMV pays in the form of taxes and levies.

Tax payments

	2000	2003	2004
Taxes (in EUR mn)			
Tax payments	3,456	4,219	5,867
Details (in EUR mn)	2000	2003	2004
Collected in petroleum excise tax and VAT	3,216	3,848	5,343
Details (in EUR mn)	2000	2003	2004
Income taxes amounted to	130	203	312
Details (in EUR mn)	2000	2003	2004
The total tax payment also includes the value of the quantity of the oil produced from the Murzuk holding, to which the Libyan state is entitled under the production distribution agreement	110	131	171
Details (in per cent)	2000	2003	2004
If, in the interests of simplicity, these total tax payments, which OMV has paid across the Group, are taken as a proportion of sales the following percentages are attributable to tax payments in Austria	58%	43%	39%