

Corporate Responsibility Performance Report



Corporate Responsibility
Living values. Approaching sustainability.

Performance Report

Move & More. 
OMV



“ Let us choose to unite the power of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.”

Kofi A. Annan

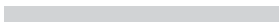
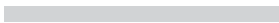















“ At a time of rapid globalization multinational corporations bear a particularly heavy burden of responsibility. Conflicts of interest in international business life need to be rapidly recognized and constructive solutions found. OMV has long striven to meet this challenge, and can thus be said to be a good corporate citizen.”

Josef Mayer

Head of the Austrian National Contact Point for the OECD Guidelines for Multinational Enterprises

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The statistical data contained in this publication entirely relate to the 2001 and 2002 reporting periods. We report on joint ventures in which we hold interests of more than 50% or act as the operator. Information on changes in the consolidated Group, and on process management systems, corporate guidelines or reference projects relate to the short 2003 reporting period.

None of the information contained in this performance report constitutes or is intended to constitute an invitation to buy or trade shares, securities of any kind or American Depository Receipts (ADR) in OMV Aktiengesellschaft.

Wherever possible, the language of this report is gender neutral. However, in the interests of readability the masculine gender is sometimes used to include the feminine.

For us “corporate responsibility” – and we only reached agreement on this term after exhaustive internal discussions – stands for all the responsibilities to the world around it that a company should accept, including corporate social responsibility. We take the view that sustainable enterprise involves taking responsibility for all aspects of performance across the “triple bottom line” – it means economic, environmental and social accountability.

Wolfgang Ruttenstorfer

A conversation with Wolfgang Ruttenstorfer

Austria is wherever we are



Paul Lendvai: You and fellow directors announced OMV's interim figures at a press conference today. Your Group has certainly posted impressive results, but what I am interested in today is why a large, listed company like yours bothers as much with ethical business practices as with financial success. What does the concept of corporate social responsibility mean to an essentially Austrian group, and how does it affect everyday business life?

Wolfgang Ruttenstorfer: Naturally, as a privatized company, we have to put profits first. However, the Austrian Stock Corporation Act has always required managements to take account of the interests of employees and society at large, as well as those of stockholders.

For us "corporate responsibility" – and we only reached agreement on this term after exhaustive internal discussions – stands for all the responsibilities to the world around it that a company should accept, including corporate social responsibility. We take the view that sustainable enterprise involves taking responsibility for all aspects of performance across the "triple bottom line" – it means economic, environmental and social accountability.

At present, the sustainability debate in Austria is mainly about environmental sustainability. The fact is that oil and natural gas are finite resources, and whatever the future holds in terms of global energy demand patterns and new exploration and production methods, that isn't going to change. These raw materials, which are used every day, around the world, to keep people and merchandise moving, industry running and homes heated, are non-renewable. The products made from them are by definition non-sustainable, regardless of their quality. Nevertheless, and precisely because of this, we must strive to take a responsible approach to our task of supplying them. We need economic success to afford to go on acting in an environmentally and socially responsible manner.

Paul Lendvai: What are the new features of this discussion, and what does corporate responsibility mean in practice?

Wolfgang Ruttenstorfer: There's nothing new under the sun, so probably what we are talking about here

is simply new ways of putting things. But putting these ideas into practice has meant that, though we have continued to work along the same lines, we have redefined our values. What's new is that we have put our business practices into the public domain by adopting a code of conduct, and are disclosing our progress in living up to these values by publishing a performance report.

From a business with a strong Austrian focus we have evolved into a group with activities that currently span five continents. We have to be aware of our social responsibilities not just in Austria but in neighboring countries, in Africa and in Australia.

In practice, this means carrying our standards to countries where regulatory systems are either incomplete or still in their infancy. Our code of conduct and our process management systems and corporate guidelines ensure that our people have a clear set of Group-wide rules to go by. Our performance report contains many examples of the effects this has in practice. In fact, we were surprised ourselves how much is happening around the Group, and my team were rather sad to have to leave out a number of projects because of lack of space.

Paul Lendvai: I know it's unusual to mention Franz Kafka in an interview with an industrialist, but I'd like to mention a comment by Kafka to the effect that there is only one truth, but it is a living thing and has a constantly changing face. Is corporate responsibility just another fad? Where does it start out from, and where do its limits lie? What are the responsibilities of the State, the public and private sectors, civil society and the individual citizen?

To put it another way, social conditions vary from country to country. Isn't it rather presumptuous for a multinational corporation to try to impose its value systems on so many different cultures? My experience working abroad as a journalist suggests to me that it must be an uphill task for OMV to apply its code of conduct to the plethora of cultures and mentalities that exist around the world.

Wolfgang Ruttenstorfer: Business enterprises have a different set of tasks to governments, NGOs and another private, nonprofit initiatives. They have to be profit-oriented to survive in a competitive global economy. The globalization debate has given rise to frequent calls for a single global code of conduct



Paul Lendvai was born in Budapest in 1929. From 1960-1982 he was the Financial Times Vienna correspondent and a columnist for Austrian, German and Swiss newspapers and radio stations. Between 1982-1987 he was a senior editor at the Austrian Broadcasting Corporation (ORF), in charge of the Eastern Europe desk. From 1987-1990 Lendvai was director of Radio Österreich International. He now presents ORF's Europastudio in-depth TV news show.

Paul Lendvai is the holder of numerous awards, and is the author of books on Central and Eastern Europe which have appeared in a total of seven languages. He edited the collected essays "Religionsfreiheit, Menschenrechte und Entspannung" (Religious Freedom, Human Rights and Detente), and co-edits the quarterly review Europäische Rundschau.



for business organizations, to ensure that they respect certain minimum ethical standards. Apart from some efforts by individual sectors or industries, based on voluntary commitments, as yet there are no common, globally recognized sets of rules. Because of this we have joined the UN Global Compact – an initiative launched by UN Secretary-General Kofi Annan. By signing up to the Global Compact we have undertaken to observe universal principles in the areas of human rights, labor and the environment.



Paul Lendvai: The Global Compact is no more than a declaration of intent. Many labor, environmental and human rights organizations criticize its approach because of the vagueness of the commitments it demands. Can a scheme like this really fit the bill? Does taking your cue from the Global Compact really meet public expectations? How did public opinion actually respond to the move?



Wolfgang Rutenstorfer: There is nothing wrong with differences of opinion – they make for a lively debate. In fact, the reactions to our code of conduct ranged from the highly positive to the cautiously optimistic. We'll have to see how the performance report is received. Feedback from outside our organization is tremendously important to us, because it helps us learn. What we have seen so far is that, for all the criticism, the UN Global Compact has won broad endorsement because it offers a globally accepted approach. There are probably various reasons for this. The business community, governments and civil servants, international labor organizations and active civil society in the shape of the relevant NGOs were all involved in developing the scheme. All the actors are working together to take it forward, so as to meet the expectations placed in it and respond to today's global economic changes and needs.

Paul Lendvai: Have you been in countries yourself where – without making any value judgments – it has suddenly become clear to you that you are faced with a completely different sociocultural setting?

Wolfgang Rutenstorfer: I haven't yet visited all the countries we operate in, but I have been to many of them. Implementing our code of conduct has certainly taught us that attitudes to corporate values can be completely different from one region to another. Corporate governance, in the sense of an orderly framework for the running of business corporations and the supervision of management, may appear indispensable to us, but in other cultures it is seen as a side issue. In newly industrialized countries workers' rights and environmental impacts are often regarded as the main priorities, whereas in developing countries attention centers on income generation – creating employment so that people can earn enough for the necessities of life. So meeting public expectations is a matter of perspective. The challenge is to grasp the complexity of people's expectations, to spot shifts in society's scale of values, and to respond to new trends proactively where necessary.

Paul Lendvai: Though your short biography in the annual report draws a polite veil over it, you were the Secretary of State at the Finance Ministry during an important period in its history. How valuable is your political experience?

Wolfgang Rutenstorfer: I'm grateful for the chance I was given to acquire this experience. In business your attention is often narrowly focused on day-to-day operations and the need to go for growth and make profits. In politics you have to be aware of the interests of all concerned, and sometimes you have to build majorities, win support, so that you can get things done by consensus. It certainly does no harm to think outside the box when running a company.

Paul Lendvai: According to OMV, its core market stretches from the Black Forest to the Black Sea. The integration of Central and Eastern Europe has been taken a major step forward with the treaty of accession signed by a number of Austria's neighbors. Many of the accession candidates have been adjusting their national legislation to that of the European Union

for some time, and others will gradually follow suit. Some countries have made more progress than others, and some will probably suffer setbacks, just as OMV's acquisitions don't always go according to plan. Come what may, corporate social responsibility is bound to become an issue, and at least as regards your retail market, that will probably be sooner rather than later. What challenges does OMV expect enlargement to pose?

Wolfgang Ruttenstorfer: The main challenges we will encounter will be environmental issues. It is our standard practice to phase in our environmental standards at subsidiaries in neighboring CEE countries. In the forecourt business, this means building filling stations that meet the strictest existing environmental standards whether or not this is required by local legislation. We see the related costs as investments for the future.

Contaminated sites acquired along with exploration and production assets, or refining capacity, raise more awkward problems. Here, we have to act in an environmentally responsible manner while keeping costs in mind, and progressively work towards meeting our standards. This is a matter of initiating and supporting action while remembering that it involves long-term processes.

We anticipate that before long growing importance will be attached to working hours, workplace quality, employee protection and workers' rights in the accession countries. Experience shows that people tend to base their expectations on what has already been achieved elsewhere, and it is inevitable that they will want to see improvements. Not to prepare for this would be hiding our heads in the sand.

Paul Lendvai: The code of conduct and the performance report show how OMV wishes to position itself with regard to corporate responsibility, and how it is making good on its promises. Is that the end of the matter? Is it back to business as usual now?

To return to Kafka, is everything wrapped up, or is progress made so far merely a spur to further action? What have you actually achieved? Are there any measurable benefits?

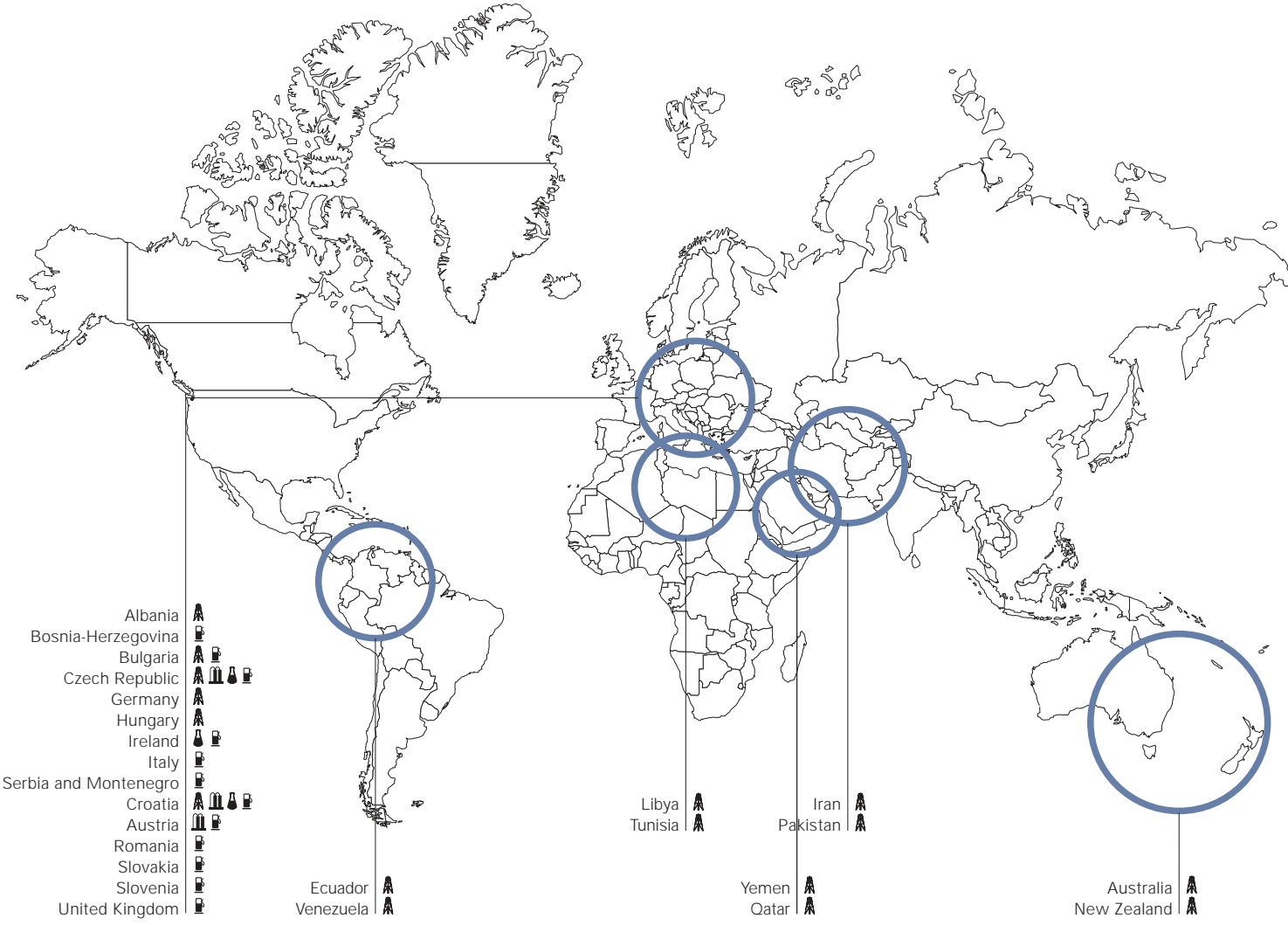
Wolfgang Ruttenstorfer: Far-reaching processes like this are probably never completed, since public expectations and economic conditions are subject to constant change. By applying corporate responsibility goals across all our operations we have given ourselves a management tool for optimizing our processes. This approach also ensures that our strategic decisions reflect the complex environment we are working in. It allows us to spot emerging social issues, monitor them and respond in a timely manner. In other words, we have a professional issue-management system in place, and this helps us keep the "license to operate" that society grants us.

I am convinced that a responsible approach ultimately pays off, even if the benefits can't always be quantified. For instance, our commitment to CR gives us access to the emerging market for socially responsible investment. We are also acting in the knowledge that consumers' interests change, and that they are now increasingly basing their purchasing decisions on ethical concerns. Image and brand maintenance have an important role to play in building their confidence in us. It's also worth remembering that a serious commitment to corporate responsibility and professional reputation management give you a vital edge when recruiting staff – and they are the best insurance policy you can have at times of crisis. We are no more able than any other company to completely rule out a really major crisis. But a CR-based management philosophy coupled with far-sighted proactive policies can help you identify and prevent risks in good time, so this approach adds up to more than altruism or a mere marketing tool.

(The interview took place on August 19, 2003, in Vienna.)



OMV in focus – self-financed growth



Industry comparison

OMV in focus

Company	Adjusted net income for the year (USD mn)	Capex (USD mn)	Head count	Oil & gas prod. ,000 boe/d	Reserves (mn boe)
Exxon	11,538.00	13,649.00	92,500	4,083.00	20,815.00
BP	8,893.00	13,000.00	115,000	3,530.00	14,377.00
Shell	8,754.00	14,000.00	116,000	3,786.00	18,774.00
Total	6,452.00	9,940.00	121,469	2,426.00	10,616.00
ENI	4,873.00	7,724.00	80,655	1,474.00	6,793.00
MOL	198.00	361.20	12,861	76.00	275.00
OMV	302.00	640.00	5,828	83.00	343.01

Sources: Integrated Oil Handbook, Lehman Brothers: Global Oils 2003, Deutsche Bank, OMV

We have grown from an Austrian company into a European group that produces oil and gas on five continents of the globe, and markets its products in Central Europe. We focus on our core competencies, and are steadily expanding our range of products and services in our chosen areas of business.

With consolidated sales of EUR 7.08 billion (bn) in 2002, a workforce of 5,828 as of the end of that year, and a market capitalization of some EUR 2.8 bn in mid-2003, we are of one Austria's largest listed industrial companies. We are the leading oil and gas group in Central Europe, and our Refining and Marketing segment has a presence in 12 countries, where we are looking to double our retail market share to 20% by 2008.

We currently have upstream operations in 16 countries. In January 2003 we acquired the international E & P portfolio of Preussag Energie GmbH. OMV also has a 25% interest in Borealis A/S – one of the world's leading polyolefin producers – as well as a 45% holding in Bayernoil-Raffinerieverbund and a 25.1% stake in the largest privately owned oil company in Romania, The Rompetrol Group NV. We are also successful players in the plastics and chemicals sectors.

In the gas sector, we are the main suppliers of the Austrian market and the transit hub for Central Europe. In December 2002 EconGas emerged on the scene as a major player on the Austrian gas market. OMV Erdgas GmbH contributed its international experience to the new joint venture, and BEGAS, EVN, Linz AG, OÖ Ferngas and Wiengas their closeness to market.

Not only are our Exploration and Production and Refining and Marketing segments growing rapidly, but our melamine business is set on a global expansion course. Constant increases in efficiency are strengthening our competitiveness. Our refining

capacity and retail sales volumes are almost perfectly balanced. The profitability of our refineries is enhanced by our highly integrated petrochemical plants.

For information on the structure of our group and its main investments, strategy and positioning, as well as the directors' report, annual financial statements for 2002 and five-year summary of results, please consult the latest annual report.

OMV's role as a major European player

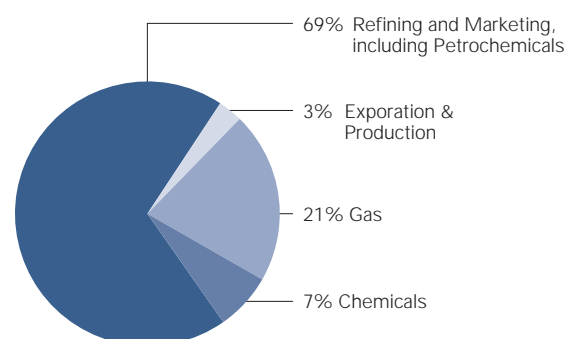
We are Austria's largest listed industrial company in terms of sales. We are also a growing force in the European oil and gas industry. In 2003 we placed 318th in the Financial Times Deutschland Europe 500 in terms of market capitalization (2002: 412th.) This ranking includes the EU accession countries and Russia, and is not restricted to particular sectors.

Nevertheless, by international standards we are not a global player. ExxonMobil was the world's number one corporation in 2002 with a market capitalization of USD 253.2 bn, compared to the OMV Group's USD 2.8 bn.

OMV is a niche player with an international portfolio. As such, we are looking to grow our oil and gas production, and continue to improve capacity utilization at our refineries.

Find out more: www.omv.com

Group sales by segment in 2002: EUR 7.08 bn





Left to right: Helmut Langanger, Wolfgang Ruttensstorfer, David C. Davies, Gerhard Roiss

Wolfgang Ruttendorfer

Chairman of the Executive Board
and Chief Executive Officer

Born in 1950, married, three children.

Wolfgang Ruttendorfer graduated from the Vienna University of Economics and Business Administration, and began his career with OMV in 1976, going on to head the planning and controlling, corporate development and marketing functions, among other positions. From 1992–1997 he was a member of the Executive Board. After his time in office as Secretary of State for Finance he returned to OMV as Deputy CEO at the start of 2000, assuming responsibility for the Finance Department and the Gas segment. On January 1, 2002, he took over as Chairman of the Executive Board and CEO. Wolfgang Ruttendorfer is in charge of the Gas and Chemicals segments. Until March 31, 2002, he was also Chief Financial Officer.

David C. Davies

Born in 1955, married, three children.

David C. Davies studied economics at the University of Liverpool, and began his working life as an accountant. His career then took him to transnational corporations in the food and beverages and the health care products industries. He came to OMV from a position as finance director at British advanced materials specialists Morgan Crucible Company plc, commencing his new duties on April 1, 2002.

Gerhard Roiss

Deputy Chairman

Born in 1952, married, three children.

Gerhard Roiss' business education at Vienna, Linz and Stanford Universities led to appointments to managerial responsibilities at various companies in the consumer goods industry. In 1990 he took over as head of the OMV Group Marketing Department, and the same year was appointed to the board of PCD Polymere GmbH. He moved across to the OMV Executive Board in 1997. Until the end of 2001 Roiss was in charge of Exploration and Production, and Chemicals. On January 1, 2002, he was appointed Deputy Chairman with responsibility for the Refining Market including Petrochemicals; he is also Chairman of the Borealis board.

Helmut Langanger

Born in 1950, married, two children.

Helmut Langanger studied economics in Vienna after graduating at the Leoben University of Mining and Metallurgy. He joined OMV in 1974. He was appointed Senior Vice President for Exploration and Production in 1992, and in this position played a key role in building up the Group's international E & P portfolio. Appointed to the Executive Board on January 1, 2002, he heads up Exploration and Production.

Impact – OMV’s social, economic and environmental footprint

Guest commentary by Professor Gerhard Clemenz,
Department of Economics, University of Vienna.

With a group the size of OMV, operating across five continents and a number of different industries, it is not only the usual financial performance indicators that are of interest, however important they may be to Management and investors. Sales, returns, net income and the like tell only part of the story – though of course they are the bottom line for private sector companies. Large corporations not only interact with the economy but also influence society and the environment in many different ways, for better or worse. This means that they have obligations not just to their owners and the latter’s economic interests, but also –

at least in moral terms – to all who are directly or indirectly affected by their operations. An ever increasing number of companies have understood that this is so, and have begun reporting on aspects of their performance other than the purely financial.

However – so far at least – as soon as an enterprise has attempted to provide information on other features of its activities as precise as its financial statements it has run into a number of problems. This starts with the selection of the economic, social and environmental impacts to be singled out as particularly significant.

A firm employs and trains staff, it buys in goods and services, and normally also acts as a supplier, not just to end-users but also to other companies. It conducts research and development, uses natural resources and the environment, pays taxes, etc. It goes without saying that each of these activities could be broken down into sub-categories, so it would probably be virtually impossible to capture all of them in detail.

It is still more difficult to develop reliable and informative metrics for all these effects. This is mainly because it is almost always necessary to distinguish between direct and indirect effects. Take the company's function as an employer, for example. It is relatively easy to determine the direct employment effect of, say, the opening of a new production facility. The company will naturally record the number of employees as part of its management statistics. However, not even the employment effects of construction of the plant will be measured. In the course of production orders will be placed with other firms, and these will generate employment, but it will not be reflected in our company's payroll figures. But the chain reaction goes further. To provide their goods or services, the direct suppliers in turn will need to purchase inputs from other producers – and so on. Hence it is no easy matter to calculate the total employment effect

of an investment, not least because this depends on the state of the employment market prior to the investment. Under conditions of full employment the main effect will be for jobs to shift from one industry to another, while at times of under full employment there will be an actual increase in employment. In extreme cases the total gain in employment may be several times the number of jobs directly created.

In Third World countries with low levels of industrialization – and the OMV is at work in some of these – another facet needs to be considered. Employing local workers has an important training and socialization effect. In other words, it creates a pool of labor that has certain technical and other skills, and is accustomed to industrial discipline. A supply of such labor naturally also makes the location more attractive for other investors, and one or two successful investments can ultimately lead to the formation of a cluster, and a fundamental change in the structure of the local economy.

Innovations can have similarly far-reaching consequences, extending far beyond the company where they arise. Improved products or production methods can benefit other businesses, e.g. through imitation, or simply because they are able to obtain better and



Univ.-Prof.
Dr. Gerhard Clemenz

cheaper inputs, and can thus improve and increase their output. This phenomenon, which economists call “spillover,” means that the innovator’s reported earnings from an invention may greatly understate the true social value, since the benefits derived by other firms will of course not be included in the figures.

A particularly sensitive and important issue is the environmental impacts of business activities. The public is normally only aware of the negative effects. Water and air pollution, noise and odor nuisance, global warming, etc., are probably the first things that occur to most people when asked about the connection between production and the environment. In fact, there is a central difficulty here, which is known in economics as the problem of “externalities.” This arises from the fact that, for instance, harmful emissions caused by a production process do indeed result in costs. Air pollution can lead to illnesses, or at least affect the health of many people. If air quality in a tourist area suffers, this will give rise to very definite economic losses. Yet none of these costs are borne by the polluter, i.e. the company whose production processes are impacting the environment, but by others. From the perspective of the polluter, then, these costs are “external,” and hence play no part in its economic decisions. There is thus a great danger

that the environment will be more severely burdened than would be economically justified if the externalities were included in the company’s calculations.

Governments have mainly responded with regulatory measures, and have developed environmental standards, emission taxes, and so on. However, in our modern media societies, market forces also offer a means of mitigating environmental problems. Particularly in environmentally aware societies, companies care about having an environment-friendly image. In the long run, image advertising alone will not suffice, and they must act to give substance to their claims. Many companies have therefore begun voluntarily observing higher environmental standards than those required by law. This forces competitors to follow suit, as they would otherwise be punished by consumers. Environmental measures range from improvements to production processes and reductions in the pollutants contained in products – particularly important in the case of fuels – through to site restoration after the discontinuation of certain activities.

Again, when companies’ annual reports do not give the full picture about the impact of tax payments. As with employment, there are indirect effects as a result of the web of interrelationships in an economy. It should

also be borne in mind that it may only be the tax payments of large corporations that put poor countries or local governments in a position to finance infrastructure which will make a location attractive to other companies, thus contributing to economic development.

Finally, we should not omit to mention an impact of energy companies like OMV – security of supply, which reduces uncertainties and enables other enterprises to plan their production. Recent experience in numerous countries has shown that secure energy supplies can by no means be taken for granted.

How, then, can these manifold effects of a company's activities be captured at all? The central question is how to model and quantify economic linkages, i.e. the vast number of transactions required to produce the mass of goods and services we take for granted in a modern economy. Economists and statisticians have been working on this problem for many years, and among other things have refined the so-called input-output analysis which goes back to the Nobel laureate Vasily Leontieff. The basic idea is simple: one subdivides the economy into separate sectors, and measures the flows of goods and services between each and all the others. A particularly helpful way of modeling these streams is the so-called

input-output tables employed by most statistical offices for national accounting. With the aid of mathematical and statistical methods, these tables can be used to obtain precise analyses of the overall effects of, say, a major investment in a sector. One can also investigate the potential overall economic impact of an interruption in the supply of an energy source. Another example is the measurement of environmental impacts. One can treat the environment as a separate sector that provides others with certain products – clean water, air, minerals, etc. – and simultaneously receives inputs from them.

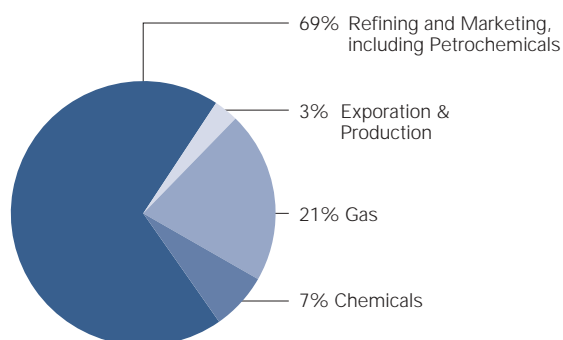
One way for companies to quantify the impacts of their activities – other than those covered by normal accounting methods – would be to use existing or adapted input-output analysis methods. A welcome side-effect would be the possibility of applying these techniques as an additional forecasting tool for internal corporate planning. We are engaged in research aimed at helping OMV to develop the necessary analytical methods. This is a challenging project, and the first reliable results will not be available until the next performance report.

Monitoring our progress – it's the details that count

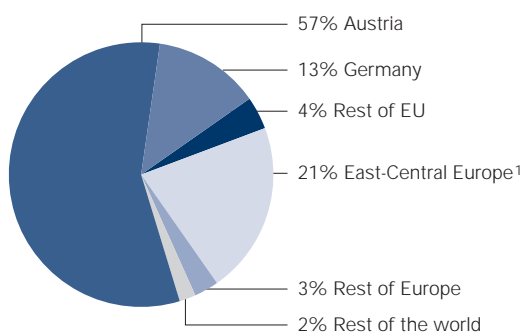
Our reporting systems are comprehensive and transparent, and continuous improvement processes ensure that we are always working to upgrade them. We are currently concentrating on introducing geographical breakdowns of all indicators. This will enable us to respond still more effectively to the varying trends in our markets. Where our monitoring systems do not yet provide detailed country information, our performance is tracked by worldwide statistics.

Our reporting systems are currently being converted to a uniform structure, under which data will be segmented according to the following geographical markets: Austria; Europe without Austria; Africa and the Middle East; and the rest of the world. Some of the information in this report follows this mode of presentation already.

Group sales by segment in 2002: EUR 7.08 bn



Group sales by region



¹ Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Serbia-Montenegro, Slovakia, Slovenia

Group

Group financial position in EUR mn	2002	2001
Sales (excluding petroleum excise tax)	7,079	7,736
Earnings before interest and tax (EBIT)	495	610
Net income for the year	322	382
Net cash provided by operating activities	581	786
Capital expenditure	675	452
Personnel as of December 31	5,828	5,659

Share in EUR	2002	2001
Earnings per share	11.85	14.09
Earnings per share US GAAP ¹	11.21	13.94
Dividend per share ²	3.50	4.30

¹ US Generally Accepted Accounting Principles

² Proposal to the Annual General Meeting for 2002; 2001 and 2000 dividends included a bonus dividend of EUR 1.30 per share

in %	2002	2001
Return on average capital employed (ROACE)	11	14
Return on fixed assets (ROfA)	16	20
Return on equity (ROE)	14	18

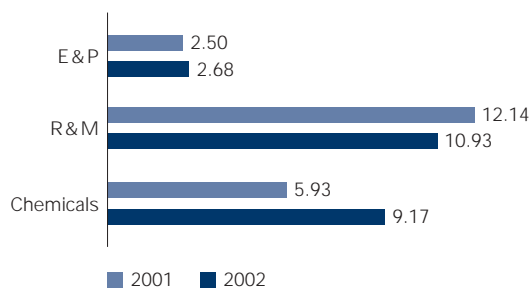
Capital expenditure by segments in Mio EUR	2002	2001
Exploration and Production (E & P)	227	132
Refining and Marketing, including Petrochemicals (R & M)	282	191
Gas	104	64
Chemicals	49	38
Corporate and Other (Co & O)	13	22
Group ¹	675	452

¹ rounded figures

Earnings before interest and tax (EBIT) in EUR mn	2002	2001
Exploration and Production (E & P)	256	273
Refining and Marketing, including Petrochemicals (R & M)	125	223
Gas	115	111
Chemicals	43	49
Corporate and Other (Co & O)	- 44	- 46
OMV Group	495	610

OMV personnel data as of December 31	2002	2001
Employees	5,828	5,659
thereof: Non-salaried staff	2,253	2,292
Salaried staff	3,405	3,197
Executive Board and senior executives	47	56
Apprentices	123	114
Female staff in %	17	16
Staff abroad in %	25	25

R & D expenditure in EUR mn



HSE indicators	2002	2001
Energy consumption (PJ) ¹	76	74
GHG (t)	5,818	5,953
VOC (t)	1,929	3,489
LTIR, own employees (1 mn hours worked)	5.4	6.4

¹ In 2002 the energy use of OMV investments in which the Group holds a majority interest were included for the first time, on a pro rata basis.

Donations ¹ in EUR	2002	2001
Austria		
Community	810,469	661,799
Culture and sport	2,169,785	3,301,900
Rest of Europe		
Community	875,672	412,552
Culture and sport	898	
Africa & Middle East		
Community	158,023	236,682
Culture and sport	62,350	16,042
Rest of the world		
Community	475,696	17,839
Culture and sport	87,512	71,164

¹ Statistics compiled for the first time in 2003.
Reporting system will not be fully operational until 2004.

Exploration and Production

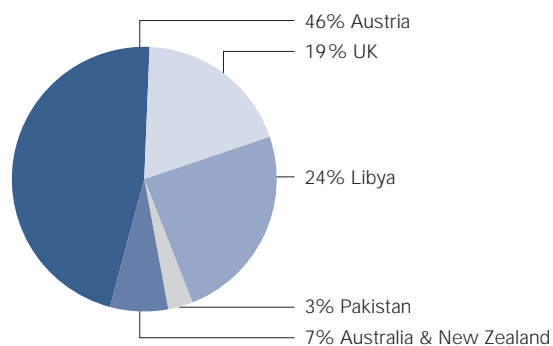
At a glance in EUR mn	2002	2001	+/- %
Segment sales	734	765	- 4
Earnings before interest and tax (EBIT)	256	273	- 6
Capital expenditure	227	132	71
Return on fixed assets in %	31	35	- 10
Production in mn boe	30.4	28.5	7
Proved reserves as of December 31 in mn boe	343.1	340.5	1

Crude oil and NGL production in mn bbl	2002	2001
Austria	6.8	7.0
Australia/New Zealand	0.9	0.7
UK	4.4	4.1
Libya	7.4	8.0
Total	19.5	19.8

Natural gas production in bcf	2002	2001
Austria	43.7	43.5
Australia/New Zealand	7.2	3.9
UK	8.6	4.9
Pakistan	6.1	0.0
Total	65.6	52.3

Total production in mn boe	2002	2001
Austria	14.1	14.2
Australia/New Zealand	2.1	1.3
UK	5.8	5.0
Libya	7.5	8.0
Pakistan	1.0	0.0
Total	30.5	28.5

Production in 2002: 30.4 mn boe (83,000 boe/d)



Refining and Marketing, including Petrochemicals

At a glance in EUR mn	2002	2001	+/- %
Segment sales	4,923	5,580	- 12
EBIT	125	223	- 44
Capital expenditure	282	191	- 48
Return on fixed assets in %	8	16	- 50
Product sales by refining business in mn t	11.67	11.82	- 1
Retail market share	10	9	11

Crude oil imports in 1,000 t	2002	2001
Algeria	312	520
Azerbaijan	222	150
Czech Republic	86	62
Iraq	971	656
Libya	3,357	4,036
Kazakhstan	984	450
Nigeria	1,079	839
Russia	1,058	1,204
Saudi Arabia	677	575
Syria	889	845
Tunisia	8	0
Others	48	134
Total	9,691	9,471

Crude oil processing in 1,000 t	2002	2001
Crude oil	10,472	10,430
Third-party processing (in Schwechat only)	1,938	1,829
Semi-finished products and others	718	556
Total	13,128	12,815
Utilization rate in %	95	94

Sales volume in 1,000 t	2002	2001
Petrochemicals	1,551	1,516
Gasoline	1,928	1,943
Jet fuel	925	973
Diesel fuel	3,460	3,105
Extra light heating oil	1,856	2,185
Fuel oil	942	1,069
Bitumen	415	400
Coke	205	191
Others	384	438
Total	11,667 ¹	11,820

¹ rounded figures

Gas

At a glance in EUR mn	2002	2001	+/- %
Segment sales	1,483	1,438	3
Earnings before interest and tax (EBIT)	115	111	4
Capital expenditure	104	69	51
Return on fixed assets in %	23	24	- 3
Imports in bcm	6.20	5.89	5
Transmission capacity sold in bcm	39.43	37.70	5

Gas sales in Austria in mn cbm	2002	2001
	7,032	6,622

Imports in mn cbm	2002	2001
Russia	5,091	4,829
Norway	883	844
Germany	226	217
Total	6,200	5,890

Chemicals

At a glance in EUR mn	2002	2001	+/- %
Segment sales	469	440	7
EBIT	43	49	- 12
Capital expenditure	49	38	28
Return on fixed assets in %	14	17	- 15
Urea and melamine sales in mn t	0.28	0.24	19
Plant nutrient sales in mn t	1.11	0.97	14

Sales by business unit	2002	2001
Plant nutrients	42%	44%
Melamine, urea	37%	34%
Services	11%	11%
Resins, glues, bulk	6%	7%
Animal feed supplements	4%	4%

Sales by regions	2002	2001
Austria	34%	42%
Rest of EU	42%	41%
Rest of Europe	14%	12%
Rest of the world	10%	5%

Profits are not the only measure of a company's success. The realization that natural resources are finite, and that there are limits to the use of human capital, implies that decision-making processes must take account of environmental and social factors. They contribute to sustainability and generate a "return on investment", even though they do not show up in the accounts.

Reporting – three sides to success

Our monitoring and reporting methods comply with widely accepted international standards. Where appropriate, we use the performance indicators recommended by the Global Reporting Initiative (GRI); however, we employ a well-tried methodology tailored to our needs. Our stakeholders regularly receive our annual and environmental performance reports. They appreciate our open information policy. We have therefore decided to extend our successful reporting system, rather than making fundamental changes to it, and have added social components along the triple bottom line, so as to achieve a better balance in the treatment of financial, environmental and social capital.

This report seeks to provide a clear and well-structured account of our economic, environmental and social performance. In the interests of transparency we have adopted the same structure as our corporate code of conduct. This performance report describes the ways in which we live out the values enshrined in the code of conduct, and the actions we take to this end.

Verifiable progress towards our objectives

Our principles of responsible management encompass all the core issues of corporate responsibility, namely: employees; human rights; health, safety and environment; external relations; and finance. The main test of our seriousness about our principles is our behavior and its impacts on the natural environment and society. Where our achievements as a sustainable business are not measurable, we use descriptions and illustrations to show how we are fulfilling our responsibilities.

Unquantifiable aspects of our performance are dealt with by demonstrating how process management

tools, corporate guidelines and optimization of our business processes help take us closer to our objectives. We explain what has been achieved so far, where the future challenges lie and what action is planned for areas of our performance which room for improvement. Reference projects are included as examples of our achievements. Graphs and tables are used to help readers visualize facts and figures. Photographs illustrate issues and contents. Where lack of space prevents the inclusion of additional information we refer to links to our corporate portal or to relevant publications. A contact list can be found on page 62 of this report ("Additional Information").

Systematic reporting, not guesswork

The Global Reporting Initiative (GRI) has developed and published a set of globally applicable guidelines for sustainability reporting. These are intended for voluntary use by organizations wishing to report on the economic, environmental and social dimensions of their activities, products and services.

The GRI encourages organizations to prepare reports that conform to its 2002 Guidelines. By way of guidance, it has developed a matrix of economic, environmental and social performance indicators.

In the interests of transparency, this report is based on the structure of OMV's corporate code of conduct. It addresses the GRI's main performance indicators. In preparing the report we have fully observed the GRI reporting principles of transparency, auditability, completeness, relevance, accuracy, neutrality, comparability, clarity and timeliness.

However, the design of the report does not entirely follow the GRI's recommendations. We are unable to present the required sustainability context. Nor are the impacts of all our activities, products and services on our highly varied global operating environment presented so inclusively as to fulfill all the expectations of our stakeholders. We report such information as can be collected, recorded and verified.

To attempt to give an account of every aspect of the impacts of our products and services on our operating environment would be to give precedence not to facts but to intuition and suppositions. In the interests of credibility we have dispensed with all speculations.

Credible solutions

Under pressure of public opinion, some companies appoint well-known international consultancies to audit their sustainability reports. We have not adopted this approach because we are still in the course of optimizing our monitoring systems as part of the ongoing corporate responsibility implementation process. However, we are disclosing our behavior, measured against the principles of our code of conduct, in an auditable manner.

The interest in external auditing is understandable. Representatives of various organizations have offered to assist us with the task of verification. But specialist knowledge of individual elements of the "triple bottom line" is not enough. We are continuing – in our own interests – to work towards credible solutions to this problem which will meet the expectations of all stakeholders. However, we are also relying on the power of public opinion. The response to this report will be the yardstick of the extent to which we have succeeded in achieving transparency. We look forward to providing any additional information that readers may require.

→ For further information please contact:
info.corporate-responsibility@omv.com

Our reporting system is in accordance with international standards. It presents a balanced and reasonable picture of our economic, environmental and social performance.

Our performance report follows the structure of our corporate code of conduct. It is based on facts, and we have dispensed with all intuitive judgments and speculations in the interests of credibility.

Corporate responsibility – challenges and opportunities

Among the **key issues** we are addressing are:

From an employee perspective: The transformation of the Group into a holding company structure without prejudicing corporate or staff interests.

From a stakeholder perspective: Meeting OMV's social responsibilities in all key areas, from human rights, health, safety and environment, and external relations through to finance.

From a management perspective: Bringing our standards with us, wherever we are, and ensuring that they are complied with.



The "Run & Fun" fitness program fits in with our "Move & More" philosophy.

Our approach to corporate responsibility compares well with other companies at home and abroad. We see criticism from NGOs as an opportunity for dialogue. We are open to discussion with stakeholder constituencies, provided it is serious and balanced. Criticism from human rights and church organizations of our investment in Sudan prompted us to modify some of our management systems in 2003. We are hoping to move a direct action campaign by an environmental organization against a conditional investment in Ecuador on to a rational plane.

Examples of corporate responsibility in action are easier to visualize than abstract codes of conduct. The following reference projects illustrate the ways in which we are tackling our economic, environmental and social responsibilities.

Second place in 2002 Stock Exchange Awards

OMV placed second in the 2002 Austrian Stock Exchange Awards. The main judging criteria were shareholder-friendly annual and interim reports, corporate governance and accurate forecasts.

Most popular company

In the Top-Gewinn image ranking for 2002, more than 300 managers rated OMV the country's most popular company for the fifth time. We also picked up first place in the special capital strength category, and second in the environment and management rankings. We see this image rating not as an end in itself but as a challenge to serve our stakeholders still better.

Lower emissions and improved fuel economy

The innovative AdBlue urea solution from OMV Agrolinz Melamin GmbH breaks down nitric oxide emissions from commercial vehicle diesel engines into harmless nitrogen and water.

Discovering safety

OMV has launched a Group-wide safety program, entitled "Think: Ahead discover safety", which is aimed at improving on our existing high safety standards and exceeding statutory requirements. All staff members are encouraged to think about their working day, examine work processes closely and identify unsafe acts.

Five-year lead on sulfur-free fuel

On January 1, 2004 – five years ahead of the EU deadline – OMV will begin marketing sulfur-free auto fuels at all Austrian filling stations. The hydrogen plant needed to produce the new grades was built at the Schwechat refinery, at a cost of EUR 37.3 mn.

OMV Run & Fun program

A staff fitness program, "Run & Fun," was introduced in 2003. The campaign is another side of our supportive corporate culture and our "Move & More" philosophy.

Cooperation with Amnesty International

OMV has agreed to cooperate with Amnesty International on human rights free of charge. Experts nominated by AI are giving human rights training to security personnel who guard exploration and production assets.

Emergency aid for flood victims

After the 2002 flood disaster in Austria, OMV donated 100,000 liters (l) of heating oil to victims in response to the Ö3 radio station's emergency assistance campaign, as well as giving fire brigades at work in the stricken areas 25,000 l of urgently needed fuel and lubricants. In addition, staff members were given leave of absence to help tackle the catastrophe.

Children on the move

In 2003 OMV ran a sponsoring project in conjunction with SOS-Kinderdorf International to raise funds for children's sport and movement programs in 12 countries. The project featured a competition that led to the selection of the 12 "most moving" children's drawings from Central and Eastern Europe.

Reporters without borders

In 2002 OMV for the first time supported the Reporters Without Borders Press Freedom Award for journalists from EU candidate countries. The lifetime achievement prize went to a Czech journalist and peace activist. Prizes were also awarded to young journalists.



A sponsoring project mounted in conjunction with SOS-Kinderdorf International inspired a touching set of children's drawings.



Our "Think: Ahead" program aims higher than legal safety standards.



Working with us – shaping our company

The key to our success are staff and contractors with outstanding commitment, creativity and capabilities, and a willingness to embrace lifelong learning. We promote staff motivation by giving employees room to develop, encouraging them to take responsibility, and introducing new forms of employment and work time arrangements that take account of individual needs.



As with any business, our people are our most important asset. Their efforts are the key to our progress, and their achievements are critical to value growth. By pinpointing the key staff competencies that drive OMV's success, we have defined the areas our relationships with employees will focus on, and the qualities we wish to help them develop. Above all, these are the abilities to innovate, implement, lead and collaborate with others, and a goal-driven approach. We are putting our faith in people who are committed to our expansion strategy, and we will support them as they grow along with OMV.

We have carved out a strong position in the race for the best talent, and are looking to maintain our image as an attractive employer.

Our company has already succeeded in transforming itself from a domestically focused nationalized energy supplier into a listed group with a presence in 20 countries. In the aftermath of privatization we almost halved our head count, taking care to do so in a socially responsible manner. With the restructuring phase behind us, we were able to move on to expansion, and in 2002 we adopted a strategy aimed at doubling our size.

Our growth and integration processes call for professional human resources management. The principles that govern our Group-wide people- and goal-driven personnel policies are enshrined in our corporate code of conduct. The code enables us to harmonize our standards worldwide, despite the wide measure of independence that our subsidiaries enjoy. Corporate, departmental and country guidelines, process management systems and procedures give life to the code while providing the necessary flexibility.

Equal opportunities in working life are not just a high-minded political goal, they are a challenge to each and every industry. We are committed to equality of opportunity for all staff members. Recruitment and career and succession planning are based on qualifications and performance alone.

→ The equal opportunities policy in the code of conduct includes a non-discrimination rule. This applies to all procedures related to selection and development issues, and to employee complaint management. Under our new grievance procedure, staff members can elect to make complaints to superiors, human resource managers or works council representatives anonymously. Complaints must be processed and

Challenges and objectives:

- > Fostering the newly defined core staff competencies, especially internal entrepreneurship;
- > Achieving continuous improvements in productivity by using labor efficiently;
- > Talent management: identifying and developing internal potential;
- > Actively managing corporate culture to accelerate the integration of new acquisitions;
- > Changing over to English as the corporate language.

Head count as of Dec. 31	2002	2001
Austria	4,345	4,260
Europe	1,218	1,209
Africa and Middle East	157	86
Rest of the world	108	104
OMV Group	5,828	5,659



“I picked up a lot of valuable experience during my two years as a trainee. The traineeship was my first post-school position. Job rotation has given me a good overview of the fascinating world of exploration and production. My last posting was with Health, Safety and Environment – the area of work I felt most at home with.”

Ghada Ghanem, trainee

responded to in writing within four weeks, and followed up where necessary. In 2002 two complaints were dealt with, and the disputes resolved internally by mutual agreement. The equal opportunities commission is currently dealing with two further cases.

Professional application procedures ensure that **recruitment** is carried out on an objective basis. Where new positions are created and cannot be filled by succession planning, we ensure that inside and outside candidates have an equal chance by advertising internally and externally. At corporate level, appointment procedures normally include assessment centers when particularly critical functions are involved. In the interests of objectivity, independent consultants are involved in the selection of candidates for senior, and first and second-tier management.

► In an online poll by Jobfinder.at – Austria’s top e-recruiting site – OMV emerged as Austria’s most attractive employer in 2003. In the course of the five-week survey some 36.5% of the 450 respondents named us as their overall first choice for all ten categories, not just the “energy, construction, wood and paper” one. Our highly favorable rating, particularly among the 20–29 age group, points to excellent prospects for future recruiting activities. Asked what makes a good employer, respondents singled out “recognition and praise for good work” and “regular feedback discussions”, as well as “good career development possibilities” and “an attractive salary”. ◀

Our **training management** policy has long focused on offering a wide range of practice-oriented training programs in communications, self-management, teamwork, leadership and strategy, business, health and safety, IT and languages. We draw on the expertise of top international training specialists. Development activities are evaluated and mapped out during annual performance review discussions between staff members and superiors.

According to the results of an online survey by Austria’s leading e-recruiting site, OMV was the country’s “most attractive employer” in 2003. The study’s findings underline our good image as an employer.

Training expenditure in 2002 in EUR

Internal training	2,900,000
External training	1,100,000
Total	4,000,000
Average per capita (5,828 employees)	686



“In 2003 we renegotiated our collective agreements and reached compromises that are acceptable to all sides. Talks like these require good relations between Group Management and employee representatives. We were able to reach agreements that both sides can live with because there was a mutual understanding of employees’ interests and the financial constraints on a growth-oriented company.”
Leopold Abraham, delegate to the Central Works Council

Relations between Management and employee representatives are governed by clear procedures. A new collective agreement takes us closer to uniform employment conditions for salaried and non-salaried staff.

We attach great importance to **employee rights** and respect for staff members’ interests. Relations between Group Management and the elected employee representative bodies, including the Central Works Council, Group Works Council and European Works Council, are governed by clear procedures. Quarterly meetings are normally held.

We need fear no comparison with employee rights in other countries, since Austria’s social partnership system is an example to the world. Legal recognition of trade unions goes back to 1867. Employee participation at plant and company level is regulated by the 1974 Labor Relations Act.

The EU is currently in the process of harmonizing employee rights. In countries where national legislation does not yet exist or is only now being enacted, our typically Austrian culture of dialogue and consensus assures good industrial relations, irrespective of the degree of unionization.

► In consultation with the Management and employee representatives, the social partners have negotiated a new contract. This is a first step towards a single employee status and uniform arrangements for salaried and non-salaried staff. Agreement has also been reached on the principle that all the successor companies of today’s OMV Aktiengesellschaft will be subject to the new agreement. This is an important precondition of the planned holding company structure. ◀

The results of our annual Human Capital Management (HCM) survey for 2002 show an increase in staff motivation and job satisfaction. The overall result is three percent up on the previous year. In the “Communications and Information Flows” assessment category the score rose by seven percent. There was also a marked improvement in awareness and understanding of corporate strategy and goals.



“SNO is charged with offering the Company training and development programs that help the Group reach its strategic objectives. For instance, we are helping with the transition to English as the corporate language in a number of ways. Other important aspects of the training partnership will be skill enhancement programs tailored to the needs of different target groups, and new course designs that permit workplace learning focused on gaining hands-on skills.”

Eva Mirau, training manager

We care a lot about **employee motivation** and fostering employees’ sense of belonging and ability to identify with the company. We attach particular importance to the induction of new staff members. Priority is given to helping newcomers and existing staff to get to know each other in the interest of good teamwork and knowledge and skill transfers. A mentoring program was launched in 2003 in order to structure this process.

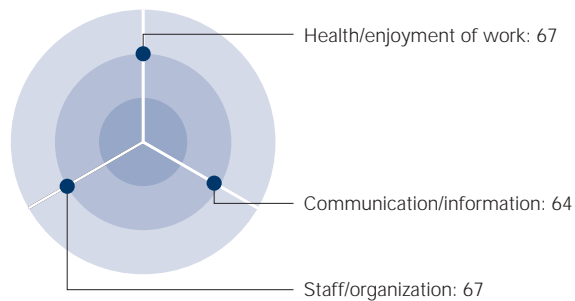
► The Young Professionals Club OMV has been established for young staff members who are new to the Group or have only joined it in the past few years. The club is intended to spread the “OMV spirit” and act as a discussion circle. The quarterly meetings give members a chance to exchange information in a relaxed atmosphere. The relationships formed in this way promote teamwork. ◀

► OMV’s commitment to workforce health and safety is reflected in recent special activities. The 2001 “Smoke-free OMV” campaign was followed by last year’s “OMV Run & Fun” program. In line with our “Move & More” philosophy, staff members are encouraged to keep moving. The Run & Fun package included payment of the entry fee for a marathon (OMV Linz Marathon in April or Vienna City Marathon in May), and a precautionary check-up including basic internal and orthopedic examinations and an overall fitness analysis. Apart from ongoing care from sport doctors, contestants were offered professional training support and a running kit. ◀


The staff induction process gives priority to promoting teamwork by helping newcomers to get to know colleagues.

Find out more: www.omv.com

Human Capital Index 2002: 66







Human rights – ensuring individual rights

While governments have the primary responsibility to respect the rights of their citizens, business corporations, too, have a duty to protect and promote universally accepted human rights. Our role as a niche player in the world oil market sometimes takes us into conflict zones where the maintenance of human rights is not a matter of course. We accept our obligation to safeguard the rights of minorities and indigenous peoples in such areas, to the extent that it is in our power to do so.

We examine the predictable impacts of our activities on the socioeconomic and socio-cultural environments concerned. The ethical standards enshrined in our corporate code of conduct commit us to examining reports of human rights abuses in the areas where we operate.

OMV does not seek to take on the role of governments or NGOs. A business enterprise cannot play politics or pursue humanitarian goals. However, we agree with Amnesty International that businesses have a direct responsibility for ensuring that human rights are respected within the sphere of their own operations. Employees and other people with whom a company collaborates are entitled to the protection of their human rights. We also share the view that companies should take special care to prevent their own security measures from resulting in violations of human rights.

Our ethical principles are set out in our corporate code of conduct. We pay special attention to implementing our policies in host countries where we believe that local legal systems fail to provide full protection for human rights. We have already achieved a great deal, but we are repeatedly confronted with new situations. We aim to apply our experience of putting our ethical principles into practice to all the social environments we encounter.

We attach great importance to **assessing potential investments**. We examine the predictable impacts of our activities on the socioeconomic and sociocultural environments concerned, and we carefully review these effects at regular intervals.

→ In 2003 an impact assessment process management module was included in our corporate integrated risk management system. Detailed checklists are used to analyze the potential impacts of entry into new areas of business and countries before decisions are taken. This ensures that we identify and evaluate interactions between our activities and the natural and social environment in good time, and regularly reassess them. These impact assessments are both a precautionary measure and a means of monitoring our investments at each project stage.

Challenges and objectives:

- > Showing sensitivity to the national and local social environments in which we operate;
- > Transferring our standards to operations in host countries with varying cultures and mentalities, including joint ventures;
- > Providing employees, contractors and installations with adequate protection against attack;
- > Monitoring our activities abroad on an ongoing and comprehensive basis, irrespective of ownership or operatorship;
- > Training security personnel;
- > Professionalizing our humanitarian assistance.



“The massive human rights abuses in Sudan and the related problems with oil production have led to a rethink, partly as a result of criticism from many NGOs. True to your former slogan “Austrians with responsibility,” you have introduced a code of conduct which we see as a major step towards the observance of human rights by your company. What matters, however, is the extent to which actions follow words.”

Heinz Patzelt, Secretary General of Amnesty International Austria

In our Exploration and Production business segment, social impact assessments are an integral part of environmental impact assessments. In many cases the sociodemographic data available is inadequate, however. In Pakistan, for example, it was necessary for us to conduct statistical surveys of our own, with the level of detail normally associated with a microcensus. Only when we had this data was it possible to form a picture of the local social environment, population density and infrastructure.

Our code of conduct obliges us to evaluate human rights abuses occurring **in our operational areas** and initiate investigations by independent experts where necessary. For instance, in 2002 we requested expert opinions on the exploration of Block 5A in Sudan, in which we then held a minority interest, though no OMV staff were present. These inquiries confirmed that an escalation had taken place in the civil war, which has been raging for two decades. However, the information was incomplete as large parts of the block were inaccessible at the time. Work had been suspended there for security reasons, and only resumed after an on-the-spot inspection by an OMV team in March 2003. This followed meetings with local officials, NGOs, members of relevant UN organizations and an international monitoring team, which indicated that the situation in the south of the country had improved. In September 2003 we disposed of our interest in exploration blocks 5A and 5B with retroactive effect from January 1, 2003. This

was a business decision, taken without regard to progress in the peace process in Sudan.

Though we normally take a low-key approach, some of our ventures require the presence of **armed security personnel**. In the absence of generally accepted international standards for the training of security staff we are basing our approach on Amnesty International’s “10 Basic Human Rights Standards for Law Enforcement Officials.” These recommendations have been adapted to our needs in consultation with Amnesty. By bringing in outside expertise in this way, we are making up for our lack of experience in this sensitive area of activities.

→ A new guideline governing the recruitment and training of security staff by our contractual partners where the use of armed personnel is unavoidable for us as operators was introduced in 2003. Our first training courses for management and security guards were held in Pakistan in 2003.

In 2002 we refocused our approach to **development aid and humanitarian projects** in areas where our Exploration and Production segment operates. A Vienna-based international development organization has made a major contribution towards professionalizing our aid effort. A study on “Corporate Social Responsibility and Development Cooperation”, commissioned by us, has helped us improve our fieldwork with local communities. Our development-

We initiate investigations of suspected human rights abuses by independent experts and base our decisions on their advice.



“Our community development approach, whereby local people are always involved in planning and implementing projects, ensures that our humanitarian aid truly meets their needs. Well run development cooperation with neighbors helps us build up close long-term relationships with local stakeholders.”

Ulrich Peball, head of EP-HSEQ

We give priority to community based solutions for our development projects.

assistance activities are guided by the quality standards of the Austrian development cooperation program, and European Union and UN principles. Getting to grips with the generally accepted goals of development assistance has helped us to refocus our strategy. Where regional planning and programs along public private partnership lines are inappropriate, we give priority to local solutions. The recommendations of the development-policy study support our strategy of giving preference to grassroots activities rather than projects that bring prestige but fail to address the needs of local populations.

→ In 2003 we began making a major effort to involve local people in projects, focusing on capacity building rather than traditional donor-beneficiary relationships. We have detailed guidelines and procedures for community relations and community investments in the countries where we operate. Information exchanges between the various ventures promote our learning processes and help us optimize our regional programming.

Community participation processes are time-consuming and costly, but the effort has been worthwhile. By achieving largely conflict-free relations with our neighbors we safeguard our “license to operate.” For instance, the community development projects in Pakistan are implemented by so-called “community development societies” (CDS). The villages in and around the Miano and Sawan gas fields have equal rights of representation in these organizations. Some 57 communities in Miano and 161 in Sawan are actively participating in a CDS, which are registered as NGO's.



“OMV Pakistan is at work in a region where basic needs such as drinking water, health care, education and employment are not fully met. People hope that our community-based initiatives will bring a change for the better.”

Azmat A. Malik, Community Development Manager, OMV Pakistan

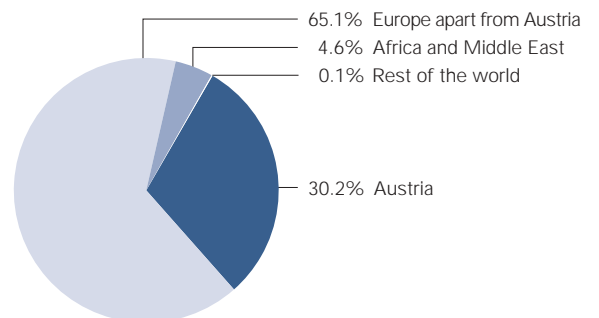
Apart from rally driving and Nordic skiing, our corporate sponsoring program concentrates on social sponsoring. For the past two years the latter has been exclusively devoted to SOS Kinderdorf International. OMV and SOS Kinderdorf are both internationally successful organizations with their roots in Austria. Following the excellent response to a children’s circus project in 2002, we mounted another international sponsoring program, “Children on the move”, in 2003. Twelve European countries took part in the project. It began with children’s drawing competitions at children’s villages. The proceeds of a merchandising campaign and appeal on behalf of disadvantaged children, carried out at 1,700 OMV filling stations, went to SOS Kinderdorf. In 2003 the proceeds of the annual OMV Christmas card fund-raising campaign will be donated to an SOS children’s village in Albania.

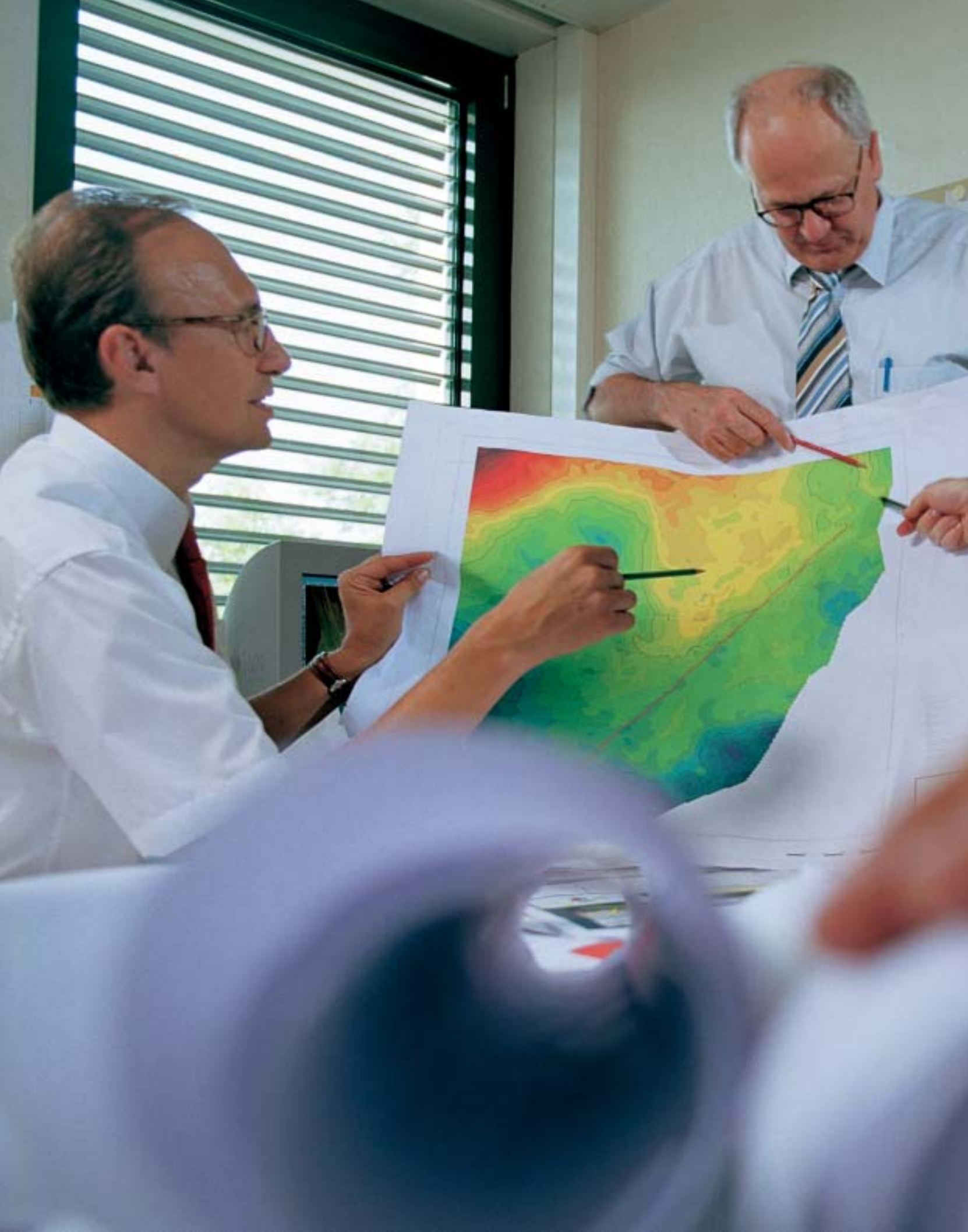
→ Ours is a technology-based industry and therefore requires special skills. For this reason alone, the use of forced and child labor in oil and gas exploration and production can safely be ruled out. However, this does not apply to all of the products we procure from outside organizations, and here our influence along the entire supply chain is naturally limited. We therefore amended our purchasing terms and conditions in 2003, and these now provide for penalties in the event that we discover that suppliers are using forced or child labor in their production processes.

We don’t see forced and child labor as trivial offenses, and we don’t turn a blind eye to them.

Find out more: www.omv.com

Procurement volume: EUR 3.22 bn







Health, safety and environment – aiming still higher

We are steadily improving our already high health, safety and environment (HSE) standards. The principles that guide our approach to HSE are enshrined in our corporate code of conduct. They apply to all operational departments and companies in which we hold a majority. We also adopted a new corporate HSE policy in 2003. This replaces the corporate guidelines on environmental policy issued in 2000, and establishes the lines of responsibility for HSE within the Group. In addition, our legal compliance processes have been revised with regard to HSE, and measurable HSE targets are now incorporated in our Balanced Score Card system.



“As a physiotherapist at the Otto-Wagner-Platz and Lassallestrasse buildings, I am often consulted about complaints connected with bad posture, broadly related to typical desk work. We combat postural problems and the resultant symptoms by prescribing courses of treatment and exercises tailored to individual needs. Our goals are achieved when the people who come to us have become body and movement aware, both at work and in their leisure time, and feel better all round.”
Karin Seifert, Occupational Medicine

The health of our employees is not just a private matter for them, it is part of our corporate responsibility, which does not end with obedience to the letter of the law.

In the interests of transparency and comparability we are extending our reporting system. Data collected or calculated at plants is now being aggregated at Group level. All subsidiaries in which we are the majority owner are included in proportion to the percentage holdings. Joint ventures in which we are the operator are included even if our stake is less than 50%; where OMV is not the operator the data is excluded. Environmental reporting on new companies or sites commences only when they have been with the Group for a full year. HSE statistics are posted on our corporate portal.

Management is strongly committed to safeguarding our people's physical health and their emotional and social well-being. Our **occupational and preventive medical services** aim to enhance employees' quality of life and maintain their performance at work. They include preventive health programs tailored to the needs of individual sites. An example is the orthopedic examinations carried out at the Schwechat refinery. The strong response, and the large number of complaints diagnosed, show the need for such screening, and this program is to continue in 2003 on an expanded basis. A particular effort will be made to encourage staff members with physically taxing jobs to take part. Meanwhile, five-shift working has been introduced at several production sites, in order to reduce the strain of shift work on employees' health.

In many countries where we have an operational presence, occupational health legislation is inadequate or non-existent. In such cases we ensure that our staff have access to first aid services when establishing our own operations or taking over those of other companies. In addition, we investigate the standard of the training of medical personnel and the equipment at local hospitals. There are active occupational health programs, adjusted to the grassroots situations, at all Group companies. When staff are assigned abroad we inform them and their families of any local health risks, and offer them comprehensive medical

Challenges and objectives:

- > Group-wide introduction of integrative management systems;
- > Modification of newly acquired plant and equipment to conform to OMV safety and environmental standards;
- > Improvements to occupational medicine provision at recently acquired subsidiaries;
- > A reduction in the lost time incident rate to less than two per one million hours worked.



“The authorities here are taking a lead from the environmental standards at OMV’s filling stations when drawing up new legislation.”

Alen Stajkovic, a filling station operator in Belgrade

examinations. A unique feature of our health care provision is the therapeutic care offered to our employees and those of contractors to help them deal with the psychological trauma of accidents so that they can continue to work safely.

► The “Smoke-free OMV” campaign mounted in 2001 brought measurable results. The aim was to help employees to quit smoking by providing professional medical support. Information events were held, and participants were offered group counseling, individual coaching and nicotine substitutes. One-third of those who took part succeeded in giving up smoking permanently. Another step taken was to declare all official meeting rooms at Group companies “smoke-free zones.” ◀

In 2002 a Group-wide program entitled Think: Ahead discover safety” was launched with the aim of ensuring that all processes are safe, and that our own employees and those of contractors go home healthy every day. The program centers on safety courses, safety audits by senior executives, and action to prevent incidents and accidents. In 2002 a total of 535 employees at all levels of management received safety training and took part in practical exercises. Almost 2,000 safety audits were performed.

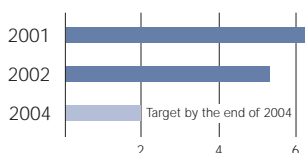
There is a particularly urgent need for action on contractor safety. In the first three quarters of 2003 there were three fatalities among contractors’ employees.

For a company like OMV which is expanding rapidly in countries with varying standards, **security** is a key issue. This concerns both our staff and contractors, and our assets. In addition to taking prudent, up-to-date security precautions in newly industrialized and developing countries, we are paying increasing attention to protecting our filling stations against robberies. We have responded to this growing problem by taking the only initiative of its kind in the industry to date. We have issued a security manual and emergency checklists to filling stations, launched a training program for forecourt staff, introduced a “Safety Quick Check Card,” and installed video surveillance systems at our filling stations and shops.

Plant safety and fire protection are key concerns in our industry. During the period under review no major incidents were recorded. Our emergency response plans are regularly tested. Emergencies are simulated in exercises held in conjunction with plant or local fire brigades at all our production facilities and at locations on pipeline routes.

Defending people and assets against potential dangers is an increasingly important issue. Our filling station security initiative has set new standards for the industry.

Lost time incident rate (LTIR), OMV employees



Definition: Lost time incidents are industrial accidents resulting in one or more lost workdays. The lost time incident rate (LTIR) is the number of lost time incidents per 1 mn hours worked.



“Sustainability reports document the readiness of a company to think beyond pure profit maximization and acknowledge and fulfill its social responsibilities. Publishing a report is one thing, and acting sustainably is another. That requires clear goals and definite steps to implement policies on the ground. It also demands a willingness to keep critically reexamining existing and new projects, especially in developing countries.”

Monika Langthaler, brainbows

Our commitment to action on climate change is not just lip service. Our heavy investment spending is bringing measurable results. However, the higher standards already are, the harder it is to improve on them.

► OMV’s marine transportation operations are subject to strict safety standards. All vessels under charter to us are less than 20 years old and in demonstrably good condition. From 2004 onwards we will only use shipping lines that operate tankers with double hulls, and will begin progressively reducing the age limit to 15 years. As we now regard the entire Danube region as our core market and are rapidly expanding our activities in it, in 2003 we joined the European Barge Inspection Scheme (EBIS). ◀

Environmental protection is a high priority for OMV. We regularly monitor the environmental impacts of our production sites. We set environmental targets for each plant in accordance with its design configuration. At Group level we assess our environmental performance in terms of energy use, emissions of greenhouse gases, atmospheric pollutants and dust, freshwater consumption, wastewater loading and waste streams.

► In July 2003 we underlined our pioneering role in environmental protection by commissioning a new hydrogen plant at the Schwechat refinery. The plant marks a major milestone in an investment program which will give us sufficient capacity to market sulfur-free transportation fuels at all our Austrian filling stations from January 1, 2004, onwards – five years ahead of the EU deadline. Sulfur-free fuels are suitable for all vehicles and do not require engine conversions. Their availability will promote the development of new, ultra low emission engines. ◀

► A EUR 2.1 mn plant at the Agrolinz Melamin location in Linz represents the largest single investment in combating climate change made in Austria to date. In cooperation with Krupp Uhde, Agrolinz Melamin has developed a unique nitric acid production process that will cut greenhouse gas (GHG) emissions by 1,600 tonnes or 500,000 tonnes of CO2 equivalent. This will result in a 9% overall reduction in the Group’s GHG emissions. Agrolinz Melamin won the Upper Austrian provincial government’s “Climate Saver” award for this project. ◀

Performance indicators for 2002		change to 1998 in %
Energy consumption	76,465 PJ	4
GHG emissions	5,818 mn t	- 2.5
SO ₂ emissions	5,947 t	3.2
NO _x emissions	6,686 t	2.6
VOC emissions ¹	1,929 t	- 59
Dust emissions	282 t	- 9
Wastewater loading, COD ²	901 t	- 56
Wastewater loading, HC	3 t	- 51
Freshwater withdrawal	20 cbm	- 11.5

¹ Revised figures

² New wastewater disposal plant AMI Linz for ammonia

“OMV has been operating in the development of the oil and gas sector in Pakistan for the last ten years, having explored a number of concessions. Its contribution towards the economic development of our country is significant. During this period, OMV has proved to comply with the various regulatory requirements for its operations. Moreover, it has striven to maintain outstanding relationship with the local communities living in the area. I feel privileged to mention that the company has always maintained a congenial working relationship with the Environmental Protection Agency, Government of Sindh, and Pakistan.”

Shafiq Ahmed Khoso, Director General, Sindh Environmental Protection Agency

We are committed to taking action on **climate change** by improving our production processes and products. Austria's target of decreasing CO2 emissions by 13% is one of the most ambitious adopted by an EU member state. In this connection, it should be noted that the country's CO2 intensity (CO2 emissions from fossil fuel consumption per GDP) is already 37% below the OECD average, that the share of renewables in the energy balance is high, and that process emissions cannot be reduced at will. A progress report for 2001 indicated that Austria had not yet made any progress towards its Kyoto target, and that total GHG emissions were about 10% up on the base year (1990).

The potential for increasing energy efficiency has largely been exploited, and there is little scope for further energy-saving measures by Austrian industry. Indeed, stricter products standards, requiring ever increasing energy inputs, mean that the trend is now in the opposite direction. The European Union's Auto-Oil Programme has had this effect on the refining sector. The possibilities for other courses of action, such as substituting energy sources, are limited. However, improved products can reduce GHG emissions by other sectors. We are also working on improved process technologies, such as that at Agrolinz Melamin, on projects for the injection of CO2 in depleted reservoirs, and on preparations to participate in emission trading

► The Pro Klimaschutz (Anti-Climate Change) initiative: In response to an initiative by OMV, in 2002 the Austrian oil industry adopted a voluntary target of avoiding one million tonnes of CO2 emissions by 2012. The program includes action to improve the energy efficiency of space and water heating systems, and to promote improved thermal insulation of older buildings. ◀

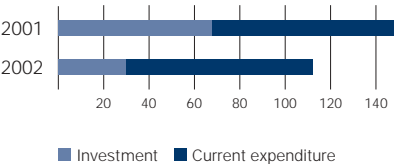
We are a European oil and gas group with integrated chemical plants, and are pursuing a growth strategy in these areas of operations. One thrust of our strategy is the promotion of natural gas as a transportation fuel, and we are therefore rapidly expanding our gas filling station network. Natural gas is widely regarded as a **key energy source** of the future – not least because of efforts to combat climate change. For us, this means that our own gas production is increasing in importance. We are currently participating in the EU's BIOSTAB and BIOFLAM projects, under which we are helping to develop quality standards for biodiesel, and alternative heating technologies and fuels, respectively.

By helping to develop new processes aimed at increasing energy efficiency, we are contributing to sustainability and maintaining our Group's long-term competitiveness.

The corporate guidelines for environmental protection, issued in 2000, were recently revised. This reflects the need for frequent adjustment of such directives to economic, technological and social change.

Find out more: www.omv.com

Environmental protection in EUR mn/y



External relationships – dialogue creates trust

As a global corporation, we have responsibilities in many different areas and are accountable to many different stakeholder constituencies. Customers and investors have their own expectations of us, as do our business partners. But our operating environment also includes a multiplicity of other groups, which do not all share the same interests. Competitors, politicians in the legislative and executive branches of government, regulators, interest groups, civil society and the media – all have different reasons for watching what we are doing. Honesty is the best policy when it comes to building and maintaining trusting relationships in a multi-stakeholder environment.





Trust and integrity are critical to constructive relationships in business life. Our guideline on conflicts of interest establishes clear, Group-wide rules of behavior.

Our corporate code of conduct lays down our policy on stakeholder relations. Where the policy requires interpretation, our actions are governed by process management tools, corporate guidelines and detailed procedures. Sensitive issues are actively addressed.

→ A new guideline establishing clear rules for dealing with conflicts of interest was issued in 2003, and all Group companies have been informed. Conflicts of interest that may have a negative effect on motivation and personal behavior must be disclosed in order to enable appropriate decisions to be taken. The guideline reflects our belief that trust and integrity are crucial to constructive relationships in business life.

We operate in a highly complex multi-stakeholder environment. Our core target group is our customers. To position ourselves successfully in our target markets, we must look after the **interests of customers and consumers**, and constantly adjust to the changing demands of the marketplace. To this end we survey the satisfaction of our filling station and heating oil customers, and of our commercial customers for lubricants (workshops and transportation companies). We use mystery shopping and training courses for forecourt operators to assure the quality of our retail services.

► In 2002 we won the European Customer Satisfaction Association (Eucusa) award for the most customer-friendly company in the filling station category. Our success in transforming our stations into multifunctional service centers for people on the move won them top marks for customer satisfaction and appeal. A poll of 120,000 consumers, business customers and employees by consultants Kreutzer, Fischer & Partner for their "Austrian customer satisfaction barometer" also brought excellent ratings – especially for forecourt accessibility, opening hours, convenience shops, helpfulness and service facilities. ◀

Challenges and objectives:

- > Effective early warning systems for identifying new issues and aspirations, and professional issue management;
- > Expert stakeholder relations management and communication;
- > Rapid responses to emerging situations, using a wide range of information and communication tools;
- > Transparency and credibility.



“Our international improvement management system is the key to continuous improvement of our products and services. It is our internal tool for constantly enhancing our responsiveness to customers and their satisfaction.”

Helmut Peschke, head of HSEQ Management Systems

We use modern quality management systems and specialized industry certifications to assure the **quality of our products and services**. These model and enforce standardized production processes, eliminate potential sources of error and ensure that our products are of uniform quality.

Consumer complaints procedures are simple and unbureaucratic. The contact points or complaints procedures are named in our published product descriptions, on the products themselves and on our portal. Complaints about products or customer service are individually processed by our international improvement management system. The complaints statistics show that the system is having a positive effect on our products. However, the impact on our customer service still leaves something to be desired.

As an oil and gas group, we cannot avoid transporting, producing and marketing some hazardous materials. There are strict rules on product safety, safe use, storage and disposal, both at Austrian and European level, and the EU is increasingly harmonizing consumer protection legislation. The Austrian Chemicals and Waste Management Acts, and regulations for the transport of hazardous goods are all based on the precautionary principle. Safety fact sheets on our products are available to the public. It goes without saying that we comply with the requirements for product labeling. The care we take on safety is shown by our constructive cooperation with the relevant government authorities and with consumer protection organizations. In order to ensure that the transport of hazardous goods meets the highest safety standards, we select our shippers not just on price but also on their quality and safety management systems. Safety principles and responses to accidents are regulated in detail by the contracts. In addition, we spotcheck some 3% of our shipments of hazardous materials in conjunction with the authorities. Every driver attends an annual safety training course at the loading facilities.

Standardized production processes ensure uniform product quality. Consumer complaints procedures are simple and unbureaucratic. They are dealt with personally, and statistical records are kept.

Improvement management	2002	2001
Services	621	527
Products	155	121



“Close cooperation between the Group and forecourt operators out in the marketing regions is vital to striking a fair balance between both sides’ interests. My role as an intermediary – and sometimes a translator – depends on knowing and understanding the economic environment the industry works in, and the operators.”

Harald Pflieger, spokesman for the forecourt operators

Our relationships with business partners, suppliers and contractors are governed by corporate guidelines and procedures based on the principles of our corporate code of conduct.

Our corporate code of conduct establishes the principles that underlie our relationships with our **partners, suppliers and contractors**, which are based on mutual trust. Where necessary, our corporate purchasing and crude oil supply departments issue detailed guidelines and establish safety procedures. Our procurement, ordering and follow-up processes are rule-based and transparent. They help our people do their work efficiently, and set clear and reasonable conditions for business partners and suppliers. The suppliers’ center on our corporate portal provides information.

Our **filling station franchisees** play a critical role in our success. Due to their constant contact with customers they are our most important ambassadors – day in and day out, in a current total of 12 countries. Their dedication, the uniform standards they are required to meet, and the regular training courses they attend are key elements in our growth strategy. A specialist training subsidiary provides on-the-job training.

OMV retail market share in %	2002	2001
Austria	21.01	20.00
Germany	2.53	2.65
Czech Republic	10.18	11.13
Hungary	10.53	10.04
Slovakia	12.74	11.38
Bulgaria	10.38	9.85
Romania	4.23	1.92
Serbia/Montenegro	0.71	0.00
OMV IB Koper	26.23	25.23
OMV IB Zagreb	9.83	8.08
OMV IB Italy	1.68	1.55
Total	8.45	7.77



“Six-month work placements are mandatory for non-university tertiary college students. It was an important experience for me to be able to immerse myself in the realities of life with an international group. My six months with Corporate Communications gave me an insight into the many sides of the department’s work, enabled me to take on responsibility, and got me used to the time pressures.”
 Michael Alfons, journalism student and intern

The frequency and subject matter of the ongoing communication with **employee representatives** at Group level, and with employees’ professional associations, **interest groups** with differing organizational and legal forms, **regulators, politicians** and **residents’ groups** are so many and varied that it would not be possible to capture and analyze them in detailed statistics. Cooperation with government and civil society in the widest sense is a matter of course for us, and is essential if we are to preserve our “license to operate.”

Where we have failed at first to understand the need for dialogue and debate on sensitive issues, we have learned from our mistakes. Where we have succeeded in engaging with stakeholders, we have been rewarded by largely friction-free relationships.

► We use a variety of channels for direct, personal communication with consumers and business partners. We have set up “green telephones” at a number of our production sites. The hotline at our Schwechat refinery took 12 calls from local residents in 2001, and 25 in the following year. The shift manager on duty deals with all inquiries, and tracks and logs complaints. The last resident’s complaint at any of our three operating sites in Germany was recorded in 2000. ◀

Internal and public relations call for professional information management. This is not the same thing as product marketing or advertising. We employ all available media and communication channels to reach stakeholders with up-to-date information relevant to their interests. Feedback loops support the dialogue process. Conventional media relations work, a frequently updated website and a large intranet portal are the main tools.

→ A corporate guideline issued in 2003 established the responsibilities for communicating with the media, and wording in external communication.

Ongoing media relations activities create a climate of trust in communications with journalists – the people we depend upon to get our message across.


Today’s new technologies make it easier to supply stakeholders with up-to-the-minute information. The Internet and our corporate intranet play an increasingly important role in our external and internal relations. Still, print media remain indispensable.

Find out more: www.omv.com

	2002	2001
Thema	34	27
Thema Vorstand	5	none
Press releases	41	39
OMV Leben	6	4 ¹
OMV Treffpunkt	16 ²	none

¹ Plus one OMV Mix at start of year
² At OWP, LAS, GER, GAE and RAP





Working with capital markets – building trust through sharing information

Transparency, sound risk management and effective communication are key competitive factors in gaining access to capital markets, and help reinforce shareholder confidence. We are currently in a growth phase, and are therefore paying particularly close attention to risk management, optimum financing of major investments, and value management.

Our Group-wide integrated risk management system puts risk assessment on a transparent basis. Risk management, aimed at maximizing profits and limiting exposure, is a central corporate function.

Our activities as an international oil and gas group expose us to country risks. We therefore attach great importance to deploying and refining management tools that will help us to identify, evaluate and manage risks.

Risk management, aimed at optimizing and securing earnings, is a central corporate function at OMV. Our system addresses all the main areas of exposure: market and financial, legal, production and logistics, R&D, environmental and reputation risk. Corporate and departmental guidelines for recognizing, reporting and mitigating most forms of risk, and assigning responsibility for them, are in place.

We employ derivative instruments – principally put options and spreads, and margin swaps linked to call options – to hedge interest rate, foreign exchange and commodity price risks. Our annual reports contain information on our use of these instruments. Such transactions are undertaken in accordance with clear guidelines, and are regularly audited by recognized international experts. In addition, the supervisory board commissions independent audits of our transactions in connection with Management Letters.

► In 2003 an integrated risk management system was developed and rolled out across all fully consolidated Group companies. Risk categories and definitions, the principles of risk recognition and analysis, and the corporate risk map were updated. A software tool implemented at all Group operations supports efficient maintenance of the system and assists in the monitoring of material risks. Responsibilities and reporting duties are precisely defined. Special risk analyses are mandatory in the pre-project phase ahead of decisions on entry to new countries or areas of business, as well as mergers and acquisitions.

The Group-wide standardized risk management system ensures that a wide range of risks are evaluated in accordance with uniform and transparent methodology. ◀

Challenges and objectives

- > Diversified long-term financing for our growth strategy;
- > Group-wide integrated risk management;
- > Attractive value growth;
- > Rapid integration of acquisitions.



“Many elements of OMV’s risk management system are known to us as a result of our activities as the company’s auditors. The system identifies the material risks to which the company is exposed. In 2003 a comprehensive risk inventory was compiled, and this laid the basis for a new Group-wide integrated risk management system.”

Michael Schober, Deloitte & Touche

The underlying principles of our financial policies are outlined in our corporate code of conduct. This establishes our obligation to minimize financial risks while maximizing profitability. Our Corporate Treasury Department handles day-to-day financial operations. Our financial strategy is aligned towards funding our planned growth. Careful diversification of the forms of finance and financiers is the prime consideration. Our responsible approach is demonstrated by the highly diversified maturity structure, the optimum hedging of foreign exchange risk, and the international distribution of the borrowing portfolio.

► Pursuant to these principles, in the first half of 2003 we issued a long-term eurobond on the Austrian market, and placed long-term US senior notes with institutional investors (US private placement). This will spread our debt portfolio over maturities of up to 12 years and diversify our lenders, thereby making a major contribution to reducing refinancing risk. ◀

Our growth strategy calls for careful planning and monitoring of our financial performance indicators and cash flows. We keep a constant watch on our gearing ratio (ratio of net debt to equity) – for which we have set a medium-term target of 30% – our covenants, and the indicators that affect our credit ratings and hence our medium and long-term capital costs and access to capital markets. We also monitor our risk indicators.

The thresholds for notifying transactions to the executive and supervisory boards and obtaining their approval are clearly established. Close cooperation with Corporate Controlling on financial policy is standard practice.

The core function of **Corporate Controlling** is monitoring financial performance, budgeting and the financial aspects of project management. Financial planning according to annual cycles helps maintain tight control. The controlling function’s activities also include strategic planning, examination of budget assumptions, investment planning and annual operational budgets, as well as the preparation of monthly and quarterly reports, together with forecasts which are submitted to the Group and segment managements.

These reports contain indicators of earnings, balance sheet, financing, profitability, capital market and shareholder value, and capital expenditure, as well as information on our market shares, and the main market parameters such as oil prices and exchange rates. The monthly reports also contain Group and segment level budget/actual comparisons, providing a basis for management decisions. Postinvestment audits must be submitted to the supervisory board two years after an investment has been made. The controlling manual and a detailed accounting manual establish standard rules for controlling tasks and procedures across the Group.

Due to our role as an international oil and gas group, risk management, aimed at optimizing and securing earnings, is a key corporate function.

Our financial policies are open and transparent. Our Corporate Controlling Department monitors expense budgeting and the financial aspects of project management.



“Periodic budget/actual comparisons and projected results provide a basis for responsible management decisions. Central data collection depends on the cooperation of all levels of the Group and business segments. This works well, ensuring that all the relevant performance indicators are available on time.”

Martin Siencnik, Head of Corporate Controlling

Executive Board members' salaries and stock dealings are disclosed. Compliance with the insider rules is monitored.

Several years' development have gone into our approach to **value management**. Today, it is an integral part of our management system, to which Management attaches high priority, and colors our planning and decision-making processes and reporting. The information system contains the necessary metrics and control levers. Acquisitions are also assessed in terms of these profitability criteria.

Our value management approach focuses on growing the market and strategic value of our equity, and on achieving competitive returns and operating performance.

As a listed company we are subject to strict regulation. Unlike the American and British legal systems, company law in continental Europe, and particularly in Austria, contains numerous prescriptions for the management and supervision of stock corporations. Since 2002 Austria has also had a **Corporate Governance Code**. We were the first Austrian company to make a public commitment to observance of the code.

Our Group also publishes the salaries and stock option holdings of individual Executive Board members, and has disclosed the terms of the stock option plans at the Annual Stockholders' Meeting. Executive Board members' dealings are disclosed on our website.

A compliance officer, reporting directly to the Executive Board, is responsible for excluding insider trading to the maximum extent possible under current legislation. So-called "insider areas" have been established pursuant to the applicable government order. The channels by which confidential documents are transmitted must be traceable.

The Corporate Governance Code pays particularly close attention to the interaction of the executive and supervisory boards, as well as auditor independence and wider responsibilities for auditors. We fully comply with these requirements.

A professional **investor relations** effort – financial marketing in the sense of the nurturing of relationships with financial market participants – are an indispensable element of the dialogue with stockholders. The information supplied is compliant with international standards, open (comparable with the peer group), relevant and timely (i.e. continuous, consistent and transparent.)



“Controlling is sometimes wrongly associated with heavy-handed interference and seen as an additional bureaucratic burden. I see it as my task to offer a service, and assist with project operating and control procedures. You have to be good with people as well as numbers. In my 28 years with OMV I have gotten to know my colleagues well despite our different roles, and together we are capable of cracking even the toughest problems.”

Johanna Schinkowitsch, Controlling, International Exploration and Production

OMV is listed on the Vienna Stock Exchange and in Frankfurt and Munich. Our stock is also quoted on the SEAQ International in London, and is traded on the American Depository Receipt (ADR) market. This means we are subject to different reporting duties and systems. In the interests of comparability with our international peer group we include a US GAAP reconciliation in our annual financial statements. The notes to the reconciliation explain the differences between Austrian and US GAAP.

Our quarterly results are made known within two months of the end of each quarter by way of stockholders' letters and press releases. Our Investor Relations Department has access to all the financial information it requires from Controlling, Risk Management, Treasury and the accounts departments. Comprehensive financial disclosures are presented in our interim and annual reports, together with operational reviews. Regular presentations at roadshows, one-on-one meetings and analysts' conferences in the main financial centers in Europe and the US provide opportunities for personal discussions with members of our Executive Board. In 2002 an average of three analysts and/or investors per day contacted the Investor Relations Department, and Management or the IR team explained OMV's strategy to more than 250 people in 80 one-on-one or small group discussions.

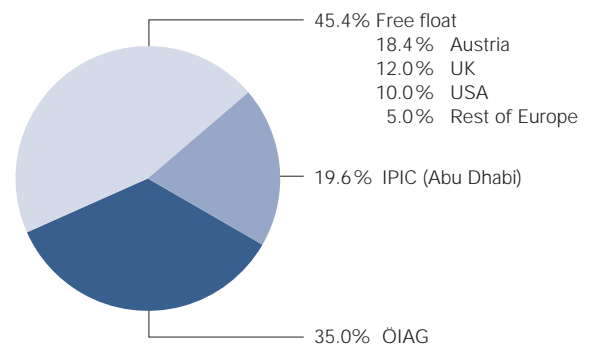
In close cooperation with Corporate Communications, the various target groups are kept up to date on our financial performance, using carefully selected information channels. All information is posted on our intranet portal and the Investor Relations Center on our website.

► Austria's *Trend* business magazine honors the best annual reports published by listed companies. As in previous years, our report for 2002 was among the winners of the Austrian Annual Report Awards. The jury placed it first in the "business reporting" category. ◀

Stockholders are promptly informed of results, and their confidence in us is reinforced by professional investor relations activities.

Find out more: www.omv.com

Shareholder structure







Pakistan location study –
from discovery to processing

“OMV has been operating in the development of oil and gas sector in Pakistan for the last ten years, having explored a number of concessions. Its contribution towards the economic development of our country is significant. OMV’s commitment to compliance with and adaptation to local environmental laws and regulations is substantial. All of its exploration and production operations are carried out in conjunction with active environmental management. The company’s consciousness and concern for the protection of potential resources in the game reserve and wildlife sanctuary where it is operating is commendable, and is consonant with a sustainable development approach.”

Shafiq Ahmed Khoso, Director General, Sindh Environmental Protection Agency.

OMV’s activities in Pakistan are creating new, well-paid jobs in economically under-developed regions, thus helping to increase living standards.

OMV in Pakistan

OMV (Pakistan) Exploration Gesellschaft m.b.H., a wholly owned subsidiary of OMV Aktiengesellschaft, has been at work in Pakistan since 1991. Its activities are concentrated in the Middle Indus region, where it plays a major role as an operator. The company’s first well, Miano 1, drilled in 1993, resulted in the discovery of the Miano gas field, which came onstream in 2001.

In 1998 OMV discovered the large Sawan gas field, which was declared commercial in December 1999. The field is being developed in two stages. Phase I production start-up was in summer 2003, and Sawan is expected to enter full operation at the end of 2003. In 2003 we acquired a new ultra-deep offshore concession and an onshore concession.

Investment	Interest in %
Exploration	
Gambat	
OMV (operator)	35.00
AEPL	30.00
PPL	30.00
GHPL	5.00
SW Miano II	
OMV (operator)	33.40
LMPL	33.30
PPL	33.30
Indus Offshore	
OMV	15.00
TOTALFINAELF (operator)	40.00
Petronas	30.00
OGDCL	10.00
Maari Gas	5.00
Nawabshah	
OMV	30.00
Tullow (operator)	70.00
Development	
Block 20/Miano ML	
OMV (operator)	17.68
PPL	15.16
Agip	15.16
OGDCL	52.00
SW Miano/Sawan	
OMV (operator)	19.73
PPL	23.60
Agip	26.18
MND	7.89
Government holding	22.50

At present OMV Pakistan has 480 employees in Pakistan, of whom 96% are Pakistani nationals. Some 65% of the workforce are working at the production locations, and the other 35% are stationed in the capital, Islamabad. During construction of the gas treatment plant at the Sawan field, the Australian lead contractors, Clough Engineering, employed up to 3,000 workers. The project involved the construction of a sour gas processing plant with a capacity of 500,000 cbm/hour, the gas pipelines that link the seven wells into the system, as well as the entire infrastructure (access roads, airstrips and buildings). OMV policy required Clough to recruit most of the skilled labor needed for the project in the host country. Large-scale on-the-job training programs were mounted to ensure that the workers had the necessary skills to do their jobs safely and comply with official regulations.

Special attention was paid to site safety. The first phase of the project was commissioned on schedule in summer 2003, after just 19 months' construction time, despite summer temperatures in excess of 50° C. A total of nine million man hours were worked without any lost workday injuries.

In its Pakistan operations, OMV is committed to a highly responsible approach not just to employees but also to the environment and local people. Over a period of ten years, OMV has carried out 14 environmental impact assessments (EIAs); each project stage has been preceded by an EIA. Social impact assessments are an integral part of all EIAs, and OMV Pakistan therefore looks closely at local socio-economic conditions. Baseline surveys were conducted in order to obtain an objective picture of the needs of local people in the Miano and Sawan concession areas. This enabled us to establish well-designed and sustainable Community Development Programs (CDP) for the communities in the areas affected by our operations.

The surveys revealed that drinking water, health, education, transport infrastructure and employment were the main needs that the CDPs should address.

OMV's exploration and production operations in Pakistan comply with local environmental legislation and regulations. They are consistent with the principles of sustainable development.

“OMV Pakistan is operating in a comparatively lesser developed region of Pakistan where basic amenities of life are not readily available, i.e. potable water, health facilities, education for the young and income generation opportunities. People are looking for a change to be brought about by OMV through their community-based initiatives as they can see immediate impacts on their environment. Through OMV Pakistan’s needs assessment and baseline surveys, OMV has been able to tap in to local resources and enhance their capacity building. The program has brought about an improvement in the community’s well-being through this direct interface. By doing so, OMV will leave a lasting footprint in a sustainable manner.”

Azmat A. Malik, Community Development Manager, OMV (Pakistan), regarding the necessity and benefits of community development projects for OMV.



The respective Community Development Societies (CDS) are responsible for implementing the Miano and Sawan community development projects. In both areas, the villages have equal representation in their organizations. Some 57 villages are actively participating in the Miano and 161 in the Sawan CDS. Both societies are officially registered as non-government organizations (NGOs).



Community development programs addressing education, water, health and transportation have already been launched in the Miano concession area. In the Sawan area CD programs are tackling education, health and employment. In addition, a tree nursery has been set up in the Sawan area to provide one million saplings for afforestation projects.



History of community development in Pakistan

Pakistan is basically an agrarian society, and the majority of the population live in rural areas. Socio-economic development of communities in Pakistan began soon after independence in 1947, but despite the various reforms this has been an area needing much attention.

The rise of the NGO movement in the 1980s saw a different approach towards community development, where small-scale projects were implemented through community participation, aiming for self-reliance and sustainability. However, the initial funding period by donor agencies was too short to allow sufficient local capacity building and human resource development to maintain the projects on a self-help basis.

Successful community-based projects include the Orangi Pilot Project in Karachi, and the Agha Khan Rural Support Program projects in the Northern Areas, which became role models for future development programs. Based on these successes the Government has replicated the models and designed a program to run in the entire country by adopting the principles of participatory approaches to achieve a sustained development process.



Glossary

UN Global Compact

The U.N. Global Compact's principles are derived from the Universal Declaration of Human Rights, the relevant declarations of the International Labour Organization (ILO), and the Rio Declaration on Environment and Development.

By declaring its support for the Global Compact, a company commits itself to active cooperation with the United Nations, international companies, governments and non-government organizations. Participating institutions and businesses have the common goal of taking action to promote a more sustainable and inclusive global economy.

→ www.unglobalcompact.org

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are a comprehensive code of conduct aimed at promoting responsible corporate behavior in international business life.

The guidelines are joint recommendations by over 30 participating governments to multinational enterprises operating in or from their countries. They are intended to increase the positive contribution made by foreign investment to the common good, and to promote a climate of trust between enterprises, employees and society at large.

→ www.oecd.org/dataoecd/56/36/1922428.pdf

European Commission Green Paper: Promoting a European Framework for Corporate Social Responsibility

The Green Paper was published by the European Commission Directorate General for Employment and Social Affairs in 2001.

The Commission sees social responsibility as essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. The Green Paper contains recommendations on corporate social responsibility.

These are in line with the basic message of the Sustainable Development Strategy for Europe agreed at the Göteborg European Council of June 2001, that in the long term, economic growth, social cohesion and environmental protection go hand in hand.

→ http://europa.eu.int/comm/employment_social/publications/2002/ke4402488_en.html

Austrian Corporate Governance Code

The Austrian Corporate Government Code provides an orderly framework for the management of Austrian listed companies and the supervision of management. It contains the usual international standards of corporate governance, but also refers to the relevant provisions of Austrian corporate law.

The purpose of the code is to promote responsible management and supervision of enterprises and groups of companies directed towards sustainable, long-term value creation. It is based on Austrian company, stock exchange and capital market law, and on the OECD corporate governance principles.

→ www.corporate-governance.at

Global Reporting Initiative sustainability reporting guidelines

The Global Reporting Initiative (GRI) is a long-term, international multi-stakeholder process whose mission is to develop and disseminate globally applicable sustainability reporting guidelines. These guidelines are for voluntary use by organizations wishing to report on the economic, environmental and social dimensions of their activities, products and services.

The aim of the GRI Guidelines is to assist reporting organizations and their stakeholders in articulating and understanding contributions of the reporting organizations to sustainable development.

→ www.globalreporting.org/guidelines/2002.asp

Additional information

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please visit us at:
www.omv.com

OMV Aktiengesellschaft

Code of Conduct
Ursula Hager
+43 (1) 40 440-21225
info.corporate-responsibility@omv.com

Annual Report and interim reports

Bibiana-Maria Puxkandl
+43 (1) 40 440-21600
investor.relations@omv.com

HSE Report

Helga Prazak-Reisinger
+43 (1) 40 440-21493
helga-prazak-reisinger@omv.com

Refining, Marketing and Petrochemicals

Brochure and CD on Schwechat Refinery
Sonja Pekarek
+43 (1) 40 440-42301
sonja.pekarek@omv.com
or Franz Luger
+43 (1) 40 440-43168
franz.luger@omv.com

Exploration and Production

E & P World Wide Activities
Gabriele Marinc
+43 (1) 40 440-23489
Gabriele.marinc@omv.com

Gas

OMV Erdgas Annual Report and CD
Laura Pedarnig
+43 (1) 40 440-28050
laura.pedarnig@omv.com

Chemicals

AMI Annual Report
QESH Report
Eva Zuschrader
+43 (0) 73 269 14-3682
eva.zuschrader@agrolinz.com
www.agrolinz.com

Continuity of reporting

For a commercial enterprise business success is the top priority. Only if a business stands on sound financial foundations can it voluntarily assume social responsibilities extending beyond minimum legal requirements.

This publication is the first comprehensive report on our economic, environmental and social performance. In future, such performance reports will be an integral part of our corporate communications. Continuous, periodic reporting depends on the availability of up-to-date, comparable information within fixed time horizons. In meeting this requirement, we must take account of the expectations of our stakeholders and the internal needs of our Group.

The following table provides an overview of the reporting schedule and the frequency with which our Group publications will appear.

Annual Report	yearly
HSE Report	Every two years
Corporate Responsibility Performance Report	Every two years

Additional, frequently updated information is posted on our corporate portal.

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Inquiries to: OMV Aktiengesellschaft, Corporate Affairs,
A-1090 Vienna, Otto-Wagner-Platz 5, +43/1/404 40-21225,
info.corporate-responsibility@omv.com, www.omv.com

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