Letter to stockholders
Results for January–June 2004

Q2/04	Q2/03	%	in EUR million (mn)	1–6/04	1–6/03	%	2003
316	177	79	**Earnings before interest and tax (EBIT)**	464	322	44	644
237	184	29	**Clean EBIT**	378	341	11	705
210	101	108	**Net income**	315	195	62	393
157	105	50	**Clean net income**	258	208	24	433

- **Portfolio streamlining and market environment drive excellent results**
- **EBIT for the first half year 2004** increased by 44% to EUR 464 mn due to asset disposals and growth in E&P and in R&M. The two large acquisitions (BAYERNOIL and Preussag, OMV made last year), were integrated successfully and contributed positively to these strong results.
- **Exploration and Production** (E&P) showed a strong EBIT increase of 69% due to special income from the sale of exploration assets and benefited from higher volumes and higher crude oil prices; adverse EUR/USD exchange rates and lower gas price realizations mitigated this increase; the growth in **Refining and Marketing** (R&M) reflected the inclusion of the acquired BP downstream assets and high bulk refining margins; the turnaround at the Schwechat refinery has been completed; in **Gas**, EBIT increased by 20% due to higher transportation volumes sold, lower depreciation on the TAG pipeline and increased contracted storage volumes; **Chemicals** decreased because of lower melamine prices and margins, whereas fertilizer margins recovered.
- **Consolidated sales** in the first half year of 2004 increased by 28% to EUR 4,462 mn mainly due to increased volumes and price levels.
- **Net income** increased by 62% to EUR 315 mn as income from equity investment was strong. EPS (excluding minorities) amounted to EUR 11.66 (1-6/03: EUR 7.24) with clean EPS of EUR 9.51 (1-6/03: EUR 7.72).
- On July 23, 2004, OMV signed an agreement to acquire 51% of the Romanian oil and gas company SNP Petrom.

Move & More. OMV

Wolfgang Ruttenstorfer, CEO of OMV, commented: "Considerable steps forward have been made towards achieving our strategic goals in the first half of this year. We have reviewed our portfolio and have sold exploration assets in Sudan and signed an agreement to sell our production activities in Venezuela. In the Marketing business we have acquired the remaining 50% of the joint venture, OMV Istrabenz, with activities in Slovenia, Croatia, Italy and Bosnia and Herzegovina. The scheduled turnaround at our Schwechat refinery has also been completed successfully in the second quarter allowing us to capitalize on favourable market conditions in Refining. The Group has again produced a very strong set of results and due to strong cash flow we were able to reduce gearing to 29% from 46% a year earlier. The acquisition of the 51% of SNP Petrom, signed on July 23, 2004, represents a unique strategic opportunity in our core CEE market and is a significant step towards exceeding OMV's strategic targets in E&P and in meeting our R&M target. Our focus is now the integration of Petrom whilst continuing our organic growth strategy."

■ Segmental highlights:

E&P: Sale of exploration assets in Sudan completed; gas sales agreement for Pohokura reached; sales and purchase agreement for Cabimas field in Venezuela signed, and closed in August.

R&M: Schwechat refinery's turnaround successfully concluded in Q2/04; acquisition of the remaining 50% of the OMV Istrabenz joint venture

Gas: Expansion of TAG increases results; Nabucco pipeline project on track; gas supply contracts harmonized with market factors and extended to 2012.

Chemicals: Melamine margins under pressure; melamine capacity expansion on track.

■ Key figures

Q2/04	Q2/03	%	in EUR mn	1-6/04	1-6/03	%	2003
316	177	79	**EBIT** [1]	464	322	44	644
237	184	29	**Clean EBIT** [2]	378	341	11	705
320	163	96	**Income from ordinary activities**	473	301	57	596
210	101	108	**Net income**	315	195	62	393
157	105	50	**Clean net income** [2]	258	208	24	433
183	106	73	**Net income according to US GAAP**	254	219	16	372
2,263	1,683	34	**Sales** [3]	4,462	3,475	28	7,644
274	377	(27)	**Cash flow** [4]	491	512	(4)	939
7.78	3.77	106	**EPS ACC** in EUR	11.66	7.24	61	14.60
5.81	3.92	48	**EPS ACC clean** in EUR	9.51	7.72	23	16.10
6.79	3.89	75	**EPS US GAAP** in EUR	9.46	7.67	23	13.33
10.21	14.04	(27)	**CFPS** in EUR [4]	18.26	19.07	(4)	34.95
6,154	6,198	(1)	**Employees**	6,154	6,198	(1)	6,137

[1] earnings before interest and tax
[2] adjusted for special, non-recurring items
[3] sales excluding petroleum excise tax
[4] net cash provided by operating activities

Dear stockholders,

OMV, the Central European oil and gas group, announces its financial results for the first half year (1-6/04) and the second quarter (Q2/04) ended June 30, 2004.

The **first half of 2004** showed improved results over the same period last year due to growth in the segments Exploration and Production (E&P), Refining and Marketing (R&M) as well as Gas, and due to asset disposals. **EBIT** grew by 44% to EUR 464 mn and **net income** rose by 62% to EUR 315 mn (1-6/03: EBIT of EUR 322 mn, net income of EUR 195 mn). Results were boosted by record bulk refining margins, higher production volumes in E&P and steadily increasing crude prices, higher equity investment income and asset sales. The strong EUR exchange rate and depressed melamine margins adversely affected earnings. Compared with Q1/04, these factors led to an increase in reported EBIT of 113% and to a rise of 99% in net income.

Clean EBIT rose by 11% to EUR 378 mn (1-6/03: EUR 341 mn) accounting for the disposal gain of exploration assets in Sudan and income from the disposal of real estate recorded in the Corporate and Other segment. **Clean net income** showed an increase of 24% to EUR 258 mn (1-6/03: EUR 208 mn) as the contribution from equity investments was strong.

■ Economic environment: oil prices (Brent) and exchange rates (EUR/USD)

World crude demand in the first six months of 2004 increased by 3 mn bbl/d to 81 mn bbl/d compared to last year, driven by high demand in the USA and Asia. On the supply side, **world crude production** increased by 3.9 mn bbl/d or 5% to 81.9 mn bbl/d, indicating an inventory build-up of 0.9 mn bbl/d. OPEC countries accounted for 2.1 mn bbl/d of the increase, raising their production of crude and NGL to approximately 32 mn bbl/d.

Crude prices were 17% above last year's levels and, in contrast to 2003, prices have continued to strengthen as the year unfolded. The average price for Brent increased to USD 33.66/bbl in 1-6/04 compared to USD 28.77/bbl in 1-6/03. The main factors behind the high price levels were high demand and continued instability in Iraq, Nigeria and Venezuela. **Rotterdam petroleum product prices** were between 3% and 13% higher than in 1-6/03.

The US dollar (USD) was significantly weaker in the first half year, with the **average euro exchange rate** rising by 11% to USD 1.227 for 1 EUR (1-6/03: USD 1.105). In Q2/04 the euro drifted slightly downward averaging at USD 1.204 (Q2/03: USD 1.136).

Business segments: Exploration and Production (E&P)

Q2/04	Q2/03	%	in EUR mn	1–6/04	1–6/03	%	2003
184.67	79.85	131	EBIT	277.32	164.51	69	303.23
100.00	82.72	21	Clean EBIT [1]	193.78	171.32	13	343.78

[1] Special net charges are added back to EBIT; charges in 2004 relate to personnel restructuring costs, write-offs and gains on the disposal of exploration assets in Sudan.

Segment sales in E&P increased by 12% to EUR 475.89 mn (1-6/03: EUR 423.13 mn) mainly as a result of significantly higher volumes. The Company's average realized crude price was USD 30.76/bbl, showing an increase of 15% when compared with 1-6/03 at USD 26.67/bbl. The Group's average realized gas price in 1-6/04 declined by about 17% compared to the first half year in 2003 mainly due to lower domestic gas prices and increased volumes in Pakistan with prices lower than European levels.

EBIT increased by 69% to EUR 277.32 mn (1-6/03: EUR 164.51 mn). This rise in reported EBIT stemmed mainly from the disposal of exploration assets in Sudan (EUR 93 mn). Special charges for personnel restructuring were EUR 4.03 mn and write-offs of E&P assets amounted to EUR 5.44 mn, thus leading to a clean EBIT of EUR 193.78 mn (1-6/03: EUR 171.32 mn). The 13% growth in clean EBIT is predominately due to significantly higher oil and gas production volumes. The higher realized crude oil prices in the first six months were more than offset by lower gas prices, higher hedging expenses and a higher EUR/USD exchange rate, with the euro gaining 11% in value during the period.

Production costs excluding royalties (OPEX) in 1-6/04 increased to USD 5.63/boe (1-6/03: USD 5.32/boe). Higher production volumes from fields with relatively low production costs could not compensate for the adverse effect of the weaker USD exchange rate and exchange rate movements between the USD and pound sterling. Production costs in EUR terms would have declined by 5%.

Exploration expenditure significantly increased by 32% to EUR 45.55 mn (1-6/03: EUR 34.52 mn), mainly due to higher exploration activities in Pakistan, Libya and Iran.

Total production of oil, NGL (natural gas liquids) and gas rose to 23.6 mn boe, a strong increase of 11% in the average production rate of 129,000 boe/d (1-6/03: 21.2 mn boe or 117,000 boe/d). **Oil and NGL production** of 14.4 mn bbl was 3% above last year's level of 14.1 mn bbl. **Gas production** increased by 28% to 54.88 bcf or 1.47 bcm (1-6/03: 42.77 bcf or 1.15 bcm), mainly due to additional production from the new Sawan field in Pakistan, showing a strong performance in its third quarter of full operation.

Compared to Q1/04, EBIT in Q2/04 almost doubled to EUR 184.67 mn (Q1/04: EUR 92.65 mn) due to the sale of the Sudan assets. Clean EBIT nevertheless increased by about 7% reflecting lower exploration expenditures (Q1/04: EUR 30.35 mn; Q2/04: EUR 15.20 mn) which were also impacted by the sale of the Sudan exploration assets. Also the stronger USD exchange rate helped in the second quarter. Increased oil prices were offset by significantly lower gas prices.

One of the **operational highlights** regarding the Preussag acquisition was the signing of the sale and purchase agreement for the 90% interest in the OMV operated Cabimas oilfield (Venezuela) with Petroleum Technical Services Corporation (PTS). On August 12, 2004 the Cabimas sale was closed. The commercial effective date is January 1, 2003. Therefore any financial result out of the Cabimas production will represent an adjustment to the purchase price. Consequently a provision in Q2/04 has been taken to compensate earlier results. Therefore the total contribution from the Preussag acquisition, which was closed in June 2003, was approximately EUR 6 mn for the first half year 2004. On May 7, 2004 OMV reached a significant agreement leading towards the development of the Pohokura gas field. OMV New Zealand agreed with Contact Energy the sale of the initial gas production coming from the Pohokura field. The sales period will be five years commencing from the field's first production date, which is expected in the second half of 2006.

On August 13, 2004 OMV Australia Pty Ltd has reduced its equity share in its operated exploration licences WA-290-P, WA-320-P and WA-345-P, offshore Australia to 50%. It has farmed out 25% in each permit to Tap Oil Limited, a listed Australian company, and a further 25% to Nippon Oil Exploration Ltd of Japan.

Refining and Marketing including petrochemicals (R&M)

Q2/04	Q2/03	%	in EUR mn	1–6/04	1–6/03	%	2003
119.74	86.31	39	EBIT	153.82	133.44	15	265.13
123.45	90.32	37	Clean EBIT [1]	160.19	145.52	10	285.73

[1] Special net charges are added back to EBIT; charges in 2004 relate to personnel restructuring costs.

R&M **segment's sales** increased by 43% to EUR 3,673.57 mn (1-6/03: EUR 2,566.85 mn) because of higher sales volumes due to the inclusion of the BP downstream assets, resulting in a growth in refining and marketing activities.

Reported EBIT increased by 15% from EUR 133.44 mn in 1-6/03 to EUR 153.82 mn, mainly reflecting strong bulk refining margins and higher refining and marketing volumes due to the BP downstream assets. Preparations for the scheduled turnaround for the crude distillation plant at the Schwechat refinery in Q2/04 adversely impacted results in the first quarter. The effect of the turnaround in Q2 itself was not material. **Clean EBIT** increased to EUR 160.19 mn (1-6/03: EUR 145.52 mn), after adjusting for personnel restructuring costs of EUR 6.37 mn. The contribution of the BP downstream assets, which was first included in the third quarter results 2003, was approximately EUR 45 mn in 1-6/04.

The primary drivers behind the EBIT increase were higher margins in bulk refining and higher sales volumes. The benchmark bulk margin ex Rotterdam for Schwechat showed an increase of 14% to USD 3.57/bbl compared to last year's level of USD 3.14/bbl. Q2/04 results were especially boosted by extremely high refining margins of USD 4.50/bbl up 81% on last year's levels (Q2/03: USD 2.49/bbl). **Petrochemicals** showed slightly higher sales volumes but lower margins reduced the EBIT contribution of basic petrochemicals to EUR 39.42 mn (1-6/03: EUR 68.71 mn).

Compared to the first quarter EBIT (Q1/04: EUR 34.08 mn) the strong results in the second quarter (EUR 119.74 mn) resulted mainly from two factors. Firstly the reduction in

Q2/04 of stock produced in Q1/04 ahead of the scheduled turnaround at the Schwechat refinery in Q2/04 contributed strongly. Secondly, significantly higher bulk refining margins and recovering marketing volumes and margins improved operating results compared to Q1/04.

Combined **production volumes in Refining** increased to 7.61 mn t (1-6/03: 5.61 mn t) due to the additional volume of the 45% stake in BAYERNOIL of 2.45 mn t. The like-for-like comparison without BAYERNOIL showed a decrease of 8% partly due to the refinery turnaround at Schwechat. **Total volumes sold** by OMV as a consequence have shown a substantial increase over last year, rising by 44% from 5.71 mn t to 8.21 mn t (including contributions of BAYERNOIL of 2.45 mn t). The like-for-like comparison without BAYERNOIL showed stable sales volumes.

OMV's **refining input** rose to 8.48 mn t (1-6/03: 6.41mn t) reflecting the addition of BAYERNOIL's processing of 2.58 mn t. **Capacity utilization** decreased from 94% to 89% due to the scheduled turnaround at Schwechat.

The Company's **Marketing** activities have grown significantly following last year's acquisitions. Retail station sales volumes were higher and commercial volumes also rose markedly, leading to an increase of 34% in total sales volumes to 5.38 mn t (1-6/03: 3.98 mn t). On June 30, 2004 OMV purchased the remaining half of the shares in OMV ISTRABENZ Holding Plc., which will now become a wholly-owned subsidiary of OMV. Reporting of marketing volumes and number of retail stations however will not be affected as the 100% figures were previously reported.

As of June 30, 2004, OMV's **retail network** totaled 1,784 stations in operation (December 31, 2003: 1,782). In total, 26 stations were added and 24 outlets were closed. The number of international stations increased by 7 outlets reaching 1,164 stations, accounting for 65% of our retail portfolio (December 31, 2003: 65% with 1,157 stations).

According to preliminary figures, the average total **market share** held by the OMV Group in Marketing (retail and commercial businesses) in Central Europe (Austria, Germany, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Italy, Romania, Serbia-Montenegro, Slovakia and Slovenia) increased to approximately 14% (1-6/03: 11%).

In the course of the transformation of OMV into a Management Holding Company, the **Plastics** business of Polyfelt was transferred from the Chemicals segment to R&M. Therefore sales and EBIT figures of 1-6/04 include Plastics. Comparative figures have not been restated as the impact is not considered material.

Gas

Q2/04	Q2/03	%	in EUR mn	1–6/04	1–6/03	%	2003
18.28	13.67	34	EBIT	39.31	32.71	20	78.64
18.46	13.88	33	Clean EBIT [1]	39.49	33.15	19	79.45

[1] Special net charges are added back to reported EBIT; charges in 2004 relate to personnel restructuring costs.

Gas **segment sales** decreased by 18% to EUR 403.14 mn (1-6/03: EUR 492.73 mn). This was largely a result of the transfer of trading activities to EconGas, which gradually grew its operations in 2003.

EBIT increased by 20% from EUR 32.71 mn in 1-6/03 to EUR 39.31 mn in 1-6/04. The increase was due to higher transportation volumes sold, lower depreciation on the TAG (Trans-Austria-Gasleitung) pipeline and increased storage volumes and storage performance. A positive contribution also came from the fact that expenses for the major overhaul (in 2002 and 2003) on the WAG (West-Austria-Gasleitung) pipeline could now be successfully charged to our partners.

Increased transportation volumes were a positive factor in the carrier business compensating to some extent for losses due to the regulation of the pipeline infrastructure used for domestic transports. Total gas **transportation capacity sold** increased by 2% to 1,490 mn cbm/h*km, mainly due to the expansion of the TAG pipeline capacity and higher capacities sold on the PENTA West pipeline to Germany as well as on the SOL (Süd-Ost-Leitung) pipeline to Slovenia (1-6/03: 1,460 mn cbm/h*km).

The **supply business** benefited from slightly higher import volumes and higher margins. As of June 30, 2004, **contracted storage volumes** of natural gas held for OMV customers increased by 1% to 1.72 bcm. One of the storage facilities has been closed in Q2/04. As a result the storage fee charged by the Exploration and Production segment will be reduced by about EUR 1.5 mn for the remaining year. In 2005 the storage fee is expected to be lower by about EUR 2 mn.

On May 5, 2004 OMV Gas GmbH and Gazexport signed an agreement to expand and modernize their mutual gas supply contracts. The new agreement is a milestone in the gas industry and will enable a gradual expansion from the current annual volume of 5.5 bcm to 6.5 bcm of natural gas and the extension for all contracts to 2012. The contracts with Gazexport constitute the backbone of Austria's gas supply and during their 35-year life have been continually developed in line with market demands and customer requirements.

The Nabucco Company Pipeline Study GmbH has signed an engagement letter with the ABN AMRO Bank N.V. as a financial advisor in July 2004. The Nabucco project, currently under evaluation, would bring gas from the Caspian Sea Region to Austria and also provide access for Europe to Middle Eastern reserves. The company now focuses on developing a financing model for the construction of the pipeline, to design appropriate incentives for investors, to coordinate all marketing activities and to enter into negotiations on transportation contracts with potential shippers. The consortium consists of Botas (Boru Hatları ile Petrol Taşıma AŞ) from Turkey, Bulgargaz EAD from Bulgaria, S.N.T.G.N. TRANSGAZ S.A. from Romania, MOL Natural Gas Transmission Company Ltd. from Hungary and OMV Gas GmbH.

Chemicals [1]

Q2/04	Q2/03	%	in EUR mn	1–6/04	1–6/03	%	2003
5.56	6.27	(11)	EBIT	8.91	13.02	(32)	42.90
6.10	5.97	2	Clean EBIT [1]	9.39	12.72	(26)	40.92

[1] Excluding Plastics, from beginning of 2004 Plastics has been included in R & M.
[2] Special net charges in Q2/04 relate a reduction of gains on real estate disposals from former years.

In the course of the transformation of OMV into a Management Holding Company, the **Plastics** business of Polyfelt was transferred from the Chemicals segment to R&M. Therefore sales and EBIT figures of 1-6/04 exclude the activities of Plastics. Comparative figures have not been restated as the impact is not considered material.

Segment sales in Chemicals declined by 24% to EUR 177.37 mn (1-6/03: EUR 234.00 mn) mainly as a result of the reorganization and lower melamine prices.

EBIT dropped to EUR 8.91 mn (1-6/03: EUR 13.02 mn) due to weaker melamine margins and maintenance turnaround shut-downs in the Austrian and Italian plants whereas the contribution of the fertilizer business increased strongly. **Clean EBIT**, including reduction of gains on the disposal of real estate from former years, was EUR 9.39 mn. **Q2/04 EBIT** declined by 11% to EUR 5.56 mn (Q2/03: EUR 6.27 mn) reflecting depressed melamine margins despite strong fertilizer results.

In **melamine,** sales volumes were up by 8% notwithstanding maintenance stops in the Austrian and Italian plants. Difficulties in third-party supply of some raw materials led to an unscheduled plant turnaround in Castellanza, thus negatively affecting results. In addition, prices and margins were under pressure due to difficult markets and higher expenses for increased marketing activities. These activities are in preparation for the streaming of new capacity of the melamine plant in Piesteritz, Germany, which should commence production in the second half of 2004. Q2/04 volumes were up by 12% and margins were significantly lower when comparing to Q2/03 figures.

The **fertilizer** business saw stable sales volumes in 1-6/04 as the weak Q1/04 figures, due to bad weather conditions, were compensated by a strong second quarter. Higher prices and improved margins as a result of lower gas prices, led to an increased EBIT contribution. In Q2/04 sales volumes increased by 31%. In particular, calcium ammonium nitrate showed strong growth in volumes and margins.

Group statements: Income statement

Consolidated sales excluding petroleum excise tax for the six months increased by 28% to EUR 4,461.95 mn (1-6/03: EUR 3,474.60 mn), mainly due to increased volumes and price levels. R&M represents some 82% of total consolidated sales, Gas accounts for almost 9%, Chemicals for about 4%, whereas E&P accounted for approximately 5% (sales in E&P being in large part inter-company sales rather than third party sales).

Group EBIT improved significantly to EUR 464.31 mn (1-6/03: EUR 321.76 mn), showing an increase of 44%. This rise in reported EBIT stemmed from the disposal of assets in E&P and the Corporate and Other (Co&O) segment as well as from higher sales volumes in almost all other segments. After eliminating special income, **clean EBIT** increased by 11% to EUR 377.81 mn (1-6/03: EUR 341.46 mn). Net special income of EUR 86.50 mn relates to income from the disposal of exploration assets in Sudan (EUR 93 mn), to income from real estate disposals of EUR 16.60 mn, personnel restructuring charges (EUR 15.26 mn), uninsured losses (EUR 2.4 mn), and write-offs of E&P assets amounting to EUR 5.44 mn (1-6/03: total special charges of EUR 19.70 mn).

Financial items comprise the net position of interest charges and interest income, income/losses from equity investments and other financial income/losses. In summary, total financial items for 1-6/04 represented an income of EUR 8.49 mn (1-6/03: expense of EUR 20.88 mn). The EUR 29.36 mn improvement in 1-6/04 was due to improvements in equity income (improvement of EUR 34.17 mn) that more than compensated for higher net interest expenses.

Net interest charges increased by EUR 4.23 mn to EUR 29.82 mn (1-6/03: EUR 25.60 mn). Interest and similar expenses marginally increased by EUR 0.96 mn to EUR 45.99 mn. The interest components of pension obligations, included in interest expense, amounted to EUR 16.66 mn (1-6/03: EUR 17.33 mn). Interest income including returns from securities improved by EUR 3.27 mn to EUR 16.17 mn.

Equity investment income amounted to EUR 38.84 mn (1-6/03: EUR 4.67 mn). One of the most important equity income sources is the participation in Borealis. OMV consolidates its 25% share in **Borealis**' results as part of net financial items. For the first half of 2004 this amounted to a profit of EUR 17.97 mn (1-6/03: a loss of EUR 5.75 mn). Equity income from **EconGas GmbH**, the leading Austrian gas supplier established in 2003, in which OMV holds a 50% stake, amounted to EUR 11.47 mn (1-6/03: EUR 4.67 mn). Other **financial charges** were EUR 0.53 mn (1-6/03: an income of EUR 0.06 mn).

In the first half year 2004 **income from ordinary activities** increased by 57% to EUR 472.79 mn (1-6/03: EUR 300.88 mn). **Taxes on income** for the Group rose from EUR 105.87 mn to EUR 157.36 mn. Current taxes on income were EUR 134.74 mn, up on last year's level of EUR 80.84 mn. Deferred taxes of EUR 22.62 mn were recognized in 1-6/04 (1-6/03: EUR 25.04 mn). The effective **corporate income tax rate**, based on pre-tax profits, was lower at 33% (1-6/03: 35%). In Q2/04 the effective tax rate was negatively impacted by the Austrian tax reform which comes into force in 2005, when the corporate tax rate will be reduced from 34% to 25%. Therefore an adjustment to deferred tax assets was necessary, leading to a decrease in 2004 earnings, which has been fully recognized in Q2/04. However, this impact was mitigated by the sale of exploration assets in Sudan, which had a positive impact on the effective tax rate.

Net income for the first half year increased by 62% to EUR 315.44 mn (1-6/03: EUR 195.01 mn). Clean net income adjusted for special items amounted to EUR 257.73 mn, thus showing an increase of 24% (1-6/03: EUR 207.78 mn).

■ Balance sheet, capital expenditure and gearing

Total assets increased by 7% to EUR 8.05 bn (December 31, 2003: EUR 7.52 bn). Fixed assets grew to EUR 5.29 bn (December 31, 2003: EUR 5.20 bn). **Additions to fixed assets** amounted to EUR 337.89 mn being below last year's level mainly due to last year's acquisitions of the Preussag E&P assets and the BP downstream assets (1-6/03: EUR 733.77 mn). Of this amount about 82% resulted from additions to tangible assets (1-6/04:

EUR 275.64 mn; 1-6/03: EUR 439.99 mn). Additions to financial assets were EUR 49.61 mn (1-6/03: EUR 236.72 mn), and additions to intangible assets were EUR 12.64 mn (1-6/03: EUR 57.07 mn). **Current assets** (including prepaid expenses and deferred charges) increased by 20% to EUR 2.76 bn (December 31, 2003: EUR 2.31 bn) mainly due to increases in accounts receivable and cash.

Capital expenditure in the first six months of 2004 amounted to EUR 328.27 mn and was 62% down on last year's level of EUR 858.66 mn, as the Preussag and BP acquisitions were included in 1-6/03. Of the 2004 CAPEX figure, 27% was invested in E&P and 57% in R&M, mainly for the AC cracker revamp and for retail stations. Capital expenditure in the Gas segment, about 5% of the total, was largely devoted to the TAG Loop II transit pipeline expansion project. Chemicals invested almost 7% of the total amount for the construction of the melamine plant in Piesteritz, Germany.

The **gearing ratio** (net debt divided by stockholders' equity) came down markedly to 29% at the end of June 2004 (December 31, 2003: 40%). **Net debt** decreased from EUR 1,080.97 mn at the end of 2003 to EUR 839.90 mn. Financial liabilities, mainly liabilities to banks and corporate bonds, were lower at EUR 1,312.25 mn (December 31, 2003: EUR 1,411.74 mn). In Q2/03, OMV issued a EUR 250 mn Corporate bond with a maturity of seven years and US senior notes (private placement) with maturities of ten and twelve years raising USD 320 mn, which represent financial liabilities at the end of June 2004 of EUR 513.27 mn (December 31, 2003: EUR 503.37 mn). Current financial assets (liquid funds) increased to EUR 472.34 mn (December 31, 2003: EUR 330.77 mn).

Stockholders' equity increased by approximately 8% to EUR 2.89 bn (December 31, 2003: EUR 2.69 bn) and the Group's **equity ratio** remained stable at 36%. The value of OMV **shares** owned by the Company decreased to EUR 11.73 mn (December 31, 2003: EUR 12.17 mn) as 4,500 shares were resold in 1-6/04. The total share buy-backs of the years 2000 to 2004 amounted to 124,161 shares, therefore resulting in a total of 119,661 shares as of June 30, 2004. **Liabilities** increased to EUR 3.21 bn (December 31, 2003: EUR 3.00 bn) due to higher accounts payable from trade and other liabilities.

■ Cash flows

Free cash flow (defined as the difference between cash flow from operating activities less cash flow from investing activities and dividend payments) for the first six months of 2004 amounted to an inflow of EUR 279.64 mn (1-6/03: outflow of EUR 633.10 mn).

Sources of funds at EUR 405.08 mn were lower by almost 3% (1-6/03: EUR 418.86 mn), mainly due to gains from the disposal of fixed assets and from non-cash components of results from equity consolidated companies. Net working capital contributed EUR 85.78 mn to the operating cash flow, mainly due to significantly higher accounts receivable and an increase in liabilities and short-term provisions at June 30, 2004. In 1-6/03, the increase in net working capital of EUR 93.45 mn resulted mainly from higher liabilities and lower accounts receivable. Overall, **net cash provided by operating activities** was strong at EUR 490.85 mn (1-6/03: EUR 512.30 mn).

Net cash used in investing activities was lower at EUR 103.34 mn (1-6/03: EUR 1,049.31 mn), including inflows from disposals of EUR 170.61 mn (1-6/03: EUR 37.28 mn). In the first half year of 2003 the payment of the two large acquisitions is reflected, whereas in 2004 the sale of the exploration assets in Sudan reduced cash flow from investing activities. **Net cash used in financing activities** showed an outflow of EUR 230.74 mn, mainly due to a reduction of long-term refinancing and the payment of the dividend. In the first six months of 2003 an inflow of EUR 723.96 mn was recorded, mainly due to the accomplishment of long-term refinancing for the two acquisitions. **Cash and cash equivalents** increased since the beginning of the year 2004 by EUR 159.95 mn to EUR 457.31 mn. In 1-6/03, cash increased by EUR 182.50 mn to EUR 378.51 mn.

■ US GAAP

The main differences between net income and stockholders' equity as reported under the Austrian Commercial Code (ACC) and US GAAP derive from differing standards for the valuation of assets and liabilities, for the treatment of accounting changes and for the timing of the recording of transactions. The largest reconciliation items for both positions are depreciation, pensions, severance and jubilee payments, restructuring expenses, and the deferred tax adjustments on these items.

Stockholders' **equity,** according to US GAAP, increased to EUR 2.95 bn (December 31, 2003: EUR 2.72 bn), and was almost 3% higher than the corresponding ACC equity (after minorities) of EUR 2.86 bn. The main positive reconciliation items are depreciation, securities and other provisions, whereas adjustments for pension, severance and jubilee payments and deferred tax decreased the US GAAP Group's equity.

Net income according to US GAAP was EUR 254.40 mn for the first half year of 2004 (1-6/03: EUR 219.18 mn), 19% lower than the ACC net income of EUR 313.41 mn (excluding minorities). This decrease is mainly due to derivative instruments and restructuring liabilities.

EPS under US GAAP increased by 23% to EUR 9.46 (1-6/03: EUR 7.67). Reported **EPS, according to ACC,** rose by 61% to EUR 11.66 (1-6/03: EUR 7.24) and clean EPS, according to ACC, increased by 23% to EUR 9.51 (1-6/03: EUR 7.72).

■ Personnel

As of the end of June 2004, OMV Group **headcount** increased by 17 to 6,154 employees (December 31, 2003: 6,137). Compared to the figure as of June 30, 2003, the number of employees decreased by 44 employees from 6,198.

Outlook for 2004

The acquisition of 51% of the Romanian oil and gas company SNP Petrom is a significant step towards exceeding our stated strategic targets for E&P and towards meeting our target for R&M. The integration of Petrom will be the main focus for the next years. Closing of the transaction is expected for Q4/04. Therefore we are not expecting Petrom to have a significant impact on OMV's results this year.

The macro economic drivers of our performance — including crude and natural gas prices, refining margins and exchange rates, among others — will continue to be volatile in 2004. We expect the overall average crude price for the full year to be above last year's level (2003: USD 28.84/bbl). However, this will not be fully felt in earnings due to the stronger euro. Both, crude prices and refining margins should soften somewhat in the second half.

In **E&P** we will focus on our five core regions and will benefit from growth derived from the international E&P operations of Preussag Energie International GmbH, acquired and integrated in 2003. Despite the sale of some assets in Latin America, we expect the average production for 2004 to be above last year's level of 120,000 boe/d.

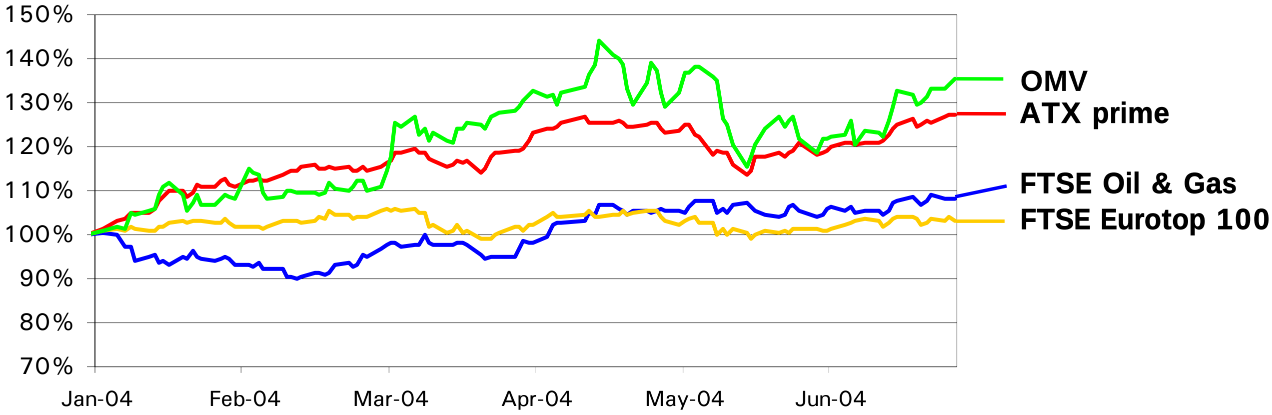
In **Marketing** we will continue to increase our market share in the growth markets through smaller acquisitions and by opening new outlets. This year we expect that results will remain under pressure because of weaker margins in all countries in which OMV operates. The **Refining** business should show an improvement over last year driven by better refining margins; however, a decrease in margins is expected for the second half. The results of the BAYERNOIL/BP assets will be included for twelve months. Demand in the segment is likely to suffer from high product prices and changes in consumers' behavior.

We expect **Gas** earnings to stabilize now that the developed business units are firmly established. We also expect EconGas to post slightly higher earnings, because of better market conditions. The **Chemicals** business is expected to experience lower melamine margins compared to last year. However, the deterioration in the first six months of the year should be partly offset by better melamine margins in the second half year.

2004 earnings are likely to be negatively impacted by the Austrian tax reform, to be introduced in 2005. A decrease in 2004 earnings will be due to the necessary adjustment of deferred tax assets. However, from 2005 we would expect corporate tax to decrease as the Austrian corporate tax rate is reduced from 34% to 25%.

Taking all the above trends into account, we expect results to be above last year levels as indicated by the strong results of the first half. However, the second half of the year is not likely to show the same performance due to special income such as the proceeds of the Sudan assets and due to some weakening in second half market conditions as indicated above.

Stock watch: January – June 2004



In Q2/04 sentiment on international financial markets overall was positive pulling major indices moderately higher (DAX 6%, FTSE 100 2%, FTSE Eurotop 2%, Dow Jones 1%, Nikkei 1%). Oil and gas companies in particular could profit from steadily rising oil prices as worries about crude supply shortages grew. The FTSE Oil & Gas Index increased by 10%. **OMV's share price** rose by 4% in Q2/04 after a surge of 30% in Q1/04 totaling a 36% rise in the first half of 2004. The Austrian Trade Index (ATX) increased by 7% making it again one of the top-performing indices worldwide.

OMV share **turnover volumes** on the Vienna Stock Exchange rose by 41% to EUR 983 mn in Q2/04 from EUR 698 mn in Q1/04, and by 70% compared to Q2/03. The OTC (over the counter) turnover in Q2/04 for OMV shares was EUR 375 mn, or about 28% of OMV's total turnover volume of EUR 1,358 mn. By comparison, the turnover volumes for the total equity market of the Vienna Stock Exchange were EUR 8,843 mn in Q2/04 (Q2/03: EUR 4,658 mn) reflecting the positive environment for the Austrian financial market.

Key ratios of OMV stock (January–June 2004)

ISIN: AT0000743059	Market capitalization (June 30)	EUR 4,320 mn
Vienna SE: OMV	Stock exchange turnover (1-6/04)	EUR 1,681 mn
Reuters: OMV.VI	Last (June 30)	EUR 160.01
Bloomberg: OMV AV	High (April 16)	EUR 170.00
ADR Level I: OMVKY	Low (January 2)	EUR 119.30

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Next result announcement: **January–September and Q3 2004** on November 11, 2004 at 8:30 (CET)

Financial statements

According to ACC (Austrian Commercial Code) in EUR; audited figures for full year results; unaudited figures for quarterly results, rounded figures sometimes do not add up.

Abbreviations: ACC: Austrian Commercial Code; bbl: barrel(s); bcf: billion cubic feet; bcm: billion cubic meters; bn: billion; boe: barrels of oil equivalent; boe/d: boe per day; cbm/h/km: cubic meter per hour per kilometer; E&P: Exploration and Production; EPS: earnings per share; EUR: euro; m: meter; mn: million; R&M: Refining and Marketing including petrochemicals; t: tons; USD: US dollar

Q2/04	Q2/03	Sales in EUR 1,000	1-6/04	1-6/03	2003
250,073	239,027	Exploration and Production	475,893	423,133	864,415
1,879,721	1,271,911	Refining and Marketing [1]	3,673,569	2,566,848	6,023,451
194,443	195,922	Gas	403,135	492,727	794,381
79,467	108,290	Chemicals [2]	177,371	234,001	490,858
33,585	22,840	Corporate and Other	76,210	57,229	110,882
2,437,289	**1,837,990**	**Segment subtotal**	**4,806,178**	**3,773,938**	**8,283,987**
(174,391)	(155,053)	less: internal sales	(344,230)	(299,342)	(639,555)
2,262,898	**1,682,937**	**OMV Group**	**4,461,948**	**3,474,596**	**7,644,432**

Q2/04	Q2/03	EBIT in EUR 1,000	1-6/04	1-6/03	2003
184,668	79,850	Exploration and Production	277,319	164,507	303,229
119,739	86,309	Refining and Marketing [1]	153,815	133,436	265,126
18,282	13,672	Gas	39,305	32,712	78,644
5,557	6,270	Chemicals [2]	8,908	13,018	42,901
(12,343)	(9,347)	Corporate and Other	(15,041)	(21,916)	(46,291)
315,903	**176,754**	Segment subtotal	**464,306**	**321,757**	**643,609**
(79,325)	7,120	Special items [3]	(86,496)	19,700	61,184
(84,665)	*2,870*	*thereof: Exploration and Production*	*(83,535)*	*6,810*	*40,548*
3,710	*4,010*	*Refining and Marketing [1]*	*6,370*	*12,080*	*20,607*
180	*210*	*Gas*	*180*	*440*	*808*
547	*(300)*	*Chemicals [2]*	*484*	*(300)*	*(1,980)*
903	*330*	*Corporate and Other*	*(9,995)*	*670*	*1,201*
236,578	**183,874**	**OMV Group clean EBIT**	**377,810**	**341,457**	**704,793**

[1] including petrochemicals and Plastics (from 2004 onwards) [2] excluding Plastics starting from January 2004
[3] Special items are added back or deducted from EBIT; for more details please refer to each specific segment.

Changes in stockholders' equity in EUR 1,000	Capital stock OMV AG	Capital reserves OMV AG	Revenue reserves	Translation difference	Own shares	Minority interest	Unappropriated income OMV AG	Stockholders' equity
Jan. 1, 2004	**196,290**	**417,663**	**1,978,905**	**(53,426)**	**12,171**	**26,144**	**107,588**	**2,685,335**
Net income			313,406			2,030		315,436
Dividend recommendation								0
Changes in min.			441		(441)			0
Dividend paid						(306)	(107,522)	(107,828)
Foreign exchange differences				(889)				(889)
Jun. 30, 2004	**196,290**	**417,663**	**2,292,752**	**(54,315)**	**11,730**	**27,868**	**66**	**2,892,054**

Consolidated balance sheet in EUR 1,000		
Assets	**Jun. 30, 2004**	**Dec. 31, 2003**
A. Fixed assets		
I. Intangible assets	160,032	160,284
II. Tangible assets	3,926,819	3,858,141
III. Financial assets	1,200,269	1,185,468
	5,287,120	**5,203,893**
B. Current assets		
I. Inventories	771,024	707,237
II. Accounts receivable and other assets	1,478,364	1,237,182
III. Cash in hand and cash at bank, securities	475,539	341,554
	2,724,927	**2,285,973**
C. Deferred taxes	0	0
D. Prepaid expenses and deferred charges	39,255	26,820
	8,051,302	**7,516,686**
Stockholders´ equity and liabilities	**Jun. 30, 2004**	**Dec. 31, 2003**
A. Stockholders´ equity		
I. Capital stock	196,290	196,290
II. Capital and revenue reserves, unappropriated income	2,655,849	2,450,731
III. Own shares	11,730	12,171
IV. Minority interests	28,185	26,144
	2,892,054	**2,685,336**
B. Provisions		
I. Provisions for severance payments and pensions	669,200	673,886
II. Other provisions	499,818	375,513
	1,169,018	**1,049,399**
C. Liabilities	3,212,422	3,002,294
D. Accrued decommissioning and restoration costs	303,820	298,679
E. Deferred income	473,988	480,978
	8,051,302	**7,516,686**

Q2/04	**Q2/03**	**Consolidated statement of income** in EUR 1,000	**1-6/04**	**1-6/03**
2,990,257	**2,244,935**	**Sales including excise petroleum tax**	**5,798,362**	**4,510,849**
(727,359)	(561,998)	Petroleum excise tax	(1,336,414)	(1,036,253)
2,262,898	**1,682,937**	**Sales excluding excise petroleum tax**	**4,461,948**	**3,474,596**
(33,016)	(30,881)	Direct selling expenses	(65,603)	(56,103)
(1,812,344)	(1,336,019)	Cost of goods sold	(3,704,749)	(2,831,380)
417,538	**316,037**	**Gross profit**	**691,596**	**587,113**
21,722	19,518	Other operating income	73,017	36,369
(108,616)	(75,267)	Selling expenses	(194,458)	(145,537)
(57,488)	(48,259)	Administrative expenses	(101,217)	(94,737)
(12,672)	(13,242)	Exploration expenses	(35,615)	(26,552)
(4,106)	(3,348)	Research and development	(9,040)	(6,709)
59,602	(18,685)	Other operating expenses	40,023	(28,190)
315,903	**176,754**	**Earnings before interest and tax**	**464,306**	**321,757**
4,106	(13,301)	Financial items	8,488	(20,875)
320,009	**163,453**	**Income from ordinary activities**	**472,794**	**300,882**
(110,037)	(62,564)	Taxes on income	(157,358)	(105,872)
209,972	**100,889**	**Net income for the period**	**315,436**	**195,010**

Q2/04	Q2/03	Summarized statement of cash flows in EUR 1,000	1-6/04	1-6/03
209,971	100,889	Net income for the period	315,435	195,010
115,222	104,715	Depreciation	229,670	198,007
(110,715)	1,910	Other	(140,026)	25,841
214,478	**207,514**	**Sources of funds**	**405,079**	**418,858**
59,873	169,702	(Increase) decrease in net working capital	85,775	93,445
274,351	**377,216**	**Net cash provided by operating activities**	**490,854**	**512,303**
(141,531)	(935,578)	Capital expenditure	(273,952)	(1,086,582)
118,870	13,001	Proceeds from the sale of fixed assets and subsidiaries	170,611	37,275
(22,661)	**(922,577)**	**Net cash used in investing activities**	**(103,341)**	**(1,049,307)**
(220,182)	**772,248**	**Net cash provided by (used in) financing activities**	**(230,741)**	**723,962**
1,273	(2,324)	Effect of exchange rate changes	3,174	(4,454)
32,781	**224,563**	**Net increase (decrease) in cash and cash equivalents**	**159,946**	**182,504**
424,527	153,942	Cash and cash equivalents at beginning of period	297,362	196,001
457,308	378,505	Cash and cash equivalents at end of period	457,308	378,505

■ US GAAP reconciliation of net income and stockholders' equity

(Rounded figures sometimes do not add up.)

Stockholders' equity		US GAAP reconciliation in EUR 1,000	Net income		
Jun. 30, 2004	Dec. 31, 2003		1–6/04	1–6/03	2003
2,892,054	**2,685,336**	**Equity and net income according to ACC**	**315,436**	**195,010**	**393,053**
(27,868)	(26,144)	Income attributable to minority interests	(2,030)	(459)	(945)
2,864,186	**2,659,192**	**Equity and net income after minority interests**	**313,406**	**194,551**	**392,108**
85,003	98,898	Depreciation of fixed assets (other than E & P)	(13,077)	(18,676)	(22,963)
93,388	91,932	Depreciation of fixed assets in E & P	130	34,729	28,590
(11,730)	(12,171)	Own shares	0	(406)	(559)
(532)	(532)	Stock option plans	0	0	(532)
(6,330)	(7,938)	Purchases of associates	1,605	1,131	2,738
(156,929)	(177,253)	Severance payments, pensions and jubilee payments	2,047	(1,028)	(44,901)
2,373	22,620	Restructuring costs	(20,247)	17,469	(52,104)
37,944	43,905	Other provisions	(5,537)	(4,031)	(16,340)
13,238	11,817	Foreign currency translations and transactions	(3,084)	22	33,462
140,242	55,770	Securities	(1,191)	(752)	(322)
(67,440)	(13,178)	Derivative instruments	(54,491)	(384)	(1,054)
(6,316)	(7,579)	Changes in accounting principles: plant upgrades	1,263	1,170	2,341
(40,061)	(42,123)	Deferred taxes	33,580	(4,615)	51,502
82,850	**64,168**	**Total reconciliation**	**(59,002)**	**24,629**	**(20,142)**
2,947,036	**2,723,360**	**Equity and net income according to US GAAP**	**254,404**	**219,180**	**371,966**

Fact sheet

Q2/04	Q2/03	OMV operating figures	1-6/04	1-6/03	2003
27	27	**Non-par value shares outstanding** in million (mn)	27	27	27
26.88	26.87	**# of shares less own shares** (mn, EPS calculation)	26.88	26.87	26.86
7.78	3.77	**Earnings per share** (reported, ACC) in EUR	11.66	7.24	14.60
5.81	3.92	**Earnings per share** (clean [2], ACC) in EUR	9.51	7.72	16.10
6.79	3.89	**Earnings per share** US GAAP in EUR	9.46	7.67	13.33
1.204	1.136	**USD exchange rate** in EUR	1.227	1.105	1.131
35.36	26.03	**Average Brent crude price** in USD/bbl	33.66	28.77	28.84
31.02	25.80	**Average OMV realized crude price** in USD/bbl	30.76	26.67	26.62
15.20	17.51	**Exploration expenditure** in EUR mn	45.55	34.52	93.05
12.67	13.24	**Exploration expenses** in EUR mn	35.62	26.55	74.18
5.83	5.43	**Operating expenditure** in USD/boe	5.63	5.32	5.24
7.2	8.9	**Crude oil and NGL production** in mn bbl	14.4	14.1	28.3
27.5	22.2	**Natural gas production** in bcf	54.9	42.8	91.2
11.8	12.6	**Production of crude oil, NGL and gas** in mn boe	23.6	21.2	43.7
1.4	1.6	**Combined gas sales volumes** in bcm	4.3	4.2	8.5
1.72	1.71	**Contracted gas storage volume** [1] for third parties in bcm	1.72	1.71	1.72
3.76	3.17	**Refining crude oil processing** in mn t	7.97	6.03	14.89
3.99	2.94	**Refining sales volume** in mn t	7.61	5.61	13.91
1,784	1,377	**Marketing retail network** [1]	1,784	1,377	1,782
620	*525*	*thereof: Austria*	*620*	*525*	*625*
10	*8*	*Bosnia and Herzegovina*	*10*	*8*	*10*
67	*65*	*Bulgaria*	*67*	*65*	*66*
30	*30*	*Croatia*	*30*	*30*	*30*
143	*130*	*Czech Republic*	*143*	*130*	*143*
383	*137*	*Germany*	*383*	*137*	*390*
169	*167*	*Hungary*	*169*	*167*	*168*
83	*72*	*Italy*	*83*	*72*	*74*
61	*54*	*Romania*	*61*	*54*	*61*
14	*6*	*Serbia-Montenegro*	*14*	*6*	*12*
99	*82*	*Slovak Republic*	*99*	*82*	*99*
105	*101*	*Slovenia*	*105*	*101*	*104*
2.82	2.21	**Marketing sales volume** in mn t	5.38	3.98	9.92
6,154	6,198	**Employees** [1]	6,154	6,198	6,137

[1] figure of end of quarter is equal to that at end of period
[2] using the Group's average tax rate