





Finance



Challenges and Objectives 2003/2004

- ▶ Long-term diversified financing for growth strategy
- ▶ Enterprise wide integrated risk management (establishment)
- ▶ Attractive growth in value
- ▶ Integration of acquisitions

Challenges and Objectives 2005/2006

- ▶ Integration of Petrom/cost restructuring
- ▶ Access to new capital markets
- ▶ Implementation of risk management to include acquisitions
- ▶ Investor Relations communications for Petrom

Achievements

- ▶ Expansion and strengthening of contact with SRI agencies – development of communications tool for rating agencies
- ▶ Petrom acquisition
- ▶ Adding value through profitable growth
- ▶ Capital increase; convertible bond

Strategy

- ▶ Continuous growth in company value



The challenge: adding value through profitable growth

OMV goal is to double its position in the market by 2008 and every year about EUR 1 bn is invested to finance this growth out of company funds.

Long-term, diversified financing of this organic growth and company acquisitions ensures the Group's profitable growth. The target financial system is based on strategic development, operating earnings power and the return expected by stockholders. The value management approach is firmly anchored in the planning and decision-making process. Shareholder value enhancement is at the forefront when investing in growth and financing acquisitions.

Risks are systematically analyzed and assessed to ensure a sound financial base for the Group. The aim of the risk management system is to raise awareness of risk and exclude significant risks. With their systematic and targeted approach, independent and objective checks and advisory services from the Internal Audit department review the effectiveness of risk management, the control systems and management and monitoring processes (Corporate Governance). This creates added value and increases the likelihood of achieving the corporate goals. As a listed company, we are committed to open, consistent, timely and targeted communications for the financial market.

The acquisition of a 51% stake in Petrom for EUR 1.5 bn, OMV largest single investment to date, was a milestone in the company's history. This has resulted in a major transformation process within the Group and puts OMV on a different footing to its competitors. Integrating Petrom and bringing it up to OMV Group standards represents a challenge for the next three to five years.



Our Achievements 2003/2004

Long-term diversified financing for growth strategy

OMV invested EUR 1.38 bn in 2003 to consistently implement its growth strategy. Most of this went to Refining & Marketing for the acquisition of filling stations from Aral, BP and Avanti as well as a 45% stake in the refinery group BAYERNOIL. In the Exploration and Production division, the acquisition of the international exploration and production portfolio of Preussag Energie International GmbH demonstrates the implementation of our growth strategy aimed at doubling oil and gas production.

To fund this major acquisition, OMV issued its first Euro bond with a volume of EUR 250 mn in June 2003. Also in June, the company successfully placed a USD 320 mn bond with institutional US investors. The two transactions diversified the borrowings beyond the European banking market and significantly increased the term of the debt.

At the same time, the capital increase (EUR 657 mn) and convertible bond (EUR 550 mn) in December 2004 - the first of its kind in Austria - should secure profitable growth and a sound financing structure, even after the Petrom acquisition. OMV share capital was increased through the issue of 3 million new shares at a price of EUR 219. All of the 1,793,868 convertible bonds initially entitle the holder to convert the bond into an OMV share. The innovative structure of this deal has attracted a new investor base, avoided dilution problems and increased the free float to over 50%. The convertible bond has enhanced our capital structure, giving us an additional cost-effective financing instrument.



Integrating acquisitions

The integration of the acquisitions made in 2003 (45% holding in BAYERNOIL, filling stations from Deutsche BP AG, international upstream activities of Preussag Energie AG and Avanti filling stations) was completed in 2004. This is also reflected positively in the Group's results. The Preussag acquisition also included activities in Latin America, which is outside our core regions, and action was taken to streamline the portfolio. In 2004 OMV sold the Cabimas oil field in Venezuela and the exploration operations in Sudan. At the beginning of October 2004, the acquisition of a 50% holding in OMW Adriatik (previously OMV Istrabenz) concluded the takeover of filling station companies in Slovenia, Croatia, Bosnia and Herzegovina and Italy. Full integration into the OMV Group will produce cost synergies in a growing market. This will lead to significantly better integration where product supplies are concerned and speed up harmonization with OMV quality standards.

Adding value

To consolidate further growth, OMV planned an annual investment budget of approximately EUR 1 bn for 2003 and 2004. In order to reach the target return on average capital employed (ROACE) of 13% long term – over a business cycle with average market indicators – all investment decisions are based on value-oriented indicators which improved performance. The strong upturn in results also impacted positively on the return on capital. ROACE climbed from 12% (2003) to 16% (2004); the return on fixed assets (ROfA) rose from 16% to 22% and the return on equity (ROE) from 15% to 19%.

The growth strategy requires careful planning and monitoring of our financial indicators and cash flows. This includes the net gearing ratio (net debt to equity) with medium term target of 30% as well as indicators from loan agreements (covenants) as well as monitoring our credit standing in the financial markets in order to secure favourable financing costs in the medium and long term along with access to financing sources in the capital markets.



Enterprise wide risk management

Enterprise wide risk management (EWRM) plays a key role when moving into new countries or business fields. Our EWRM system was developed and introduced in 2003. EWRM applies to all fully consolidated companies. Soft issues and hard issues are carefully assessed in terms of the Triple Bottom Line (TBL) and responsibilities and reporting obligations precisely defined. The project manager is responsible for identifying risks during major strategic processes such as acquisitions or when entering new countries. A nominated risk coordinator determines the risk criteria in the relevant business division or country and regularly brings risk aspects to the project manager's attention, who in turn will inform the Executive Board.

This was the procedure that applied in the pre-project phase ahead of the Petrom acquisition. Before the deal was closed, a risk map was drawn up to define the key risks of the business and integrated this portfolio into the Group portfolio. Immediately after the closing, risk reducing measures were taken, especially in the areas of environment, insurance and finance and the decision taken to gradually introduce a first risk management system at Petrom with the aim of full integration into EWRM. The Risk Monitor software tool used throughout the Group facilitates efficient system maintenance. It guarantees a uniform assessment system and supports the monitoring of the risks that are deemed relevant.

As part of an impact assessment when moving into new countries or new spheres of activity, EWRM takes particular account of the potential indirect effects of corporate operations. The applicable criteria were prepared by a project team and are defined in the EWRM Manual.

Open, consistent communications with financial markets

To strengthen the trust of the capital market we provide all stockholders, analysts and bondholders with key information, in an accurate, reliable, fair, open and timely manner. The information is published regularly under Investor Relations on our website at www.omv.com.

Our Investor Relations activities increased as a result of the Petrom acquisition and the placement of new shares and the convertible bond. We held our first ever Creditor Day for bondholders in Vienna. The Executive Board and the Investor Relations team went on an increased number of roadshows in Europe and America to maintain and enhance our contacts with analysts, investors and stockholders. More than 350 hours of direct meetings were held and over 1,000 people attended around 250 meetings.

Preparation of a Q&A brochure for SRI rating agencies - access to new capital markets

As a listed company, OMV is constantly talking to analysts, investors and rating agencies. Transparent, open, coherent communications and up-to-date information is therefore very important to us.

The growing number of SRI (Socially Responsible Investment) agencies that are looking at how companies comply with and implement ethical values is a favourable trend. Extensive questionnaires are used to review the sustainability aspect of OMV activities relating to governance, the environment, human rights, safety etc. We believe this development is due to the growing interest in sustainable investment and the rapid growth achieved by the Group, especially through the Petrom acquisition.

To strengthen the sustainability discussions with rating agencies and optimize our access to new capital markets, we have prepared an OMV Q&A brochure together with a European SRI specialist. This information can be found on our website at www.omv.com under Corporate Social Responsibility. This communication tool gave OMV another opportunity to review how it implements sustainability within the Group.

Valuation of reserves

Every two years OMV proved reserves are audited by an internationally renowned independent auditor. The most recent valuation was carried out by DeGolyer & MacNaughton as of December 31, 2003 who confirmed the results published by OMV in its Annual Report for 2003.

Petrom's reserves became part of E&P on December 14, 2004. The contract to value these reserves was put out to international tender in 2005 and awarded to the best bid which came from DeGolyer & MacNaughton, one of the world's most renowned auditing firms. The results are expected in summer 2006.







Corporate Governance

As a joint stock corporation, OMV has a dual management system with an Executive Board that is responsible for the management of the company and a Supervisory Board, a completely separate body which monitors how the company is managed and appoints the members of the Executive Board. The organizational structure of the company, the names of the members of the Executive and Supervisory Boards along with their curriculum vitae and the date of their initial appointment to the boards and seats on other boards are published in the Annual Report and on OMV website under Corporate Governance.

The Supervisory Board members representing the stockholders are elected by the Annual General Meeting. The corporate strategy is discussed in detail with the Supervisory Board each year and decided jointly and forms the basis for company operations. The stockholder representatives on the Supervisory Board are independent experts (in alignment on EU Recommendation 2005/162 EG). The Supervisory Board has formed committees:

- ▶ The Accounts Committee deals in particular with the annual financial statements, risk management and internal audit.
- ▶ The Presidential and Personnel Committee approves certain transactions. However it is also responsible for tasks which in other countries would be the remit of a nomination and remuneration committee.

Due diligence processes, impact assessments, enterprise wide risk management, auditor's reports on the efficiency of this management tool, management letters, accounting and financial reporting according to International Financial Reporting Standards (IFRS), financial statement auditing in accordance with international standards, decisions requiring the consent of the Supervisory Board, analyses, reporting obligations for major projects after two years comprise the main elements of the control process used to identify and manage economic, ecological and social risks and opportunities.

The remuneration of the Executive Board and the stock option plans are disclosed in the relevant Annual Report.

The powers of the Annual General Meeting are stipulated by law and the Articles of Association which are available on the Internet. OMV has implemented the one share, one vote principle without limitation and stockholders have an unrestricted right to ask questions about the items on the agenda at the AGM. Investor Relations maintains contact with stockholders and contact details are published on the website. Communications on major topics are carried out by the Executive Board.

In a period of rapid growth OMV corporate governance is even more important for investors. International standards set new benchmarks and raise expectations, especially in terms of independent



control and transparency. OMV is doing all it can to meet these requirements and is developing a uniform standard for the whole Group, including Petrom.

In the Code of Conduct OMV undertakes to document and implement the highest standards of management ethics and transparency in its corporate governance in line with the Austrian Corporate Governance Code.

Corporate governance is a priority in the OMV Group and this meets key requirements which increase the performance of the company for the benefit of all stakeholders. Openness, transparency and predictability are also a key competitive advantage in the capital market.

In 2003 OMV was awarded the Gewinn-Börse award for exemplary corporate governance. A questionnaire by the Austrian Corporate Governance Code working group for fiscal year 2004 showed that OMV complies with all the Code regulations. The annual declarations and the review are published on the website.

“Corporate social responsibility is becoming increasingly important for the international capital market.

More and more rating agencies are asking for specific indicators other than hard facts. In Austria, we have about 40 companies compiling such reports, and they are doing very well.

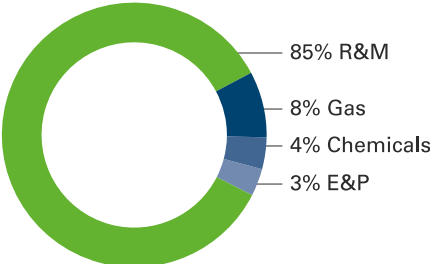
Wiener Börse welcomes this development.

As an international company, OMV is a particularly important partner for the Austrian capital market. Its Sustainability Report makes a positive contribution to increasing transparency and corporate social responsibility for the economy as a whole.”

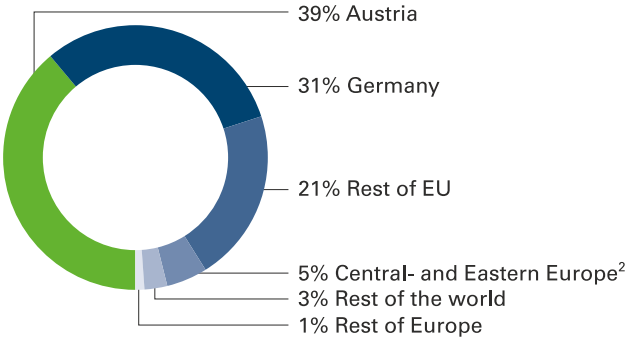
Dr. Stefan Zapotocky,
Member of the Management Board of
Wiener Börse AG



Group sales¹ by divisions



Group sales¹ by regions



¹ Total amount EUR 9,88 bn
² Boshia and Herzegovina, Bulgaria, Croatia, Romania and Serbia-Montenegro







Health, Safety,
Environment,
Research +
Development



HSE Strategy and Targets 2010

HSE is part of OMV overall strategy and therefore also applies to Petrom. The HSE targets are fixed in our balanced score card. Our objectives are as follows:

HSE Performance

- ▶ Be listed in 1st quartile in HSE performance of peer group (regional oil and gas companies) by external rating agencies
- ▶ External assessment of all management systems
- ▶ Competency based HSEQ (Health, Safety, Environment, Quality) training for the entire workforce. The target is to train all staff, but compliance of 90% and over will be deemed attainment of this target

Health and Safety

- ▶ LTIR (Lost Time Incident Rate) less than 1 for own employees and contractors
- ▶ No serious incident of level 4 (i.e. fatality or more than 3 people hospitalized) and above
- ▶ Extensive involvement of employees in health: establishment of one health circle per location

Environment

- ▶ Perform among 1st quartile of peer group in external benchmarking in industry relevant key performance indicators
- ▶ Measure greenhouse gas (GHG) intensity of portfolio and develop strategic sustainability path



HSE forms part of the General Terms and Conditions of Purchase and is specified in the framework contracts in line with the relevant object of the contract.

The targets for environmental certification to ISO 14.001 and OHSAS (Occupational Health and Safety Management System) safety certification were stipulated in the balanced score card in 2003 and 2004. All major pro-

duction sites are certified to ISO 14.001 and OHSAS. The company did not quite meet the target for half the workforce to work in certified areas: for ISO the figure was 44% and 36% for OHSAS.

(see also BSC table)

HSE targets in the Balanced Score Card 2003/04

	2003 Targets	2003 Actual	2004 Targets	2004 Actual
LTIR own employees	< 4	4,15	< 2	3,76
Safety audits as part of planned audits	> 90%	88%	> 90%	97%
Legal compliance process	> 61%	61%	> 80%	80%
ISO 14.000/OHSAS of employees	> 50% end 2004	29%	> 50%	40% ¹

¹ISO 14.000 44%; OHSAS 36%

Target achieved
 Divergent
 Target not achieved

OMV has reduced the rate of industrial accidents by 60% since 2000. The aim is to reduce LTIR to less than 2 per million working hours.

The methods for gathering and recording data on industrial accidents and sickness rates are outlined in the HSE Report.



Enhancing and optimizing industrial medical services in the integrated ventures

OMV currently operates in more than 20 different countries in the world, countries that have very different medical standards. One of our key tasks is to prepare our staff as best as possible for their deployment in far-flung regions with lower medical standards and to establish the necessary emergency networks. For its local employees, OMV provides medical care that is of a higher standard than available locally through the use of selected company doctors and well-equipped treatment rooms at the work locations. Doctors from OMV Solutions check and improve the medical care provided in all of the countries on an ongoing basis.

At Petrom, which has a workforce of around 51,000, we are working particularly hard to bring the local medical standards regarding emergency care, industrial and general medical care as well as medical prevention up to the general OMV level.

In 2005, the evaluation of the industrial medical care and health care arrangements at all Petrom locations has been enhanced by a strategic plan to raise standards to the corresponding EU and OMV levels.

New standards for Group wide health management take account of additional and changing requirements and ensure that all employees in all the countries have appropriate access to general health care services.



Technically and economically responsible modifications to acquired facilities in line with OMV safety and environmental standards

OMV investigates the health, safety and environment aspects as part of the due diligence ahead of all acquisitions.

► Case study: Preussag acquisition

Following the Preussag acquisition in 2003, the exploration and production licenses acquired were incorporated into the existing company structure and brought up to OMV HSE standards during the integration process. In addition to the organizational aspects, the focus was on technical modifications and technology adjustments for all operations. Safety standards were improved and environmental risks minimized.

In Yemen where OMV holds the operatorship, a Security and HSEQ officer was brought in on site. In future the HSEQ manager will support the line management team in complying with all standards and guidelines.

In Tunisia, the local HSEQ manager is responsible along with the line management team for implementing OMV standards, even though OMV is not the site operator. The operator had been convinced that it was necessary to set up an HSEQ team to meet HSE standards.

► Case study: Kadanwari (Pakistan)

The plant in Kadanwari processes the gas produced in the Kadanwari and Miano fields and as the operator, OMV is directly responsible for HSE management. The local HSE coordinator is supported by the HSEQ team in Islamabad. All of OMV operations in Pakistan, including the facilities in Kadanwari and Sawan, are certified to ISO 14.000.

► Case study: Petrom

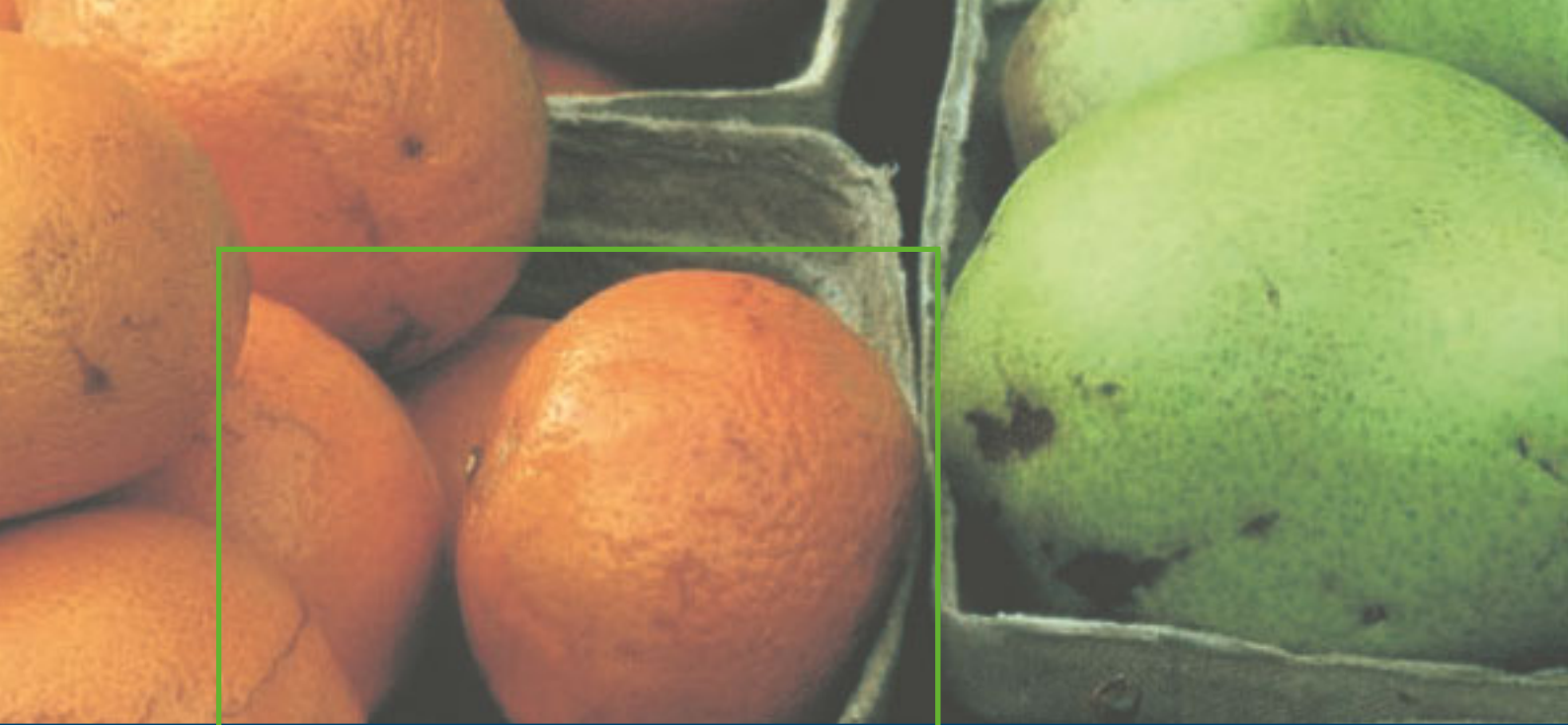
See page 35

Our Achievements 2003/2004:

Group wide
introduction of
safety and
environment
management
systems







Health

The OMV Group attaches the utmost importance to comprehensive, high-quality industrial medical care. We focus on Group wide efforts to promote the health of our employees, maintain their capabilities and improve their general wellbeing. Through the provision of humane workplace conditions and a variety of preventative measures, we strive every day to improve the health care provided for all staff above and beyond the statutory minimum standards.

See also “Enhancing and optimizing industrial medical services in the integrated ventures” on page 104.

The main topics for health management are

- ▶ prevention programs and health promotion
- ▶ emergency medical care and emergency psychological support
- ▶ medical treatment on site



A healthy diet

On March 1, 2004 a Group wide information campaign on healthy eating was launched. The menu in the company cafeterias was optimized with the aid of medical experts to provide a healthy diet.

Health circles

Health circles are a key integrational and participatory tool for health management. Working together in small groups, staff and experts identify positive and negative health factors that can lead to physical, psychological or social stresses and develop proposals to improve or resolve such situations. The total involvement of employees in health groups has already been achieved in the Exploration and Production and natural gas segment at the Austrian sites. Given the good results achieved, OMV management has decided to implement this bottom-up approach throughout the OMV Group.

Occupational prevention programs

The available programs are adapted to meet the relevant workplace conditions. During the reporting period, the priority programs covering orthopedic examinations, skin screening and eye care were running at all major sites in Austria and Germany. High participation levels were also registered for the urology, weight management and health monitoring programs carried out with a focus on the cardiovascular system.

Run & Fun

As part of its Run & Fun campaign, OMV offers its employees the chance to take part in preparatory training programs and examinations so they will be fit to run in the Vienna City and Linz marathons. Several hundred participants from Austria, Germany, Hungary, Slovakia and Romania took part in the various races.

Psychological support

In particularly stressful situations, OMV doctors or selected doctors of choice are brought in to provide employees not only with medical care but also with psychological support. During the reporting period, OMV has been working together with specialists to offer services enabling employees to deal with traumatic experiences.

Health care

Depending on the local standards of general medical care available, OMV offers its employees better medical services, for example through the guaranteed availability of hospital beds or doctors of choice.



Safety

Safety program leads to fewer accidents at work

OMV introduced its safety program Think: Ahead discover safety in 2002. Safety audits by managers in all areas and the inclusion of employees in reporting near-misses and intensive investigation of incidents are core elements of the program. Since 2000, OMV has reduced the rate of industrial accidents by 60% as a result.

Setting safety standards for partners and contractors

From 2005 onwards, contractors working with OMV must provide evidence of specific safety standards (Safety Certificate Contractors SCC or comparable certification) in order to qualify for certain types of contracts.

Fatal industrial accidents

We deeply regret that in 2003 there was a fatal accident involving an OMV employee in 2003 and three fatal accidents involving contractors. In 2004 two contractors working with OMV lost their lives. These accidents were directly related to operational activities and were not traffic accidents.

Defensive driving

Traffic accidents are one of the biggest causes of injury. OMV holds a large number of defensive driving training courses and provides employees with information on correct driving behavior and how to avoid potential hazards.



Plant safety and fire protection

We have professional technical and organizational hazard prevention procedures in place and coordinate these with the relevant authorities. We operate refineries and tank farms next to densely populated areas and Schwechat airport, a facility at the Linz Chemical Park and pipelines passing through nature reserves, and have accumulated a great deal of experience in safety precautions. We are continuously improving the precautionary measures taken.

Our emergency plans are checked regularly in terms of efficiency. They clearly and unambiguously establish the contact persons, workflow, call flow and responsibilities in the event of a crisis. In November 2004, a response team of 83 (members of the works fire brigade, voluntary fire fighters, the Vienna fire service, Schwechat police and Schwechat Red Cross) successfully took part in an exercise simulating a fire and massive product spills.

Shipments of oil and hazardous materials

OMV strives to find the best means of transporting raw materials and products in environmental and economical terms. The first choice is pipelines - the safest and most environmentally sound way of transporting large, steady product volumes. In 2003 and 2004, about 33%, that is some 3 mn t of the products supplied by the Schwechat refinery and the Lobau tank farm and some 1.8 mn t of material from the Burghausen refinery were delivered by pipeline. As a result we prevented an estimated 218,000 road shipments of hazardous materials, assuming an average load of 20 t per truck. In order to ensure high standards whenever road shipment is required, we do not just look for competitive freight rates, but apply quality and safety criteria to the selection of carriers.

Safe shipping operations

OMV applies high safety standards to its shipping operations. All the ships chartered are less than 20 years old and in a proven seaworthy state. From 2004, OMV has only used shipping companies with double-hulled tankers and is successively lowering the age limit for the ships to 15 years.

Since the countries along the entire length of the Danube constitute OMV core region and activities are to be massively expanded, we joined the European Barge Inspection Scheme (EBIS) in 2003.

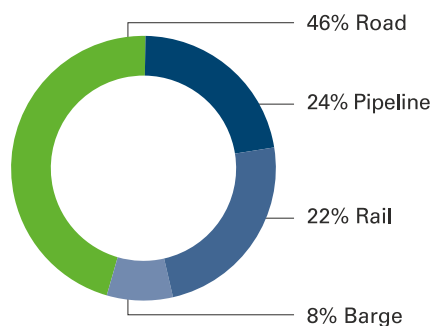
No shipping accidents involving OMV shipments were registered during the 2003/2004 reporting period.

When putting contracts for transport by road out to tender, we attach the utmost importance to the safety standards and levels of environmental compatibility offered by the fleet. The carrier's management system must optimize the number of journeys necessary and thereby minimize harmful emissions. For the tenders we prescribe tanker fleets that comply with emission standards Euro 3 and Euro 4.

Crisis management

OMV is well prepared for any crisis. Emergency notification and information routes are defined along with crisis committees. To be prepared for worst-case scenarios, OMV regularly holds various emergency exercises where external emergency services participate in "dress rehearsals" for emergencies at major sites. The insights gained are translated into improvements to everyday working practices and preparations for real-life crises.

R+M product transport by types of transport



Near-miss reporting as part of risk management

All risk management activities for the OMV Group are incorporated in a uniform, enterprise wide risk management system (EWRM). This system is fully integrated, both horizontally into business processes and vertically into strategy and medium-term planning.

Dealing responsibly with all the risks inherent in our business divisions requires the systematic risk assessment of all processes at various levels. Risks which could affect health, environment and safety are ascertained and assessed twice a year as part of medium-term planning. This is monitored at Group level. We use an extensive range of methods to do this, including Safety Case evaluations, HAZOP, HAZID, work permit system, workplace evaluations, job safety analysis, the 3F method and FMEA analyses. Near-miss reporting and assessments for high-risk activities are also important.

Accident and incident investigations are the basis for improvements in safety management. The causes of every accident and incident are analyzed in detail by a team and measures are drawn up to prevent recurrence in the future.

We take great care over the recording of industrial accidents and encourage staff to report all incidents, including near-misses. In the E&P division, a global incidence reporting database (SafeNet) was developed. We are creating a climate in which our employees and contractors regard reporting accidents and incidents as a way of making things better.

Safety datasheets

OMV provides its partners and customers with detailed information on the products sold and materials used. Safety datasheets, delivery specifications, product descriptions, instructions for use and more can be viewed or downloaded easily on OMV website. The product search function under About OMV/Health, Safety and Environment/Product Information allows users to search according to specific criteria. This information significantly contributes to the safe use of the product.



Environment

AdBlue/CEE expansion

The Euro 4 emission standard will make after-treatment of exhaust gases mandatory on truck diesel engines as of 2006. Selective Catalytic Reduction (SCR) technology is deemed to be the most efficient method of reducing emissions while simultaneously saving fuel. AdBlue urea solution was developed by OMV in conjunction with leading truck manufacturers.

The AdBlue solution breaks down nitrogen oxides into nitrogen and water, thereby reducing emissions from diesel engines in commercial vehicles by one third (or by 60% under Euro 5) and particulate (fine dust) emissions by 80%. At the same time, SCR technology reduces fuel consumption by up to 7%. In the future, 35 new commercial vehicles fitted with AdBlue and SCR technology will emit the same volume of particulate emissions as one single truck 10 years ago.

OMV plays a pioneering role in the international arena in minimizing the pollution from trucks. In March 2003 OMV opened the first AdBlue filling station for commercial vehicles in Germany. Further stations followed in Austria and the Czech Republic in 2004. By 2005, OMV will have equipped a further nine filling stations along the main axis routes in Austria with AdBlue followed by 67 filling stations throughout Europe by 2007.

The first series of trucks with SCR technology have been available since the start of 2005. From the beginning of 2006, the commercial vehicle industry will launch Euro 5 trucks on the market which are equipped with AdBlue technology - three years ahead of the mandatory deadline. Through its Central European filling station network, OMV provides the necessary infrastructure and logistics.



Biofuels

In May 2003, the EU passed Directive 2003/30/EC for the promotion of the use of biofuels and other renewable fuels for transport. Implementation of the directive will open up the market for fuels with biogenic components.

Biofuels generate significantly less greenhouse gas emissions than diesel or gasoline fuels. Biodiesel is a fat methyl ester, which in Austria is produced essentially from rapeseed. Biodiesel can be used in its pure form or mixed with fossil diesel. One of the main areas of OMV development work is therefore to optimize diesel/biodiesel mixed fuels.

By 2005, 2% of the energy content of fuels used by the Member States should be substituted with this proportion rising to 5.75% by 2010. The Austrian biofuels directive 2004 provides for earlier implementation, whereby the objective is to be reached by 2008. OMV supports Austria's ambitious targets and from October 2005, will mix 5% biodiesel in all its diesel products in Austria.

CNG filling stations

OMV supports the use of natural gas as a transportation fuel as it has the lowest volume of emissions of all fossil fuels. Currently there are 27 public CNG filling stations in Austria, of which 15 are OMV refueling facilities. In 2005, 40 filling stations in densely populated areas of Austria are set to offer gas so that it is possible to drive throughout Austria using CNG. In addition, around 40 works filling stations supply the relevant vehicle fleet with the alternative fuel. OMV intends to further promote the use of this environmentally friendly fuel in the future, and expand the network.

The efficiency and environmental compatibility of natural gas compared to traditional fuels was proven in a research project conducted by the University of Vienna in conjunction with the Austrian Automobile Association (ÖAMTC), Opel (Vauxhall), DHL and OMV.



Sulfur-free fuels

Since January 1, 2004 OMV has been supplying its filling stations and direct customers in Austria with sulfur-free fuel only - five years ahead of the EU deadline. For this initiative, OMV won the 2003 Austrian Automobile Association (ARBÖ) environment prize. The innovative product also led to a 325,000 t reduction per year in CO₂ emissions from traffic as well as to significantly lower particulate emissions from air traffic.

Our refineries produce solely 100% sulfur-free fuel. Of the total 10 mn t that OMV has marketed or sold on, around 86% already has a maximum sulfur-content of 10 ppm (parts per million), 12%–13% has a maximum sulfur content of 50 ppm (EU standard). Only 1% to 2% has a higher sulfur content (mainly limited to local markets).

ISO 14.001 Certification for Schwechat refinery

Schwechat refinery became the first company of its kind to obtain certification to the new ISO 14.001:2004 standard in 2004. The refinery had already gained OHSAS 18.001 certification in 2003.

Burghausen refinery including all tank farms, OMV Pakistan, Agrolinz Melamine International (AMI) and its Linz and Castellanza (Italy) sites and the Csepel fuel depot, in which OMV Hungaria is a 48% stockholder, hold ISO 14.001 certification (and partly OHSAS 18.000).

An average of 40% of OMV employees currently work in certified areas, which is close to our target for the end of 2004 of 50% of employees working in ISO 14.000 or OHSAS 18.000 certified areas.



Climate Protection and Emissions Trading

OMV sees the Kyoto protocol agreement as a major step towards stabilizing the world's climate and actively participates in the Kyoto process. An oil and gas company can make a contribution in several areas, such as by providing lower carbon fuels, improving the energy efficiency of its products and production and driving innovation. OMV has been successful in all of these areas.

Energy should increasingly contain fewer hydrocarbons per energy unit. The global trend towards switching over to lower carbon fuels has been evident for some time. In the coming years, we will see disproportionately high growth in the use of natural gas. OMV will double its business activities in this segment and further expand its CNG network.

In autumn 2003, a new process to break down nitrous oxide was brought online at AMI Agrolinz Melamine International GmbH in Linz. The following year, this process prevented around 640,000 t CO₂ equivalent and also reduced total NO_x emissions by around 90%. This is one of the most significant climate protection projects in Austria.

In principle, OMV welcomes economic tools to solve environmental problems and consequently has been participating in EU emissions trading since 2005 with sites in Austria, Germany and Italy.

Under the national allocation plans, the industries in question were allocated CO₂ allowances for the first trading period (2005 – 2007). The oil industry had to accept an allowance that was 8% lower than the anticipated emissions, which is twice as stringent as that for the industry sector (4% lower).

OMV encountered several problems during implementation of the EU trading system as early actions and reductions in other greenhouse gases could not be taken into account. As nitrous oxide is not yet covered by emissions trading, the reduction at AMI Linz, for example, could not be included.

For OMV it is the allowances for the Schwechat and Burghausen refineries that are important. For the period 2005 - 2007 Schwechat refinery was granted an annual allowance of 2.72 mn t CO₂ (emissions in 2004: 2.85 mn t) and Burghausen an annual allowance of 0.95 mn t CO₂ (2004: 1.04 mn t). OMV intends to increase efficiency at the two sites in order to comply with the certificates granted. A decision on the purchase of any additional certificates required will not be made until the end of the trading period.

For an international company such as OMV it is important to harmonize the trading system throughout Europe in order to prevent distortion of competition.



Biodiversity

The impact of our activities on biodiversity is carefully evaluated in environmental impact assessments as part of new projects. This applies especially in the E&P segment and during gas pipeline installation (for example the environmental impact assessments in the Pakistan Sawan project and the Trans Austria Gas pipeline (TAG) loop II in Austria). In the E&P segment, OMV avoids using controlled explosions for seismic tests and uses vibro-seismic technology outside the growing season instead. In offshore exploration in the Indus Delta (Pakistan), investigations were carried out in order to minimize the impact on fish and other marine life where possible.

With the support of a research project conducted by the University of Vienna in the rainforest in Costa Rica, OMV is taking steps to actively maintain biodiversity. The cooperation is scheduled for 2005 to 2008 and aims to achieve sustainable reforestation and the cultivation of alternative cultures in the „Austrian rainforest“ (Austrian citizens and companies bought up an area of approximately 150 km² in the Golfo Dulce region and provided this to the not-for-profit Austrian Association to maintain the Esquinas rainforest).

A renowned group of researchers from the Institute of Botany at the University of Vienna is working with the La Gamba research institute on measures to prevent imminent loss of biodiversity and to develop and implement measures together with the local population for sustainable alternative uses (reforestation with native trees, alternative cultures) in biological corridors. The project is intended to maintain biodiversity long term and to guarantee the survival of peoples in this region at the same time.



E&P in Ecuador: OMV is pulling out

In 2003, OMV acquired shares in blocks 7 (25%) and 21 (17.5%) in Ecuador as part of its takeover of the international E&P business operations of Preussag Energie International GmbH. These are producing oil fields and exploration opportunities. OMV shares in blocks 7 and 21 equate to 763.5 km² of exploration and production rights corresponding to one three hundred and seventieth of the land mass. OMV involvement was criticized several times by Global 2000 because of the alleged impact on the rainforest.

Although OMV is only a minority stockholder, it always takes its responsibilities towards the environment seriously. An environmental audit showed that oil production by the operator, Perenco, was run according to up-to-date environmental standards and did not impact adversely on the rainforest.

Here too we take account of the needs of the local people in line with our Code of Conduct. The operator in the consortium, Perenco, has launched a series of social projects in Ecuador in conjunction with local residents. These include school buildings, water supplies, planting and improvements in health care as well as projects to ensure sustainable value added for communities and gifts of land.

OMV is aware that sabotage led to two oil spills in 2004 and 2005. However, as OMV is not the operator of the facility, our sphere of influence is marginal.

Sale of the shareholdings in Ecuador to joint venture partners Perenco and Burlington Resources Inc.

OMV is selling its stakes in Ecuador and the corresponding agreements were signed in September 2005. The sale forms part of OMV portfolio streamlining process as South America is not one of OMV core regions. The sale is subject to the corresponding consents from the Ecuadorian government and Ecuador's national oil company Petroecuador.



Oil and Product Spills

We have standardized and enhanced incident reporting throughout the Group. In 2003/2004 we recorded 57 oil and product spills. Incidents in which more than 1,000 liters of product was spilled on unmade ground were as follows:

- ▶ 10 m³ of crude oil was spilled on crop producing land due to a break in a main oil pump line in Austria. As a result of the low temperatures, the oil was barely liquid and the groundwater was not at risk.
- ▶ A defective welded seam led to a gas oil spill from a tank farm in Austria of approximately 20 m³ on unmade ground.
- ▶ A hose tore during shunting activities at an Austrian tank farm causing a diesel spill of approximately 2,000 liters. The product spill was contained and disposed of and the soil at the railhead exchanged.
- ▶ There was a 23 t oil leak at an Austrian tank farm.
- ▶ 2 m³ of Benfield lye leaked into the ground from an ammonia plant due to a leaky valve.
- ▶ A spill of 1 m³ Euro Super gasoline due to a tear in a welded seam at a tank farm; the groundwater was not affected.

All incidents were cleaned up in cooperation with the authorities. Measures are drawn up on the basis of internal incident investigations and communicated to the other divisions within the Group.

OMV began reporting spills within the Group during the reporting period and the methods have been continuously improved. As of 2005, OMV can therefore provide detailed reports of hydrocarbon spills.

Drilling mud strategy:

Oil-based drilling mud is only used where no other technical solution can be found. For environmental reasons, mainly water-based drilling fluids are used and make up around 90% of our drilling mud.

Waste motor oils:

OMV offers financial incentives to its commercial customers to dispose of waste motor oil in a safe and environmentally friendly manner. Filling station partners are obliged to instruct a franchised service provider to dispose of the oil.



Asbestos

OMV has removed all components containing asbestos and attaches particular importance to their correct disposal by specialists. There is no indication of any illnesses that could be related to asbestos.

Atmospheric Pollutants

In addition to greenhouse gases, our production sites emit various atmospheric pollutants that are especially relevant to regional air quality. The rise in production levels during the reporting period led to an increase in absolute terms of emissions of sulfur dioxide, nitrogen oxides, hydrocarbons and dust.

OMV only uses ozone-depleting substances on a laboratory scale (in kg), and where possible these are replaced with other substances, reused or recycled.

Flaring:

In the refining segment, flare gas is recovered via gas compressors and used by the power plant for heating; the gas is only flared off as an emergency measure.



High Environmental Protection Standards at Schwechat Refinery:

47% lower NO_x emissions by 2008

With around 1,000 employees, OMV Schwechat refinery is one of the most modern in Central Europe and is operated in line with the high Austrian and EU standards of environmental protection. The emission figures for the refinery meet Austrian and EU regulations. The potential for optimization is regularly reviewed and utilized. Since 1990, EUR 280 mn has been invested in the Schwechat refinery and its sites in Lobau and St. Valentin. This investment has led to a 20% reduction in NO_x emissions at the refinery despite the fact that capacity utilization has increased.

Up to 2008 we will be investing EUR 27 mn in order to reduce emissions still further. From 2008 onwards, OMV will halve the limit value for sulfur dioxide from its current value of 800 mg/m³ to 400 mg/m³. From 2008, the installation of a DENOX plant will bring NO_x emissions significantly below the EU limit value (400 mg/m³) with an annual average of less than 200 mg/m³. Schwechat refinery will therefore almost halve its NO_x loading from its current value of 3,461 t to around 1,800 t.

The optimization of the flue gas desulfurization plant will reduce sulfur dioxide from 3,849 t to approximately 2,400 t a year (a reduction of 38%).

Fine Dust

Particles with a diameter of less than 10 µm are considered to be fine dust (PM₁₀). They can penetrate deep into the lungs and are therefore particularly hazardous to health. In general, the main causes of the PM₁₀ loading are industrial operations, domestic fuel, the building industry, traffic and in rural areas, agriculture. Austria started to measure PM₁₀ emissions in 2000 following the implementation of EU Directive 1999/30/EC.

With its advanced/cleaner fuels, OMV is making a significant contribution to reducing dust emissions from road traffic:

- ▶ The launch of sulfur-free fuels reduces CO₂ emissions from traffic by 325,000 t a year and considerably cuts the volume of particulate emissions.
- ▶ The launch of AdBlue reduces particulate emissions from commercial vehicles by 80%.
- ▶ Fine dust reduction through the use of compressed natural gas (CNG) as a fuel.



“OMV has done much in recent years in the field of environmental protection - be it through the early introduction of sulfur-free fuels, investment in air quality at production sites, emissions trading or the addition of biodiesel to its diesel products from autumn 2005 onwards. As Minister for the Environment, I hope for greater involvement in the area of renewable energies from OMV in the future, as fossil fuels are slowly running out and pose major problems for us in terms of the environment and climate change.”

Josef Pröll,
Austrian Minister for the Environment



2412



Targets and Projects Planned for 2005/2006

- ▶ **HSE training** for every employee
- ▶ **LTIR-reduction** to less than 2 per 1 million working hours for OMV employees and less than 3 for contractors
- ▶ **Safety Index** with key indicators on safety audits, near-miss reporting and implementation of improvement measures
- ▶ **Petrom HSEQ integration**
Evaluation and design: detailed analyses of assets, health standards and main risks in connection with process safety, protection and crisis management
HSEQ-management-systems: implementation of OMV HSE policy and a new HSEQ structure with allocation of tasks and responsibilities
Programs to raise HSEQ-awareness
- ▶ **Expansion of gas operations/CNG filling stations;** market launch of biofuels in October 2005
- ▶ **Increased eco-efficiency/CO₂ reduction/improved energy efficiency:** KPI project-benchmarking with comparable companies in the industry starting 2006–2010. Aim for 2010 to be in first quartile
- ▶ **Promoting biodiversity:** development of standards for OMV
- ▶ **Minimum medical standards:** Group wide definition
- ▶ **HSE-reporting:** establishment of a Group wide non-financial IT reporting tool (HSE Monitor); incident reporting and investigation database Safe.Net developed at E&P with rollout scheduled for OMV as a whole in 2006

Code of Conduct: success stories and optimization potential

In our Code of Conduct we are committed to:

- ▶ Providing medical care for our employees in general and for our employees on deployment in particular. Medical care is to be provided on site not only for staff on postings but for local personnel as well
- ▶ Raising awareness of safety through training; prevention of accidents
- ▶ Safety at work
- ▶ Endeavoring to implement OMV standards even in cases where we are only a partner (not the operator)
- ▶ Emergency plans; coordination with authorities
- ▶ Obliging contractors to comply with safety and environmental standards
- ▶ Complying with regulations and industry standards
(including in areas where local legislation is just being developed)
- ▶ Protecting groundwater; waste water and waste management
- ▶ Combating climate change
- ▶ Renewable energies
(coexistence of renewable and traditional energy sources)

Our achievements during the reporting period 2003/2004 show that we are working hard to comply with our Code of Conduct. We have achieved success and excellent results in some areas but are mindful that we must intensify our efforts in other segments. These include in particular challenges such as:

- ▶ Reducing the LTIR for own employees and contractors.
- ▶ Integrating new acquisitions into HSE and bringing the HSE culture and environment, safety and health standards of new acquisitions up to the standard of the OMV Group (especially Petrom), including investments in technical environmental protection, plant safety and prevention of contamination.
- ▶ Higher greenhouse gas emissions, primarily through production increases and new acquisitions. Increasing methane emissions from the gas production plant in Pakistan unfortunately considerably outweigh the savings at other locations (e.g. nitrous oxide reduction at AMI Linz).
- ▶ Renewable energies: although OMV core business lies in fossil fuels, we have been looking at renewable energies for some years (use of biodiesel, involvement in BIOSTAB and BIOFLAM research projects). We will step up these activities over the next few years.
- ▶ Sustainable development and biodiversity.

- ▶ Security: as a fast growing company operating throughout the world, including in potential conflict zones, we need to take an increasing number of precautions regarding personal safety, and asset and business security by setting up OMV security platform. Crisis management also has to be adapted to the relevant requirements.
- ▶ Health: we need to create new standards for Group wide health management to take account of new and changing circumstances and to ensure that employees in all countries have appropriate access to general health care.

Non-Application of GRI Indicators

Total material used

At present this data is only collated at production level and not consolidated across the entire balance area. Group wide recording will not be possible until 2007.

Indirect energy consumption

Indirect energy consumption is not recorded.

Share of recyclable products

This is not relevant for OMV range of products as we principally produce products that are for combustion on first use.

HIV program

The OMV Group does not currently have an HIV program although the relevance of such a program is to be reviewed.

< EN 1-2

< EN 4

< EN 15

< LA 8



Research + Development

Safeguarding mobility long term

OMV products contribute to safeguarding mobility. This is essential for economic growth and maintaining our prosperity and we strive to deal as sparingly as possible with finite resources such as oil and gas.

A large amount of our R&D activities is dedicated to reducing CO₂ and pollutant emissions as well as to producing fuels made from renewable energies.

In an agreement with the EU Commission, the automobile industry committed itself to reducing CO₂ emissions from new cars to 140 g/km by 2008, a reduction of 25% compared to 1995. By 2012, the EU is planning to cut emissions further to 120 g/km. New, biogenic and largely CO₂ neutral fuel components mixed with gasoline or diesel can reduce the formation of greenhouse gases.

New drive technologies require modern fuels and since 2004 OMV has been supplying solely sulfur-free gasoline and diesel.

Many commercial vehicle manufacturers have opted for selective catalytic reduction technology to comply with Euro 4 and Euro 5 emission limits. Together with the AdBlue urea solution, a special catalyzer in the exhaust system converts nitrous oxides into neutral nitrogen and water. OMV is pioneering the launch of AdBlue and whether or not the technology will be successful in the car market depends on future emission limits. Euro 5 is already under discussion for cars.

Biofuels

OMV supports the EU Biofuels Directive with its parameters for using biogenic components in diesel fuels to improve their ecological properties.

We are investigating options for directly processing oils of biogenic origins in the refinery. In the interests of long term mobility, the proportion of such components in fuels is set to rise. The substitution quota, however, is limited by the size of available crop producing land to less than 10%. The carbon dioxide balance is on the whole balanced for biogenic fuels as during combustion the plants only produce the same amount of carbon dioxide as they have absorbed during their lifetime. With regard to oil plants, only some of the plant can be used for energy purposes and the biomass is therefore not utilized in full.

We are conducting a study to investigate the conversion of biogenic gases into high quality liquid fuels with a view to producing sustainable diesel fuels. However, with the current state of the art this procedure is not yet financial viable.

A greater proportion of biogenic components will also be used in gasoline fuels over the next few years, either through the addition of ethanol or through mixing ETBE (ethyl tertiary butyl ether) especially in high octane products such as OMV Super 100. For a large number of biofuels, a mix of 85% ethanol and 15% gasoline is suitable. Their use requires flexible fuel vehicles and OMV is currently looking into the possible areas of application together with the Umweltbundesamt, the expert authority of the Austrian government for environmental protection and control.



Hybrid vehicles

As part of the competence network “Vehicle drives of the future” OMV and its partners in industry and science are investigating the market relevant environment for hybrid vehicles and the specific requirements placed on fuels.

Natural gas

Natural gas has lower emissions than gasoline or diesel and emits less CO₂ because of the more favourable ratio of carbon to hydrogen. According to the experts, gas will also be available for longer and it can be substituted by biogas. Producing biogas generates significantly higher earnings per hectare than biodiesel as the whole plant can be used. The lower energy density of gas, the installation of the necessary infrastructure and the high costs of gas-powered vehicles currently stand in the way of rapid market penetration. We believe, however, that in the medium term gas will establish itself as the third fuel alongside gasoline and diesel. OMV opened the first public gas filling station in Austria back in 1997 and has continually expanded the network since then.

Hydrogen

Hydrogen is only as environmentally sound as the technology used to produce it and is therefore no guarantor for sustainable development. Today, 98% of the hydrogen used is produced from fossil fuels, primarily natural gas.

There are several technical barriers to be overcome before hydrogen can be introduced on a broad base as a power source for vehicles. Advances can only be achieved through rigorous and targeted research. OMV has a stake in the Christian Doppler laboratory for fuel cell systems and in the Hydrogen Center Austria (HyCentA). All the components that come into contact with hydrogen, especially the tanks for the liquid hydrogen, can be tested and optimized at the Center. In autumn 2005, OMV opened the first filling station in Austria offering liquid and gaseous hydrogen.



BIOSTAB

The EU BIOSTAB project was completed on schedule in mid 2003. However, a series of questions regarding methods to describe specific product requirements, in particular, remain unanswered. From today's viewpoint, technically safe and trouble-free operation using FAME components (fatty acid methyl esters) is not guaranteed and OMV therefore continues to take care of the equipment as part of an in-house project. Eight household heating burners in the field are operated using extra light heating oil (HEL) and 5% FAME additives. Since then the burners have operated largely without problem. The tests will continue for a further two years to gain secure knowledge about long-term stability.

BIOFLAM

A technical solution to reduce the environmental impact of oil-fired heaters was developed as part of the European BIOFLAM project coordinated by OMV R&M GmbH. A new ceramic pre-mix burner for liquid fuels combines the innovative cold flame vaporization process with a new porous burner concept. The BIOFLAM unit was certified by TÜV Rheinland (Germany). Seven units are being tested in a field trial in Austrian households and on test benches by the project partners. The project was successfully completed in spring 2005.

CO₂ sequestration

CO₂ is a major greenhouse gas that contributes to climate change and global warming. Research has been ongoing for several years as to how to remove CO₂ from our atmosphere and whether it can be sequestered into geological formations and stored there indefinitely. OMV has also conducted and completed a feasibility study on CO₂ sequestration.

The findings of the study show that CO₂ sequestration is technically feasible but not currently financially viable. Nevertheless the possibilities for sequestering CO₂ in the sense of enhanced oil recovery (EOR) are always being reviewed in new projects.

The legal basis for the application of this technology is also unclear at present. In accordance with the Mineral Resources Act (MinRoG) OMV may produce and store oil and gas, but the sequestration of CO₂ is not regulated.

Assurance Report on OMV HSE Report

OMV has drawn up the HSE Report and the Performance Report in line with the Global Reporting Initiative (GRI) guidelines, which are the most important international guiding principles for the preparation of sustainability reports. In the HSE Report we have taken into account the indicators and content of GRI that relate to health, safety and the environment.

For the first time, an independent external assurance report is being prepared on the 2003/2004 HSE Report for OMV management by Deloitte Global Environment and Sustainability. The results are published on OMV website.

For OMV, the aim of this Assurance Report is to check the data on which the report is based in order to strengthen credibility and transparency with stakeholders and gain feedback on the HSE management system as a whole in order to build on this and institute measures to continually improve the system.

The assurance audit was carried out in accordance with the International Standard for Assurance Engagements on Non-Financial Historic Information of IAASB, ISAE 3000 and in addition to an analysis of the documents comprised random checks of HSE data, several site visits and interviews with relevant parties at all levels in the Group, including the Executive Board.

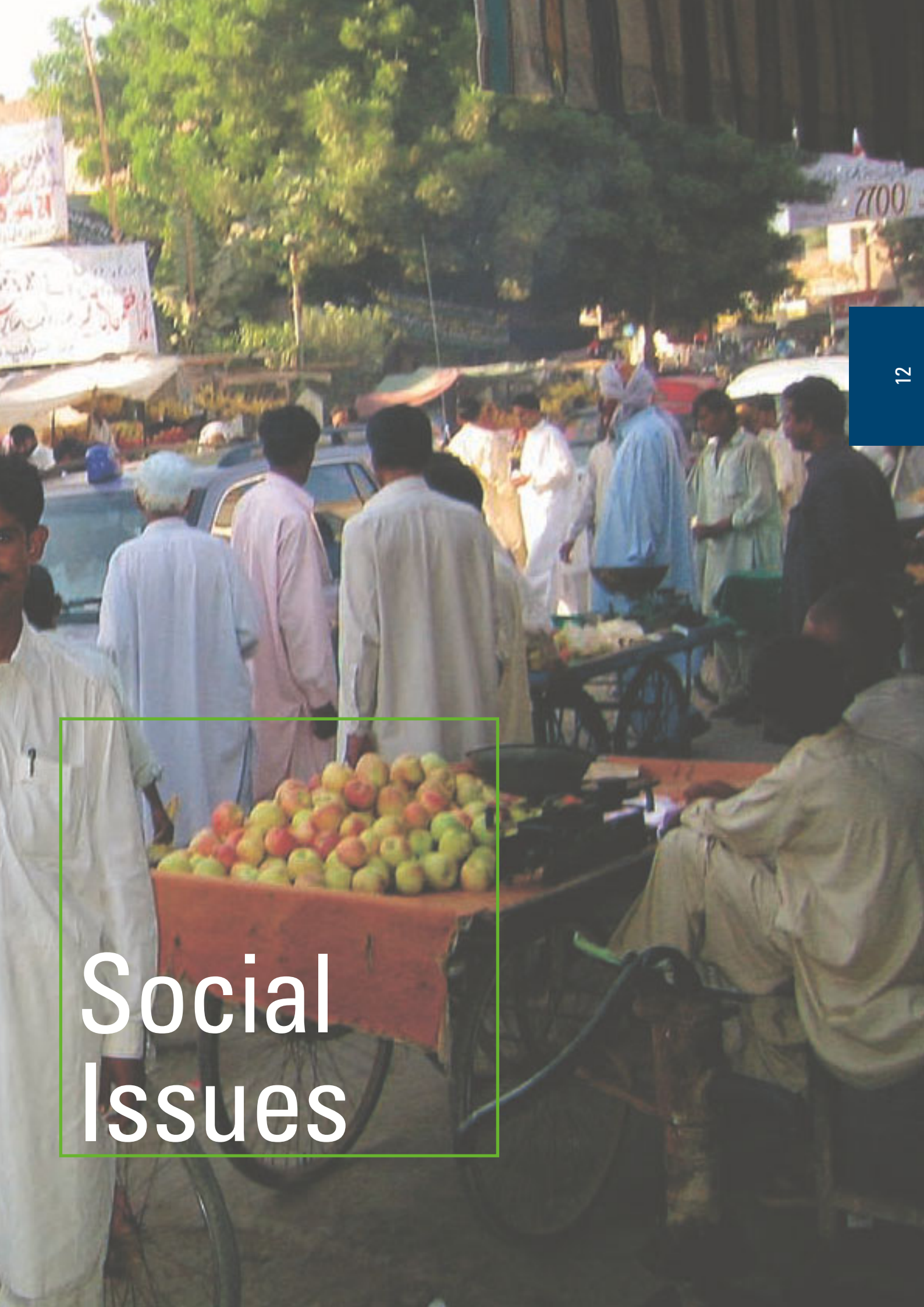
The following aspects were taken into account

- ▶ HSE management systems and organizational structures within the OMV Group
- ▶ Procedures to collect and consolidate data at Group level
- ▶ Consistency of the aggregate information in the Report with the data in the individual divisions
- ▶ Random checks on implementation of Group-wide HSE guidelines in the four business divisions
- ▶ HSE reporting methodology and procedures within the OMV Group









Social Issues



With regard to the environment and the stakeholders OMV has set itself the goals of recognizing relevant social developments at an early stage, of managing its stakeholder relations and ensuring that its communications are target group oriented, transparent and credible. International stakeholders have been involved in CSR activities through the many fundraising activities under the Move & Help umbrella and the OMV bazaar for the Pakistani people. Socially relevant issues such as preventing illegal child labor were taken up in 2003 and implemented in OMV supply chain. Internal programs are increasing awareness of CSR.

During the period under review, the challenges facing OMV in human resources included implementing the expertise that staff and the company need to cope with the phase of intensive growth successfully and remain motivated: the ability to innovate, to implement, to generate earnings, to cooperate and to show leadership. In a word: to think and act as entrepreneurs. A further vital issue was establishing and developing those human resources that recognize the implementation of our strategic goals and the subsequent post merger integration as an opportunity for their career. The identification and promotion of staff with potential in our new acquisitions, talent and integration management as well as the switch to English as the Group language were among the objectives for 2003 and 2004.



Human Resources

Challenges and goals for 2003/04

- ▶ Implementation of the OMV skills needed for success, in particular, boosting entrepreneurship within the Group
- ▶ Management of personnel costs to improve productivity on an ongoing basis
- ▶ Talent management – identification and promotion of employees with potential
- ▶ Managing the integration of new acquisitions, active management of the corporate culture
- ▶ Switching the Group language to English

Challenges and goals for 2005/06

- ▶ Implementation of the values enshrined in the Code of Conduct across the Group
- ▶ Managing the integration of Petrom in a socially responsible manner
- ▶ Extending employees' qualifications with regard to the Group's growth strategy
- ▶ Further action to close the gap between male and female salaries
- ▶ Expansion of the innovation management program
- ▶ Promoting women
- ▶ Sustained career and succession planning



Achievements

- ▶ HCI results, corporate culture improved
- ▶ “Wage pot” for promoting women
- ▶ CSR training sessions, increasing awareness of CSR in the company/10-principles brochure
- ▶ Switching the Group language to English

Strategy

- ▶ Implementation of the OMV growth strategy
- ▶ Living the OMV corporate culture



“We contribute to the discussion and the Group’s growth strategy and fully support this growth strategy to secure OMV future and the sustainability of its companies. We have also proved this with the acquisition of Petrom and the various planned expansionary moves.”

Leopold Abraham,
Chairman of the Group Works Council

The Works Council was also reorganized into an umbrella Group Works Council immediately after the holding structure was put in place, to ensure that the Executive Board of OMV Aktiengesellschaft is matched by a forceful and competent body.

At an international level the Works Council will push ahead with reorganizing the existing “Euro Advisory Board” within the European Union so that all OMV Group companies will be able to be represented to management even after the expansion.

We have set ourselves the goal of treating all employees in the oil industry equally under the collective agreement. This will satisfy the union’s demand dating back over many years for an abolition of the distinction between blue and white-collar workers in the collective agreement. Transitional arrangements will secure employees’ existing claims.

The "Equal Opportunity" project created an approach whereby financial discrimination suffered by women was partially offset by additional wage and salary adjustments in 2004 and 2005.

Apprentice training is a matter of great concern for the Works Council and this is also reflected in the high quality of the new training center from which other companies' apprentices also benefit.

The members of the OMV Group's Works Council endeavor to rectify conflicts with the management on behalf of the employees in fair but tough discussions. We can show a uniform standard of employment law for all parts of the company as a result of many negotiations.

The fact that the Executive Board's awareness of its social responsibility leads it to endeavor to establish fair working and employment conditions, in particular, equal opportunity, employment policy,

compliance with human rights and actions to be taken in cases of violations of human rights in its immediate environment and to protect its employees and the environment is viewed positively by the Group Works Council. Of course, management and the Works Councils often adopt different views on the individual issues and there are incidents in day-to-day work, which are not compatible in the eyes of the Works Council with the aims of the Code of Conduct. In principle and viewed as a whole, however, relations between the Executive Board and the Works Council are positive and constructive and take full account of the interests of the employees.



Complaints Procedure

OMV has set itself a high standard of values with its Code of Conduct, which it wishes to pass on to its staff via Group guidelines among other things.

The internal complaints procedure is also formally regulated. Gratifyingly the only complaints in the period under review were of an informal nature. The majority of complaints from female staff relate to biased power structures. In Austria, the Works Council plays an important role in mediation. OMV declares its support for open dialogue with its staff and the Works Council. Practice confirms the success of this approach of dealing with conflicts at an early stage and thus avoiding any escalation.

Unresolved questions appear on the surveys on HCM (human capital management), which are often grounds for spontaneous complaints. They are summarized and presented to the Executive Board.

In the reporting period, two employees, a man and a woman, appealed to the Equal Opportunities Commission. In both cases, there was no evidence of any breach of the principle of equal treatment. However, in subsequent legal proceedings, the judge ruled in favor of one member of staff for reasons of form. OMV finally settled this case out of court.

Equality and equal opportunity

In 2003, the Works Council initiated a staff survey on the equal treatment of and equal opportunity for women within OMV. Female staff had complained that their salary level was below that of their male colleagues. An investigation by OMV Human Resources management produced a slight differential that is mainly attributable to different positions and is minor compared with other companies. As a consequence in 2004, the company provided the financial resources to adjust salaries – irrespective of individual salary increases or bonuses – to offset specific differences of this kind. A comparable measure is planned for 2005.

Works agreements and framework laws

The adjustment to the framework law for blue and white-collar workers undertaken by OMV is exemplary in Austria. It aims to achieve a uniform table of wages and salaries for blue and white-collar workers. OMV wishes to lead the way here in no longer distinguishing between these groups of workers. This table is currently being worked out in detail and it is expected to apply from 2006.



Performance reviews and career development

OMV will extend the focus of the group-wide, formal, annual performance reviews from responsibilities and targets to career development. The percentage of staff participating in these reviews stands at 90% and staff feedback is consistently positive. Plans are in place to provide feedback and advice on feedback in 2005. Furthermore, since 2004 staff have been able to carry out a career-check, input their personal career preferences and thus make an active contribution to their career development via the internal portal. Line managers can enquire about their staff's career aspirations "at the push of a button". OMV is following international trends with this tool. Internal mobility is supported and promoted in the Group guidelines.

Career & succession planning

Career and succession planning ranks as one of the paramount responsibilities of HR management since OMV wishes to ensure continuous internal development of its management and expert potential across the Group as part of its growth strategy.

Succession to the most senior positions within the current and future organization is planned both across the Group and in the individual divisions, functions and companies as an ongoing process that is part of a predetermined cycle. Once a year, promotions across the Group are reported to the Group Executive Board, conclusions drawn and career plans as well as the focus of HR's activities for the following year defined. Junior management staff are developed in good time. In 2004, 27% of the most senior positions were filled by new appointees, of whom 84% were promoted internally.

By investing in the development of talent, we were able to recruit many staff for Petrom internally. The integration of Petrom has also created new career opportunities within OMV, since the assignment of 80 staff to Romania opened up the opportunity for many younger OMV staff to be promoted into the senior positions that became vacant.

Each position is advertised internally. If staff have the appropriate qualifications and agreement from the department that they wish to join, they are entitled to move from their existing position to a new one. Figures show that the company's policy of promoting staff is implemented consistently.



English as the Group language

At the beginning of January 2003, the decision was announced that English, as the international language of the oil and gas industry, would be OMV Group language from 2005. It is also hoped that this will avoid staff in the Austrian headquarters adopting a headquarters mentality towards staff in other countries and linguistic barriers impeding collaboration.

The linguistic requirements are geared to level descriptions based on the EU's standards and were developed for the use of English within the company and also form the basis for a wide range of training courses.

However, OMV also wants to give its staff the opportunity to assimilate its corporate culture and this is why we will retain the Hungarian and Czech versions of the portal. The annual staff survey is carried out in a total of 18 languages in 24 countries. (It is described in greater detail in the "Human Capital Management" section.)

European Advisory Board

In principle, OMV views the Group Works Council's plan to establish a formal European Works Council positively. A strong Works Council has already been established in Romania with which the social framework conditions for the reorganization were negotiated and which is also involved in implementing them. An intensive, informal exchange is currently taking place between OMV "larger" countries, namely Austria, Germany and Romania. Works Councils have not been established in most other Central European countries since the units there are usually purely trading organizations employing few staff.

Leadership Initiative

The OMV Leadership Initiative aims to establish entrepreneurial dynamism as one of the OMV skills for success. The development of entrepreneurship is to be promoted by organizational and consciousness raising measures.

"Achieving more through entrepreneurial dynamism" was the aim of the 2004 OMV Leadership Initiative. A total of 14 Executive Board and senior management workshops with 13 project mentors developed and to some extent successfully implemented a large number of initiatives in the business units, aimed at strengthening skills in this area. They were extended to all levels to underline personal responsibility. The projects and any cultural changes are observed continuously. The Initiative will be continued in 2005.

Human Capital Management (HCM)

Internal communication, health, enjoyment of work, cooperation and organization are key indicators of job satisfaction. We gain important insights about changes in job satisfaction and reflections on the Group's values from the job satisfaction survey, which we conduct on an annual basis across the Group. The results of this survey are summarized in the HCM Index (Human Capital Management Index).

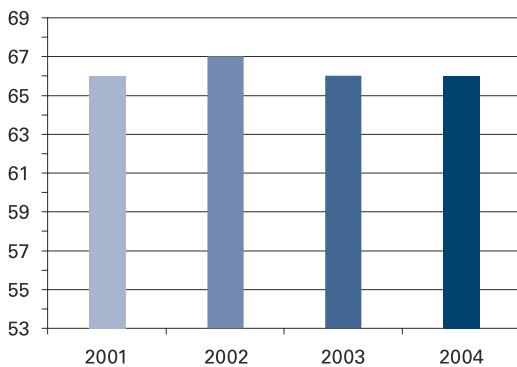
The survey for 2004 shows a slight increase in the overall index, from 66 to 67 points (out of 100 possible) and an

improvement in the response rate from 58 to 66%. Progress was particularly marked in the communications and information flows areas. On the basis of our consultant's international experience, we have set the amber zone on a traffic light scale between 56-70 points and the green zone above 70 points.

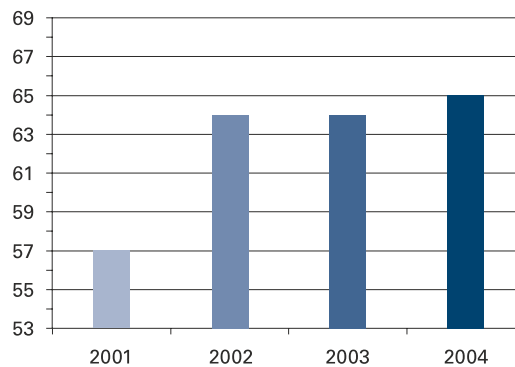
The results of the survey are discussed with the Executive Board. Staff and management assess the results in a bottom-up approach and suggest measures for improvements.

Human Capital Management, annual employee job satisfaction survey

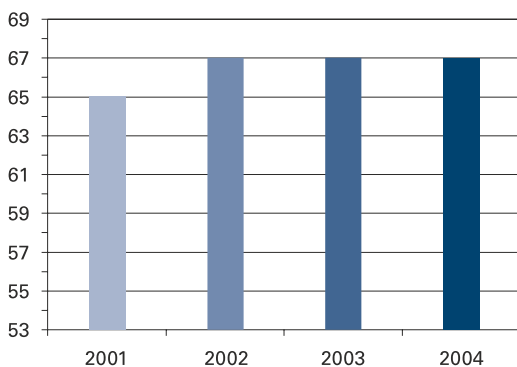
IGA (Health/Enjoyment of Work Index)



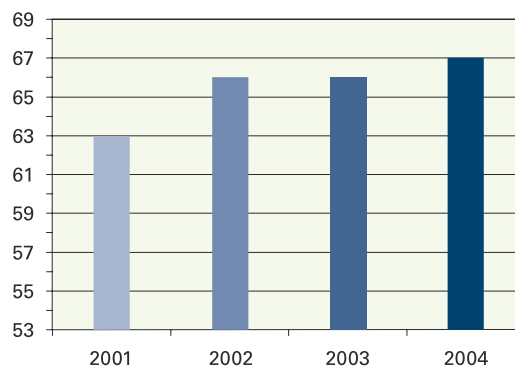
IKI (Communications/Information Index)



IMO (Employee/Organization Index)



HCI (Human Capital Management Index)¹



¹ Calculated from IGA, IKI and IMO

Apprentice training

OMV supports an active program for apprentice training run by qualified staff. This allows us to offer young people an opportunity for their future. Investment in training our staff is important for our future operations in Austria.

In October 2003, we opened a new training center in Gänserndorf/Lower Austria. We invested a total of EUR 9 mn in this facility, which is the most modern and the largest facility for apprentice training as well as technical further education in the region. More than 100 apprentices are currently receiving training and support in Gänserndorf, three quarters of whom come from the surrounding area.

We are able to simulate refining facilities in the new training center for example. Glass components make the complex facilities transparent - in both senses of the word - and comprehensible to the apprentices. All processes can be simulated in live operations. The insights gained from these facilities can also be used in E&P's facilities.

The new facility offers adults retraining programs and technical education seminars for technicians, master craftsmen and specialists. Other elements of the OMV training program such as IT courses, safety training, health panels, staff information etc. are carried out in Gänserndorf. A specialist course in chemistry is also planned.

Ideas management

We encourage creativity, identification with the company and motivation. The staff suggestion scheme was redesigned, made less bureaucratic and fully automated in 2005. It is accessible to all staff via the portal and offers an overview of all previously submitted suggestions for improvements. Bonuses are paid for any ideas that are implemented.

In 2004, innovations suggested by our staff resulted in savings totaling EUR 3,293,750. The average bonus amounted to just under EUR 220, while the highest stood at EUR 6,360.

Two examples demonstrate our staff's creativity:

- ▶ In 2003, a member of staff suggested using two pumps that were no longer required instead of purchasing two new pumps as planned in the course of a project. This meant that we could dispense with constructing new foundations and purchasing new electronic cabling. This saved the company EUR 111,260.
- ▶ In 2004, a member of staff considered redesigning a safety cut-off switch, which had already caused equipment to shut down on two occasions, while the plant was operating. This meant that the planned switch-off of the ethylene plant to carry out work could be avoided. That would have caused the loss of a contribution to fixed costs of EUR 1,162,608.



Employee stock ownership plan

As part of an employee stock ownership plan, when purchasing four OMV stocks OMV employees received a fifth free of charge up to a certain amount. The aim was to make the increase in the company's value clearly apparent to staff.

Flexible working hours

Flexible working hours have been introduced virtually everywhere within the Group.

There are no general arrangements for part-time working. It is left to the line manager's discretion whether this option will be offered, which will also be subject to framework conditions.

Remuneration policy

OMV disclosed the main features of its remuneration policy in a Group guideline. Important elements of the policy include budgeting, salary adjustments, job descriptions and job evaluation, stipulating salaries for new staff, a total remuneration system (bonuses and other payments) as well as the right to demand justification from the line manager – particularly in cases where a salary increase or bonus has been refused or seems inappropriately low.

Each staff member's remuneration includes a performance-related component. It is agreed during the performance review and depends on both the company's performance and individual targets.

Promoting a sense of community, identity and esprit de corps

Large events for staff from all locations held at least once a year in OMV departments and divisions offer the opportunity to celebrate their and OMV achievements together. Events of this kind are available for some 90% of staff (excluding Petrom). They provide an opportunity to highlight particular achievements and to formulate common goals. These events are very popular because they foster cooperation and disseminate the common corporate culture.

Raising OMV staff's awareness of CSR

OMV defined its standards in the Code of Conduct that it adopted voluntarily in 2003 and laid down as a Group directive in 2004. Implementation of and compliance with the Code is guaranteed through Group directives.

As an integrated oil and gas company operating in more than 20 countries worldwide, we are aware of the importance of corporate culture and social responsibility. The management of OMV attaches great importance to giving our employees a better understanding of the values defined in the Code of Conduct and to creating a uniform OMV culture. The staff brochure entitled "10 Principles", which was developed for this purpose contains an extract of the values described in the Code of Conduct.

Furthermore, a list of questions and answers on OMV corporate social responsibility was placed on the portal in 2004. Our staff can download it there. To complement this, we have carried out training sessions and workshops for just under 200 staff in Austria since 2004. We plan to hold events of this kind at international locations as well in future. Systems are in place to ensure that new staff receive the Code of Conduct, the "10 Principles" brochure and the current Performance Report. The balanced score card (BSC), which was drawn up out at the end of 2004 for subsequent years, contains indicators on raising CSR awareness.

Our common values should contribute to the OMV Group being recognized as more than the sum of the individual parts. They should contribute to our staff enjoying their work, feeling motivated and proud of what they do.



Principles of anti-discrimination and monitoring

In 2003, OMV issued a Group directive on anti-discrimination and subsequently adapted it to the Austrian Law on Equal Treatment of July 1, 2004.

Our policy of equality regulates equal opportunity: employees and potential employees may not be discriminated against because of their race, their belief and their religion, their age, the color of their skin, their nationality and ethnic origin, their political and other convictions, their gender, their sexual orientation, a disability or their marital status.

All corporate principles are guided by the principle of equal treatment.

Employment of people with disabilities

In Austria, the proportion of employees with disabilities is determined by law in companies above a certain size. The OMV Group employs more people with disabilities than is called for under the Disability Employment Act.

Employees talk about OMV:

“OMV is a particularly attractive employer as far as I am concerned because the Austrian company is a global player in the Exploration and Production sector. The Group’s size allows scope for creativity and acting on one’s own initiative so that ideas can be efficiently implemented thanks to short communication channels. Young staff like me benefit from the comprehensive opportunities for personal development. In addition, OMV growth strategy offers the opportunity to assume varied and responsible roles at an early stage in one’s career.

I find the Exploration and Production segment totally fascinating since it combines internationality, multidisciplinary and multiculturalism with the use of the latest technologies.”

DI Harald Scheruga,
Regional Coordinator
Latin America
E&P International



Human Rights

Challenges and goals 2003/2004

- ▶ Instilling sensitivity and awareness in connection with the respective national and local environment
- ▶ Transferring and implementing our standards against the background of different cultures and mentalities in the countries we are operating in and within joint ventures
- ▶ Providing adequate protection against attacks on staff, contractual partners and facilities
- ▶ Continuous and comprehensive monitoring of our foreign activities irrespective of ownership or operatorship
- ▶ Training security staff
- ▶ Making our development work and our humanitarian projects more professional

Challenges and goals for 2005/2006

- ▶ Promoting human rights in our national and local environment
- ▶ Instilling awareness of human rights issues in Central and Eastern Europe
- ▶ Continued focus on the Millennium Development Goals in our development work and our humanitarian projects
- ▶ Integrating human rights issues in our supply chain management
- ▶ Further expansion of the Community Development Project (CDP) in Pakistan in the fields of education, water supply, health, agricultural development and income generation



Achievements

- ▶ Supporting press freedom
- ▶ Expanding the Community Development Project in Pakistan
- ▶ Supporting a UNICEF education project in Pakistan
- ▶ Linking the CDP with local staff to generate income for Pakistani women
- ▶ Training security staff

Strategy

- ▶ Focusing on the UN Global Compact, the UN Millennium Development Goals and the Code of Conduct

Reporters without Borders – “Press Freedom Award”

Since 2002, OMV has been supporting “Reporters without Borders”, an organization that is committed to upholding journalistic standards, independence and press freedom worldwide. At the instigation of OMV, it created the annual “Press Freedom Award” of EUR 15,000, which is awarded to young journalists from all sectors of the media (print, electronic and online media) for their services to press freedom. In the period under review, the prize went to journalists from the former Yugoslavia (2003) and from EU countries bordering Austria (2004).

With the support of “Reporters without Borders”, OMV is fighting to secure one of the fundamentals of democratic societies: freedom of opinion and press freedom. “Anybody who says yes to the basic economic freedoms, must say yes to all basic freedoms”, argues OMV CEO Wolfgang Ruttensdorfer.

More detailed information available from <http://www.lundin-petroleum.com/>

Sudan

A rise in queries about OMV involvement in Sudan in 2002/03 again caused us to examine the issue of human rights and CSR in the Group more closely.

Therefore - although we ourselves were not actually operating in the country - systematic and detailed studies were carried out with our joint venture with Lundin as the local operator to be able to assess the local situation even more comprehensively. These included OMV discussions with various organizations in Khartoum and in the field.

At the time, operations were limited solely to exploration in the south of the country - the joint venture did not produce any oil. Lundin assumed responsibility for social issues locally and as the consortium's operator among other things invested several million euros in the water supply, medical projects, education and generating income for the local people.

OMV sold its shares in Sudan retrospectively to January 2003.







Pakistan

More detailed information on UN millennium development goals available from: <http://www.un.org/millenniumgoals/index.html>

Having analyzed the needs of the local population in Sindh province in the desert area of Southern Pakistan, OMV carries out community development projects (CDP), which focus on improving local living conditions while giving partial responsibility for the project to the local population. This means that the local inhabitants are involved in development projects long term and in all cycles of the project from identifying it to planning and implementation and finally to monitoring and evaluating it. OMV sets itself innumerable challenges within the CDPs.

Understanding and anticipating challenges of this kind contribute to the projects' success. They include illiteracy, health issues, setting up sustainable businesses, scattered populations, access and mobility problems, high expectations on the part of the local population, socio-political pressure by influential people and individual needs taking precedence over collective awareness. OMV involves all important stakeholders in the planning and implementation of projects to minimize the risks resulting from social conflicts. The projects focus on education, health, the water supply, agriculture and local handicrafts to secure a livelihood.

In 2003–2004, among other things the school infrastructure was improved, the work of community health workers improved through training sessions and financial support provided for mother and child medical centers. Plans are currently being drawn up to extend the water supply in Miano in addition to the hand-pumps and water tanks that have already been installed. The construction of a water pipeline to the Nara canal or water treatment measures at the pumping facilities are currently being investigated.

With these unique development projects OMV contributes to promoting people's rights to education and health as well as to combating poverty and supports the UN millennium development goals.



OMV Benefit Bazaar to support people living in the Pakistani desert

The Benefit Bazaar featuring handicrafts from Pakistan, which was organized in 2004 and held at OMV sites in Vienna in 2005, is directly connected to the CDPs and is aimed at boosting awareness of CSR within the company. The initiative, which was introduced by the project leader in Pakistan, was supposed to make the development project apprehensible in the truest sense of the word. Staff were invited to buy these products manufactured by the Pakistanis living in the region around the OMV plants in the south of the country.

OMV then doubled the amount raised and gave it to the handicrafts center in the desert region of Sindh province. The women, who had produced these items, received some of the funds, while the rest was used to buy raw materials and for product development. In addition, another handicrafts center to connect the workers with the local market was constructed. Similar benefit sales have already been organized for OMV staff in Pakistan.

These initiatives provide examples of the direct involvement of staff in our global CSR strategy and in our Group's social responsibility.

Examples of social commitment in other countries where OMV operates:

- ▶ In Bulgaria, OMV staff collected 1,600 kg of donations in kind for old and visually impaired people as well as orphans and poor people in the region around the OMV office.
- ▶ In Great Britain, OMV supports programs provided by NGOs such as Save the Children, Cancer Research, Shelter for the homeless and a project to save very premature infants.
- ▶ In Tunisia, support is provided above all for social and environmental projects to promote neighbourhood links with communities, in particular, the focus is on donations for schools, local sports activities as well as support for non-profit making organizations and waste disposal projects.
- ▶ In Libya and Yemen, OMV supports the provision of medical care to the local population. Financial help for a hospital in Yemen is planned.
- ▶ OMV gave a donation to the victims of the tsunami at the end of 2004.

Over the next few years we shall develop CSR still further with measures to instill increased awareness across the Group and the expansion of long-term social projects throughout the world.



Supply chain and controlling child labor

In its Code of Conduct OMV has undertaken to forbid child and forced labor in its sphere of action and to promote measures against any violations of this policy.

This process began in 2003 with the inclusion of the prohibition on employing illegal child and forced labor in our purchasing conditions. Since 2004, we have been developing a monitoring model with the help of a human rights expert from outside the company. It contains an adequate definition of illegal child and forced labor based on the international standards of the ILO (International Labor Organization) and the UNO, suitable forms for monitoring this in line with established standards such as those of Social Accountability International and appropriate measures to rehabilitate the people affected. These elements are found in the "OMV Supply Chain Control regarding child and forced labor" manual, which helps us through the rest of the process and will be amended to meet future demands.

The process we have initiated is based on three considerations:

- ▶ The international community increasingly respects children's dignity and human rights. We want our suppliers to pay particular attention to the principle of forbidding child labor laid down in international conventions so that children can make use of their opportunities now and in the future.
- ▶ The fight against illegal child labor and forced labor is one of the most difficult human rights challenges of our time. Every successful approach must include all aspects of the problem in their entirety – including the causes, the direct impact on those affected and the appropriateness of the measures taken in the respective cultural environment.
- ▶ Measures taken should bring a satisfactory solution for all those involved - particularly those affected. Supporting children's access to educational establishments is of great importance here.



Non-compliance with OMV purchasing rules

Given the level of skills required of our staff, implementing the prohibition is not difficult in our direct area of operations. However, we demand that our suppliers also comply with our principles. For this purpose we have designed a comprehensive monitoring process involving self-evaluation using questionnaires (from 2005) and monitoring visits (from 2006).

We are convinced that this makes a major contribution to combating these social problems and view this process as an effective step on the way to gradually implementing our Code of Conduct.

Methods to monitor compliance with human rights will be developed and applied in 2004/2005. Our immediate goals here include the establishment of clear principles and directives on the issue of child labor in non-oil business.

Since private companies are only just beginning to produce effective and successful models for action in this field, each of these projects is a pilot by nature.

In principle, suppliers and sub-contractors that fail to commit to observing human rights will not receive any orders. This is a component of our standardized purchasing provisions.

In 2004, a Swiss company submitted a tender as part of a substantial investment by OMV Polyfelt subsidiary. However, since this supplier refused to accept the text of the Code of Conduct in the purchasing rules (combating child labor, forced labor, bribery and corruption), it was not considered in the award process - although it was the cheapest provider.

Human rights in other structures

There is no doubt that health, education, anti-discrimination and freedom of opinion are very important aspects of human rights. Following the structure of our Code of Conduct, we report on these in other sections. They are listed below to enable you to find your way round them more easily:

- ▶ Right to health: 34, 108ff.
- ▶ Right to education: 32, 41, 146
- ▶ Children's rights: 41, 50, 55, 75, 137, 162
- ▶ Forced labor: 41, 50, 55, 75, 162
- ▶ Equality/non-discrimination including involvement of vulnerable groups/orphanages: 45, 138f., 141f., 149
- ▶ Freedom of opinion: 41, 151
- ▶ ILO standards: 74
- ▶ Supply chain: 137

* You will find more about the issue of child labor on page 41 and 156

Social Sponsoring OMV Move & Help

A unique project in which many of OMV stakeholders - including our customers and employees in particular - are involved has been launched with the OMV Move & Help project, which promotes educational projects in 12 countries together with international aid organizations such as HOPE 87, SOS-Kinderdorf and Caritas.

In 2004, the following school projects for 1,700 children and young people were financed in Austria, Romania, Bulgaria, Slovakia and Bosnia-Herzegovina:

- ▶ Five Caritas projects entitled "Learning for Life" in Romania, Bulgaria and Slovakia allow 1,100 Roma children to attend school for one and a half years and receive hot meals.
- ▶ HOPE 87 is able to offer over 500 young war victims, orphans and landmine victims computer, language and study courses with the "Hope for Sarajevo" project.
- ▶ The SOS Clearing House in Salzburg provides schooling and support to about 50 - 60 young asylum seekers.

In the Vienna City Marathon in 2004, OMV donated one euro to Move & Help for every kilometer run by an OMV staff member. Staff interest in OMV Move & Help was also boosted with an in-house photographic competition.

1,800 filling stations in twelve OMV countries sold OMV Move & Help t-shirts and sticker tattoos. Of course, the t-shirts sold during this campaign were not produced by child labor.*

To provide sustained benefit in all OMV countries and to offer children and young people long-term prospects, we shall continue OMV Move & Help program within a new partnership that has been agreed with UNICEF in 2005 and 2006; aid projects run by SOS-Kinderdorf and Caritas will also receive support in 2005. www.omv.com/moveandhelp

We have also been supporting the "Licht ins Dunkel" (Light in the Dark) campaign with our filling station licensees by selling Advent calendars since 2000.

Partnership with Verkehrsclub Österreich

In recent years, OMV has supported Verkehrsclub Österreich (VCÖ = Austrian Automotive Association) in organizing the Mobility prize. This non-profit making organization advocates safe, environmentally sound and economically efficient mobility. Among other things it devotes itself to improving the public transport infrastructure, safety schemes and removing barriers to mobility. Dialogue with this critical and "alternatively thinking" association expands our horizon. The Mobility prize is awarded to innovative transport projects.





Relationship with the Environment

Communication with filling station licensees

Communication with our filling station licensees and their employees is of great importance to us since they are closest to our customers. They have a significant impact on the impression given of OMV approach to quality and service and consequently shape our brands.

OMV foreign subsidiaries maintain comprehensive, close and regular contact geared to the specific framework conditions applying in the respective country with their filling station licensees.

In so doing, personal meetings with filling station licensees and the retail management as well as the sales team constitute important communication tools. In countries with up to 100 filling stations (such as Bosnia, Serbia or Croatia), these are generally held in head office with all local filling station licensees. In countries with a larger number of filling stations – such as in Germany, Austria and Hungary – the area managers maintain contacts with the filling station licensees in their respective areas through regular meetings.

If possible, we also use electronic media such as Internet and Intranet as well as e-mail newsletters to communicate but we also send out information sheets, magazines and manuals for filling station licensees. In some countries a help desk has been established to support our filling station licensees. Intensive training and education programs also facilitate the exchange of information.

Electronic communication will be expanded further in 2005/2006. E-learning projects as well as increasing personal contacts in the form of workshops and topic-based working groups are planned.

Customers

OMV is committed to respecting customers' and consumers' interests. On its portal www.omv.com OMV maintains an extensive database with information on products, their use and what to do in the event of any accidents.

(See also Section on "Safety", page 113)



Customer complaints

Customer complaints about product and service quality are all recorded centrally in a database and forwarded on a workflow-related basis. The processing status of complaints is evaluated every six months.

Customer complaints about product quality are investigated in detail. Each customer receives feedback within two days. If requested, an OMV technician will visit to assess the problem, take samples and provide advice. In extreme cases the results of analyses will be available within 24 hours to ensure the customer's supply is guaranteed. The fact that results are available so rapidly helps to decide with the customer how we should proceed with the complaint.

We shall consistently develop potential for improvements by continuously recording all incoming complaints in the database and by documenting all the grounds for complaint.

Competition and cartel law

Documentation providing information on competition and cartel law was made available throughout the company as early as 2003 and training carried out in certain divisions. An intensive training program across all divisions will be implemented in autumn 2005; the documentation will be made available online to all company employees via the portal.

Stakeholder communication

The insights and expectations on the part of our stakeholders gleaned from the Round Table Dialogue held in June 2005 have been taken into account in preparing this Performance Report. The insights gained from ongoing consultations with stakeholders provide the impetus for us to rethink, to instill awareness and to increase the efficiency of our social responsibility. This is why for example in the field of human rights we became involved in a comprehensive dialogue with a specialist from the Boltzmann Institute of Human Rights. This led to our refining the project to prevent child and forced labor in our immediate environment, which was started in 2004, to reflect international standards.

OMV maintains a proactive dialogue on issues such as human rights, the local population, the environment or employee rights with all its stakeholders for whom constructive discussions are a matter of concern. We attach great importance to the equal treatment of all stakeholders, while setting context and project-related priorities.

With this in mind we consult with our stakeholders on the planning, implementation and review of projects. With regard to environmental issues we maintain dialogue with the WWF and the Ministry for the Environment, with the Boltzmann Institute of Human Rights and independent human rights consultants on human rights, with the UN Global Compact platform on millennium development goals. In the case of development projects we consult NGOs and representatives of the local population and for communication with filling stations we use the platform

specially created for this purpose. In the field of renewable and alternative energies we cooperate closely with our associates in industry, research establishments and universities.

Discussions are held openly - by consensus but controversial viewpoints are also represented. We appreciate serious, objective dialogue with committed, interested stakeholders above actionism. As part of our stakeholder community we need not balk at an international comparison of our understanding of corporate social responsibility and long-term corporate policy.

The Minister for Agriculture and Forestry, the Environment and Water and the CEO of OMV are both committed to the goals of a five-point program:

- ▶ To guarantee the supply of sulfur free gasoline and diesel fuels across OMV area of operations from January 1, 2004
- ▶ Political initiatives at EU level to make the introduction of diesel particle filters or equally effective technical measures to reduce the finest particles mandatory
- ▶ Gradual expansion of the range and market share of alternative fuels
- ▶ Supporting these measures at national level through appropriate incentives
- ▶ Legal initiative to reduce traffic pollution still further

OMV Stakeholders – a selection



Cooperation with universities

In its Code of Conduct, OMV commits to exploiting synergies by collaborating with universities and research institutions. We concluded an agreement on cooperation with the University of Leoben in 2003. Our assistance is focused on providing grants for particularly gifted students with the aim of expanding the exchange of scientific information with the world's leading universities. We also finance lectures by visiting scientists of international repute and support the university's scientific staff. If we also succeed in persuading the brightest minds to join the labor market, then the company benefits in terms of both synergies and scientific stimulus. We plan to continue this sponsorship program.

We also support the Eastern Europe master class at the Vienna University of Economics and Business Administration's Institute for Corporate Management under the leadership of Professor Gerhard Speckbacher. The master class comprises a one-year training program on corporate management and a field trip to or working group in Central and Eastern Europe.



Anti-corruption

OMV has enshrined a clear policy against corruption and bribery in its Code of Conduct and in its purchasing rules. We participate in the UN's "Global Compact" initiative and have undertaken to comply with the rules laid down therein. In 2002, OMV had already anticipated a recommendation from spring 2005 for e-invoicing in the aviation industry: the fuel handling process was optimized by networking the airline head office – the aircraft/pilot – the operations center – fueling vehicle/attendant and the OMV Aviation department.

Corruption and bribery is brought to a halt by issuing delivery notes and invoices automatically as well as transmitting the invoice data electronically. The entire process is entirely automated – no manual intervention is required, which means that invoice or recipient data cannot be manipulated. The automation has led to increased efficiency and a better service. It also provides additional data, which will allow us to optimize the process still further.

The establishment of the "dual control" principle in the Group is an effective organizational measure to prevent corruption and bribery. Regrettably there was a proven breach of these principles at middle management level during the period under review. The staff member involved was dismissed.



This results in the following challenges, goals and achievements with regard to the relationship with the environment:

Challenges and goals 2003/2004

- ▶ Early recognition of issues and expectations of social relevance to the company, issue management
- ▶ Stakeholder relations management and target group specific communication
- ▶ Speed and variety of information and communication tools
- ▶ Transparency and credibility

Challenges and goals 2005/2006

- ▶ Raising anti-corruption awareness
- ▶ Continuous stakeholder dialogue
- ▶ Raising competition law awareness

Achievements

- ▶ Move & Help fundraising project for educating children
- ▶ Proactive stakeholder involvement in OMV CSR

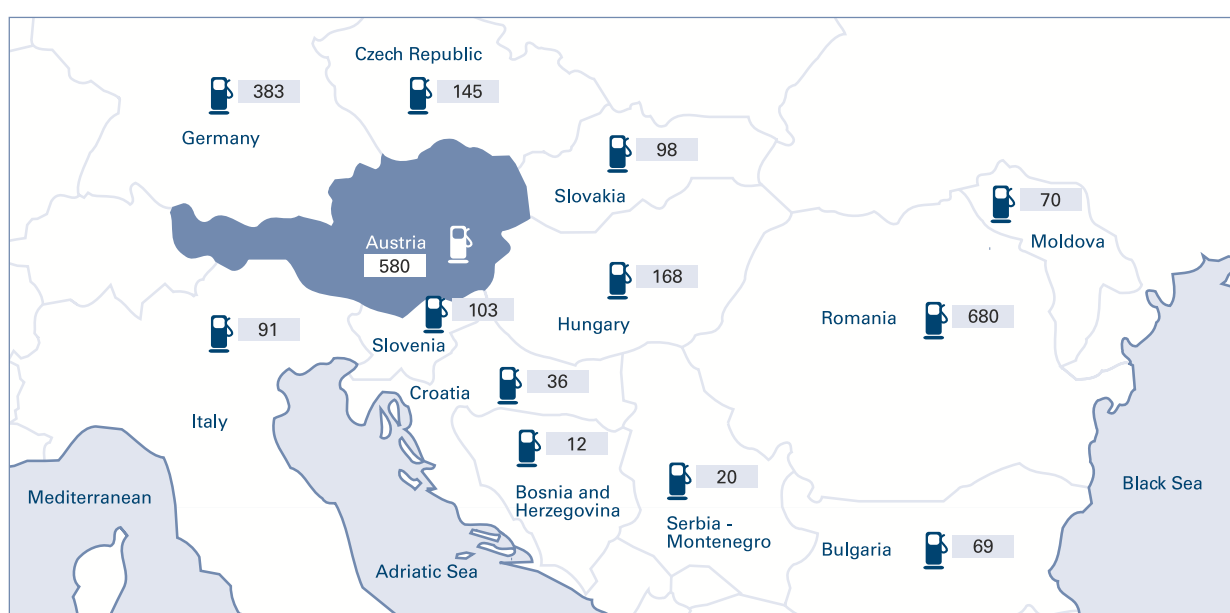


Indicators + Interpretations Finance

EC2 > Geographic breakdown of markets

In 13 countries, we hold roughly 18% of the marketing services market. All the individual countries are below 25%.

Marketing/ filling station network



As of: December 31, 2004

EC3 > Cost of all goods, materials and services bought in

	2003	2004
Cost (in EUR bn)		
Cost of materials	8.972	12.931
Energy purchased	0.110	0.149
Other third party services	0.288	0.375
Total	9.370	13.455

Agreed penalty arrangements

<<

EC4

Penalties are applied on major projects and on large orders. In terms of the total number of our orders, the percentage is negligible, i.e. less than 1%.

Total payroll and benefits

<<

EC5

Details (in TEUR)	Wages		Pensions		Other Benefits	
	2003	2004	2003	2004	2003	2004
Austria	281,716	295,746	53,056	83,085	62,641	65,746
Europe (excl. Austria)	52,899	63,616	1,612	4,227	12,876	15,509
Middle East/Africa	0	1,288	0	0	0	60
Rest of the world	1,040	1,200	0	331	101	93
Total	335,655	361,850	54,668	87,643	75,618	81,408

Distributions to providers of capital

<<

EC6

Payments (in TEUR)	2003	2004
	Dividends paid	96,974
Interest payments	117,020	107,989

Increase/decrease in retained earnings

<<

EC7

See balance sheet in respective Annual Report (2004: page 57; 2003: page 51).

EC8 > Tax payments

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

Subsidies received

<<

EC9

The figure for “previously received” subsidies covers the period from January 2002 to 2005.

Subsidies for investment expenses in 2004 were not applied for until 2005. Consequently, payment will not be received until the second half of 2005 and later as a small amount is being retained and will not be disbursed until submission of a final statement of account and final report.

AMI Deutschland has already received an investment subsidy of EUR 26,954,200. Overall, we have received a commitment for funds totalling a maximum of EUR 40.3 mn and these will probably be utilized.

The subsidy instruments are IZ and GA, respectively in Germany and the EU.

IZ = Investment subsidy

(tax related, for investments in specific regions in central Germany, disbursed by the German Tax Authorities).

GA = Joint Task

(in addition to German funds includes EU subsidies from the European Regional Development Fund (ERDF), disbursed by the state authorities of the target investment region – for AMI Deutschland this is Saxony-Anhalt).

Art, culture and sport donations and advertising expenses

<<

EC10

	2003	2004
OMV Group (in TEUR)		
General advertising	23,298	38,525
Advertising for art, culture and sport	8,328	8,101
Social advertising	2,010	1,287
Art, culture and sport donations and memberships	248	200
Social donations and memberships	589	223
Total	34,473	48,336





Indicators + Interpretations Environment

EN16

> **Limit values for air pollution**

Agrolinz Melamine International Italia S.r.l., Castellanza had to pay a fine of EUR 3,000 in 2004 for exceeding an atmospheric pollutant limit prior to 2003.

Packaging Directive

Proceedings are also pending before the Austrian Administrative Court for infringement of the Packaging Directive. The proceedings relate to the question of whether or not containers for lubricants are subject to a waste collection system or not.

Environment

			2000	2001	2002	2003	2004
EN3	Direct energy use	PJ	73.0	74.5	76.5	76.9	81.5
EN5	Total water consumption	million m ³	191	184	185	193	184
	Groundwater consumption	million m ³	20.9	21.1	19.9	21.8	19.5

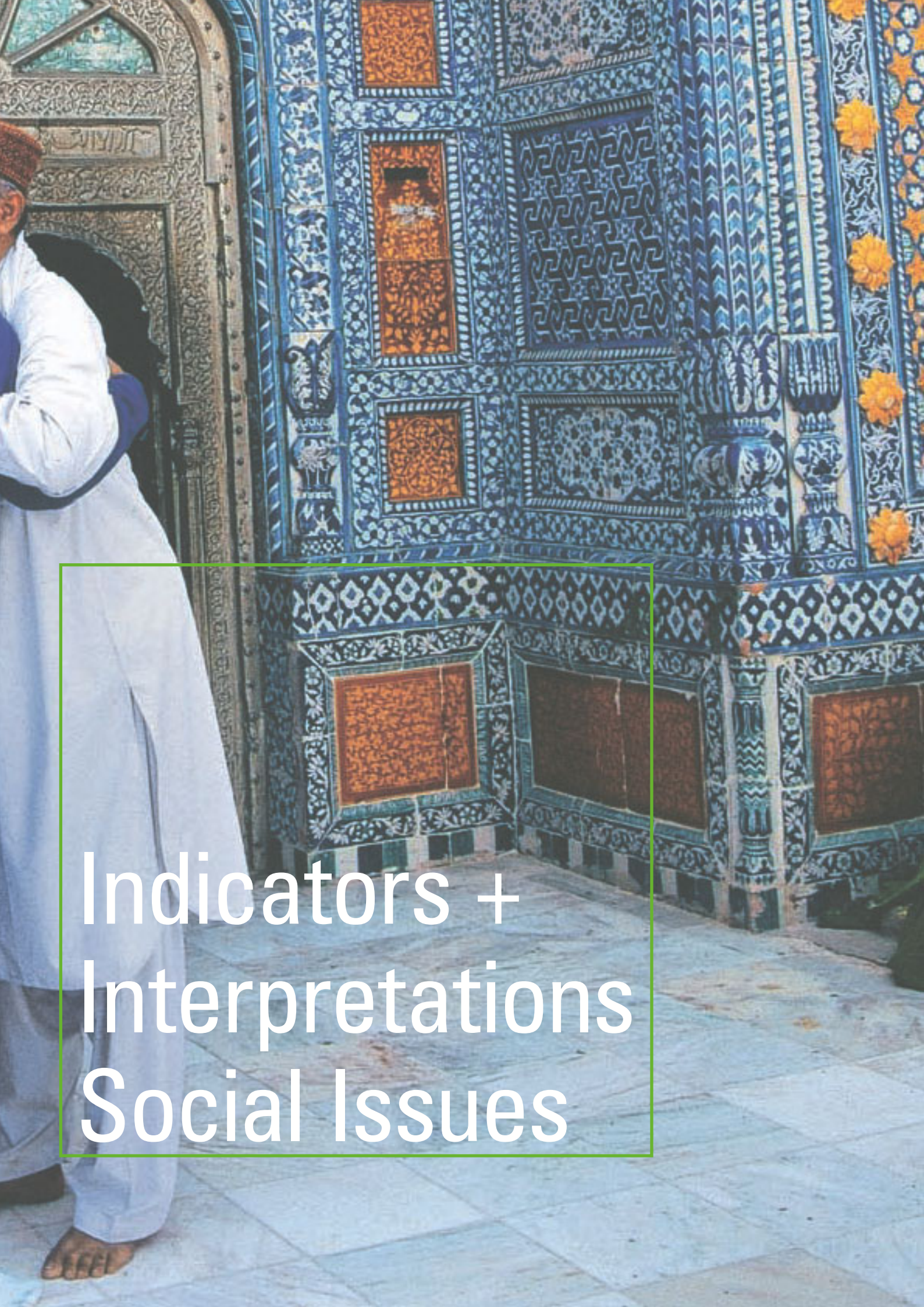
	Emissions		2000	2001	2002	2003	2004
EN8	Climate altering emissions						
EN8	GHG	million t CO ₂ equivalent	6.0	5.7	5.8	7.5	7.8
EN8	CO ₂	million t	4.9	4.8	5.0	5.7	6.7
EN8	CH ₄	t	2,635	2,415	2,176	51,363	44,052
EN10	Other significant atmospheric emissions						
EN10	SO ₂	t	5,671	5,750	5,947	6,006	6,484
EN10	NO _x	t	6,810	6,891	6,686	6,543	7,819
	VOC	t	**	1,882	1,929	1,911	2,519
EN8	N ₂ O	t	3,483	2,539	2,603	2,850	906.5
	Dust	t	320	314	282	305	293

			2000	2001	2002	2003	2004
EN12	Waste water emissions						
EN12e	COD	t	1,313	906	901	654	630
	Hydrocarbons	t	7.0	2.6	2.8	3.0	2.4
EN11	Total amount of waste						
	Hazardous production waste	t	n.r. ¹	12,092	9,831	8,295	9,058
	Non hazardous production waste	t	n.r. ¹	37,670	41,555	38,211	39,244
	Waste oil	t	n.r. ¹	382	434	474	495
	Total production waste	t	n.r. ¹	50,144	51,823	46,946	48,857
	Recycled	%	n.r. ¹	68	63	83	91

** According to new scientific findings, VOC emissions are lower than assumed, therefore data are not comparable to previous years.

¹ Due to different regulations, waste figures before 2001 are not comparable, and hence, not reported.





Indicators +
Interpretations
Social Issues

LA1 > Workforce structure 2003

	Europe excluding Austria	Africa Middle East	Rest of the world	Austria	Total
Employees - status	☒	☒	☒	☒	☒
White-collar workers	1,002	229	77	2,368	3,676
Blue-collar workers	355	128	30	1,948	2,461
Total	1,357	357	107	4,316	6,137
Employees - type of employment					
Full time	1,330	357	105	3,847	5,639
Part time	27	0	2	469	498
Total	1,357	357	107	4,316	6,137

LA1 > Workforce structure 2004 ¹

	Europe excluding Austria	Africa Middle East	Rest of the world	Austria	Total
Employees - status					
White-collar workers	1,344	230	90	2,401	4,065
Blue-collar workers	368	133	25	1,884	2,410
Total	1,712	363	115	4,285	6,475
☒ ☒	☒				
Employees - type of employment	☒	☒	☒	☒	☒
Full time	1,692	363	113	3,827	5,995
Part time	20	0	2	458	480
Total	1,712	363	115	4,285	6,475

¹ See page 25 for the number of Petrom employees.

LA2 > Jobs created and average labour turnover rate 2003

	Europe excluding Austria	Africa Middle East	Rest of the world	Austria	Total sum of employees
Jobs created	10	5	0	133	
Contract terminations ¹	9	3	14	154	
Net employment creation	1	2	(14)	(21)	
Labour turnover rate ²	0.66	0.84	13.08	3.57	
Employees	1,357	357	107	4,316	6,137

Jobs created and average labour turnover rate 2004

<< LA2

	Europe excluding Austria	Africa Middle East	Rest of the world	Austria	Total sum of employees
Jobs created	54	0	0	21	
Contract terminations ¹	26	0	0	35	
Net employment creation	28	0	0	(14)	
Labour turnover rate ²	1.52	0	0	0.82	
Employees	1,712	363	115	4,285	6,475

¹ Internal moves are not included.

² Labour turnover rate = 100/total sum of employees x contract terminations

Labour/management relations

<< LA4

We involve employees in the decision-making process for our business operations. At OMV, we also attach great importance to a constructive working relationship between the management and the employees. We also comply with all the national and international legal regulations relevant to our sphere of operations.

Industrial accidents and sickness

<< LA7

	2000	2001	2002	2003	2004
Own employees					
Fatal accidents (number)	0	0	0	1	0
Lost time incidents (number)	72	51	45	37	38
LTIR (per 1 million worked hours)	9.3	6.4	5.4	4.15	3.76
LTIS (per 1 million worked hours)	n.r.	n.r.	n.r.	82.2	106
Contractors					
Fatal accidents (number)	n.r.	n.r.	n.r.	3	2
Lost time incidents (number)	n.r.	n.r.	n.r.	43	41
LTIR (per 1 million worked hours)	n.r.	n.r.	n.r.	2.78	2.59
LTIS (per 1 million worked hours)	n.r.	n.r.	n.r.	n.r.	46.77

LA9 > Training and continuous professional development 2003

	Europe excluding Austria	Africa Middle East	Rest of the world
Senior management			
Number of employees who took part in training	36	10	4
Total money spent on training	69,470.73	700	3,878
Total hours of training	2,591	32	102
Middle management			
Number of employees who took part in training	137	17	8
Total money spent on training	267,073.44	17,612	5,124
Total hours of training	11,015	448	221
Professional			
Number of employees who took part in training	185	147	10
Total money spent on training	68,026.31	127,302	6,048
Total hours of training	5,320	11,636	176
Technical			
Number of employees who took part in training	225	240	19
Total money spent on training	88,126.05	104,442	30,704
Total hours of training	1,876	12,736	866
Administrative			
Number of employees who took part in training	244	35	7
Total money spent on training	468,468.56	8,954	2,562
Total hours of training	5,793	456	124
Maintenance			
Number of employees who took part in training	28	53	0
Total money spent on training	44,936.73	21,526	0
Total hours of training	3,622	2,769	0
Austria			
Number of employees who took part in training			2,608
Total money spent on training			3,104,633.98
Total hours of training			100,671.90

Training and continuous professional development 2004

<<

LA9

	Europe excluding Austria	Africa Middle East	Rest of the world
Senior management			
Number of employees who took part in training	25	126	8
Total money spent on training	52,119.23	12,843	3,149
Total hours of training	660	9	209
Middle management			
Number of employees who took part in training	135	27	9
Total money spent on training	241,198.62	89,619	5,518
Total hours of training	3,077	1,168	175
Professional			
Number of employees who took part in training	144	151	12
Total money spent on training	535,238.01	209,500	7,556
Total hours of training	5,614	3,936	160
Technical			
Number of employees who took part in training	153	253	8
Total money spent on training	23,921.48	213,714	6,812
Total hours of training	2,250	3,770	140
Administrative			
Number of employees who took part in training	167	35	5
Total money spent on training	332,851	12,305	1,003
Total hours of training	5,430	404	62
Maintenance			
Number of employees who took part in training	4	54	0
Total money spent on training	767	45,396	0
Total hours of training	134	783	0
Austria			
Number of employees who took part in training			3,168
Total money spent on training			3,095,688.50
Total hours of training			121,096.61

LA11 > **Composition of senior management, female/male ratio**

The senior management consists of 182 (2003: 169) top managers from all our subsidiaries worldwide. 19 (2003: 20) of these are women, which equates to 10.44% (2003: 11.83%).

HR5, LA3 > **Freedom of association and collective bargaining**

We operate throughout the world, working in countries with differing socio-economic and socio-cultural conditions and we are subject to the relevant national regulations.

As a corporate Group based in the West, we are committed to upholding freedom of association and recognition of the right to collective bargaining in our sphere of operations and we maintain a due and proper relationship with the representatives of the workforce.

The 2004 survey showed that 65.68% (2003: 69.14%) of our employees are represented by independent trade unions, works councils or collective agreements. A minimum wage is guaranteed for 72.48% (2003: 74.25%) of our employees through collective agreements or statutory regulations in the relevant country.

Political contributions

<<

S03

We are involved in national and international standards as well as in technical and scientific organizations and interest groups. We believe in a proactive approach to lawmaking and the development of standards with a particular focus on participating in the preliminary legal stages.

Where the political environment is concerned, we believe in acting as a service provider. Where there is a declared requirement for specific, useful and decision-relevant information, we are on hand to provide accurate data. We act in terms of economic policy, not political policy, and respect the sovereignty of the relevant nations.

Financial support for political bodies or organizations can be misinterpreted. We maintain our political neutrality and do not make any donations to candidates for public or political office or to political parties.

Respect for privacy

<<

PR3

We observe all national regulations on consumer data protection. We only use the data gathered from prize draws or similar events where the participants have given their approval. For security purposes, video monitoring systems have been installed at filling stations in the pump areas and by the cash tills.





GRI Content Index

The following table provides a summary index to our sustainability report based on the Global Reporting Initiative (GRI) reporting elements and core performance indicators, as defined in the GRI Sustainability Reporting Guidelines 2002. The index shows how and where the GRI reporting elements and indicators are addressed in this report.

GRI	Content according to GRI	Page
1	Vision and Strategy	
1.1	Statement of the organisation's vision and strategy	62ff., 102
1.2	Statement from the CEO	2f.
2	Profile	
2.1-2.9	Organisational Profile	C1, 12, 15, 18ff., 22f., 24f., 163, Annual Report
2.10-2.16	Report Scope	Flap Text, 13, 195f.,
2.17-2.22	Report Profile	Flap Text, 127, 132, 191ff.
3	Governance Structure and Management Systems	
3.1-3.8	Structure and Governance	Flap Text, 96f., 148
3.9-3.12	Stakeholder Engagement	44ff., 96f., 145, 160f., 162, 165
3.13-3.20	Overarching Policies and Management Systems	13, 55, 65, 72ff., 92, 103, 110, 113, 156
4	GRI Content Index	
4.1	Register of GRI Performance Indicators	186f.
5a	Economic Performance Indicators	
EC1-2	Customers	14, 98, 168
EC3-4	Suppliers	168f.
EC5	Employees	169
EC6-7	Providers of Capital	169
EC8-10	Public Sector	85, 170f.

 Corresponding with UN Global Compact principles

GRI	Content according to GRI	Page
5b	Environmental Performance Indicators	
EN1-2	Materials	127
EN3-4	Energy	127, 175
EN5	Water	175
EN6-7	Biodiversity	118f., 127
EN8-13	Emissions, Effluents, and Waste	121, 175
EN14-15	Products and Services	121f., 127
EN16	Compliance	174
5c	Social Performance Indicators	
	Labour Practices and Decent Work	
LA1-2	Employment	178f.
LA3-4	Labour/Management Relations	179, 182
LA5-8	Health and Safety	103, 109, 127, 179
LA9	Training and Education	180f.
LA10-11	Diversity and Opportunity	149, 182
	Human Rights	
HR1-3	Strategy and Management	149, 157
HR4	Non-discrimination	149
HR5	Freedom of Association and Collective Bargaining	182
HR6	Child Labour	41, 50, 55, 75, 137, 156, 158, 162
HR7	Forced and Compulsory Labour	41, 50, 55, 75, 156, 162
	Society	
SO1	Community	152, 154f.
SO2	Bribery and Corruption	73ff., 164f.
SO3	Political Contributions	183
	Product Responsibility	
PR1	Customer Health and Safety	113, 160
PR2	Products and Services	161
PR3	Respect for Privacy	183



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Further Information

-
- ▶ **ABCSD - Austrian Business Council for Sustainable Development** **German only**
<http://www.abcsd.at>

 - ▶ **Austrian Code of Corporate Governance**
<http://www.corporate-governance.at>

 - ▶ **Austrian Institute for Applied Ecology**
http://www.ecology.at/index_en.php

 - ▶ **Boltzmann Institute of Human Rights**
<http://www.univie.ac.at/bim>

 - ▶ **Bundesarbeiterkammer Österreich** **German only**
<http://www.arbeiterkammer.at>

 - ▶ **EU CSR Department** **Multilingual**
<http://europa.eu.int/comm/csr>

 - ▶ **Global Reporting Initiative–Sustainability Reporting Guidelines**
http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf

 - ▶ **OECD Guidelines for Multinational Enterprises**
<http://www.oecd.org/dataoecd/33/17/35053171.pdf>

 - ▶ **oekom research**
http://www.oekom-research.de/index_english.html

 - ▶ **Promoting a European framework for Corporate Social Responsibility, Green Paper**
http://europa.eu.int/comm/employment_social/soc-dial/csr/greenpaper_en.pdf

 - ▶ **respACT** **German only**
<http://www.respect.at>

 - ▶ **UN Global Compact**
<http://www.unglobalcompact.org>

 - ▶ **UN Millennium Development Goals**
<http://www.un.org/millenniumgoals>

Abbreviations and Definitions

A >	AGM AMI	Annual General Meeting Agrolinz Melamine International
B >	bbl, bbl/d bcf, bcm bn boe, boe/d BSC	barrels (1 barrel equals approximately 159 liters), barrels per day billion standard cubic feet (60 °F/16 °C), billion cubic meters (32 °F/0 °C) billion barrels of oil equivalent, boe per day Balanced score card
C >	cbm, cf CDP CEE CNG CSP CSR	standard cubic meters, standard cubic feet Community Development Project Central and Eastern Europe compressed natural gas; CNG is sold at OMV filling stations in kilograms. In practice, 1 kg natural gas equals approximately 1.1 liters of diesel or approx. 1.3 liters of gasoline. Career and succession planning Corporate social responsibility
E >	E&P EBIT EOR equity ratio EU, EUR EWRM	Exploration and Production Earnings before interest and tax Enhanced Oil Recovery stockholders' equity divided by balance, sheet total expressed as a percentage European Union, euro Enterprise wide risk management
G >	gearing ratio GRI	net debt divided by stockholders' equity expressed as a percentage Global Reporting Initiative
H >	HCI HCM HSE, HSEQ IFRS	Human Capital Management Index Human Capital Management Health, Safety, Environment and Quality International Financial Reporting Standards
I >	IGA IKI ILO IMO ISO 14.000 ff	Health/Enjoyment of Work Index Communications/Information Index International Labour Organization Employee/Organization Index International series of standards for operational environmental management

LTIR	Lost Time Incident Rate	< L
mn monomers	million Collective term for ethylene and propylene	< M
net debt NGL	bank debt less liquid funds (cash and cash equivalents) natural gas liquids; natural gas which is extracted in liquid form during the production of hydrocarbons	< N
NGO NOPAT	non-governmental organization net operating profit after tax; net income plus net interest and extraordinary items after tax	
OHSAS	Occupational Health and Safety Management System	< O
R&M ROACE	Refining and Marketing return on average capital employed; NOPAT divided by average capital employed expressed as a percentage	< R
ROE	return on equity; net income for the year divided by average stockholders' equity expressed as a percentage	
ROfA	return on fixed assets; EBIT divided by average intangible and tangible assets expressed as a percentage	
SCC SCR SFAS SRI rating agencies	Safety Certificate for Contractors Selective Catalytic Reduction Statement on Financial Accounting Standards Socially Responsible Investment ratings agencies	< S
t, toe TEUR	metric ton, ton of oil equivalent Thousand euro	< T
UNGC US GAAP USD	United Nations Global Compact United States Generally Accepted Accounting Principles US dollar	< U

For more abbreviations and definitions please visit our online-portal:
[OMV/Communication/Glossary](#)





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01	Spotlight on OMV
10	Finance
02	Overview of OMV
11	Health, Safety, Environment, Research + Development
03	Petrom
12	Social Issues
04	Highlights of the Reporting Period
13	Indicators + Interpretations Finance
05	Stakeholders' Expectations
14	Indicators + Interpretations Environment
06	In the Spotlight
15	Indicators + Interpretations Social Issues
07	OMV Strategy + Vision
16	GRI Content Index
08	UN Global Compact
17	Further Information
09	Economic Significance of OMV in Austria and Germany
18	Contact Details

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