Letter to stockholders

Results for January–March 2004

Q1/04	Q1/03	%	in EUR million (mn)	2003	2002	%
148	145	2	Earnings before interest and tax (EBIT)	644	495	30
141	158	(10)	Clean EBIT	705	502	40
105	94	12	Net income	393	322	22
101	103	(2)	Clean net income	433	329	32

- **OMV growth strategy on track in spite of challenging market conditions**
- **EBIT for the first quarter 2004 (Q1/04)** increased by 2% to EUR 148 mn due to growth in E & P and Gas, and to asset disposals. However, growth was dampened by declining bulk and melamine margins, cold and wet weather for fertilizers, and a strong EUR exchange rate which slowed earnings growth in E & P.
- **Exploration and Production** (E & P) benefited from higher volumes and higher crude oil prices, but these were impacted by adverse EUR/USD exchange rates; the sales growth in **Refining and Marketing** (R & M)reflected the inclusion of the acquired BP downstream assets, however this was offset by lower margins in bulk refining and marketing; in **Gas**, EBIT increased by 10% due to higher transportation volumes sold and increased contracted storage volumes; **Chemicals** decreased because of lower melamine prices and margins, and lower fertilizer volumes.
- **Consolidated sales** in the first quarter of 2004 increased by 23% to EUR 2,199 mn (Q1/03: EUR 1,792 mn) mainly due to increased volumes and prices levels.
- **Net income** increased by 12% to EUR 105 mn (Q1/03: EUR 94 mn) as equity income was strong and the tax rate was lower in Q1/04 due to deferred crude lifting quantities into Q2/04. EPS (excluding minorities) amounted to EUR 3.88 (Q1/03: EUR 3.47) with clean EPS of EUR 3.70 (Q1/03: EUR 3.79).
- During this quarter there were some strategically important initiatives:
  - Agreement reached on sale of Venezuelan E&P assets
  - Gas sales agreement reached in New Zealand
  - Russian gas supply contracts expanded and extended
  - Binding bid submitted for the Romanian oil and gas company Petrom

Mehr bewegen. OMV

Wolfgang Ruttenstorfer, CEO of OMV, commented: "OMV has turned in respectable first quarter results despite challenging market conditions particularly in the downstream business. In the Exploration and Production segment, production continued to advance strongly though profits were held back by the weak USD. Despite these challenges the Group has produced a strong cash flow and was able to reduce gearing further. We look forward to continue growing dynamically and profitably as an integrated oil and gas company and to move towards our goal of doubling the size of the Company by 2008."

Segmental highlights:

E & P: New Zealand bid for exploration license successfully concluded; sales agreement for Cabimas field in Venezuela signed; gas sales agreement for Pohokura reached.

R & M: Preparation for the Schwechat refinery's turnaround in Q2/04; lower production output; margins in bulk and marketing under pressure.

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 and lower fertilizer volumes; melamine capacity expansion on track.

OMV submitted a binding offer for Petrom mid April.

Key figures

Q1/04	Q1/03	%	in EUR million (mn)	2003	2002	%
148	145	2	**EBIT** [1]	644	495	30
141	158	(10)	**Clean EBIT** [2]	705	502	40
153	137	11	**Income from ordinary activities**	596	474	26
105	94	12	**Net income**	393	322	22
101	103	(2)	**Clean net income** [2]	433	329	32
72	114	(37)	**Net income according to US GAAP**	372	301	23
2,199	1,792	23	**Sales** [3]	7,644	7,079	8
217	135	60	**Cash flow** [4]	939	581	62
3.88	3.47	12	**EPS ACC** in EUR	14.60	11.85	23
3.70	3.79	(2)	**EPS ACC clean** in EUR	16.10	12.08	33
2.67	3.79	(29)	**EPS US GAAP** in EUR	13.33	11.21	19
8.05	5.03	60	**CFPS** in EUR [4]	34.95	21.60	62
6,126	6,008	2	**Employees** as of Dec. 31	6,137	5,828	5

[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 quarter (Q1/04) ended March 31, 2004.

The **first quarter 2004** showed improved results compared with Q1/03 due to growth in the segments Exploration and Production, and Gas, and to asset disposals. **EBIT** grew by 2% to EUR 148 mn and **net income** rose by 12% to EUR 105 mn (Q1/03: EBIT of EUR 145 mn, net income of EUR 94 mn). However, there were significant challenges in the first quarter. Results were dampened by declining bulk and melamine margins; cold and wet weather for fertilizers; and the strong EUR exchange rate which slowed earnings growth in E&P. Compared with Q4/03, many of these factors led to a decline in EBIT of 11%.

Clean EBIT dropped by 10% to EUR 141 mn (Q1/03: EUR 157 mn) after eliminating a disposal gain of real estate recorded in the Corporate and Other segment. Clean net income showed a small decrease of 2% to EUR 101 mn (Q1/03: EUR 103 mn) as the contribution from equity investment was strong and the tax rate was temporarily lower in Q1/04 due to deferred crude lifting quantities from Q1/04 into Q2/04.

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

World crude demand in the first three months of 2004 increased by 1.2 mn bbl/d to 80.3 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 3.3 mn bbl/d or 4% to 81.9 mn bbl/d, indicating an inventory build up of 1.6 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 only slightly above last year's levels but, in contrast to 2003, the market trend is upwards. The average price for Brent increased to USD 31.97/bbl in Q1/04 compared to USD 31.48/bbl in Q1/03. The main factors behind the high price levels were instability in Iraq and the OPEC decision to keep the 1 mn bbl/d output cut agreed in February in place from April. **Rotterdam petroleum product prices** were significantly higher than in Q4/03 but between 8% and 20% lower than in Q1/03.

The US dollar (USD) was significantly weaker in Q1/04, with the **average euro exchange rate** rising by 16% to USD 1.250 for 1 EUR (Q1/03: USD 1.073). During Q1/04 the euro drifted slightly downward ending at USD 1.222.

Business segments: Exploration and Production (E & P)

Q1/04	Q1/03	%	in EUR mn	2003	2002	%
92.65	84.66	9	EBIT	303.23	256.14	18
93.78	88.60	6	Clean EBIT [1]	343.78	261.75	31

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

Segment sales in E & P increased by 23% to EUR 225.82 mn (Q1/03: EUR 184.11 mn) mainly as a result of significantly higher volumes. The Company's average realized crude price was USD 29.88/bbl, showing an increase of 3% when compared with Q1/03 at USD 29.11/bbl. The Group's average realized gas price in Q1/04 declined by about 12% compared to the first quarter in 2003.

EBIT increased by 9% to EUR 92.65 mn (Q1/03: EUR 84.66 mn). Special charges for personnel restructuring were minor, leading to clean EBIT of EUR 93.78 mn (Q1/03: EUR 88.60 mn). EBIT growth is predominately due to significantly higher oil and gas production volumes. The higher realized crude oil prices in Q1/04 were more than offset by a higher EUR/USD exchange rate, with the euro gaining 16% in value during the period. The contribution from the Preussag acquisition, which was closed in June 2003, was approximately EUR 6 mn.

Production costs excluding royalties (OPEX) in Q1/04 increased to USD 5.42/boe (Q1/03: USD 5.23/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 sterling. Production costs in EUR terms would have declined by 11%.

Exploration expenditure significantly increased by 78% to EUR 30.35 mn (Q1/03: EUR 17.01 mn), mainly due to more exploration activities in Libya, the UK and in Yemen.

Total production of oil, NGL (natural gas liquids) and gas rose to 11.8 mn boe, an increase of 38% in the average production rate of 129,000 boe/d (Q1/03: 8.6 mn boe or 95,000 boe/d). Removing the impact of the Preussag acquisition, the Group's E & P portfolio still showed a strong production increase of 12%. **Oil and NGL production** of 7.2 mn bbl was 41% above last year's level of 5.1 mn bbl, due to the inclusion of the Preussag assets at some 23,000 bbl/d. **Gas production** increased by 33% to 27.40 bcf or 0.73 bcm (Q1/03: 20.56 bcf or 0.55 bcm), mainly due to additional production from the new Sawan field in Pakistan, showing a strong performance in its second quarter of full operation, as well as from the Patricia Baleen gas field in Australia.

Compared to Q4/03, EBIT increased by 34% to EUR 92.65 mn (Q4/03: EUR 69.04 mn). Clean EBIT nevertheless decreased by about 9% reflecting the weaker USD exchange rate, higher exploration expenditures (Q4/03: EUR 23.95 mn; Q1/04: EUR 30.35 mn), and a delayed oil lifting from Libya. This quantity is now due in Q2/04.

One of the **operational highlights** of Q1/04 was the expansion of activities in New Zealand. OMV's successful bid for Block PEP 38485 (Block A) in the 2003 Taranaki Basin license round comprises an exploration area located 70 kilometers off the coast of New Zealand's North Island. OMV has obtained a 33.3% stake and will be the operator in a joint venture with Origin Energy Resources Ltd (33.3%) and Todd Petroleum Mining Company Ltd (33.3%). (Further information at www.omv.com > Investor Relations Center >Data Desk >News Release from February 9, 2004.)

In April OMV signed a sale and purchase agreement for its 90% interest in the OMV operated Cabimas oilfield (Venezuela) with Petroleum Technical Services Corporation (PTS). (Further information at www.omv.com > Investor Relations Center >Data Desk >News Release from April 8, 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 an initial tranche of gas that OMV will extract 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.

Refining and Marketing including petrochemicals (R & M)

Q1/04	Q1/03	%	in EUR mn	2003	2002	%
34.08	47.13	(28)	EBIT	265.13	124.73	113
36.74	55.20	(33)	Clean EBIT [1]	285.73	134.14	113

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

R&M **segment's sales** increased by 39% to EUR 1,793.85 mn (Q1/03: EUR 1,294.94 mn) because of higher sales volumes due to the inclusion of the BP downstream assets, i.e. growth in marketing activities.

Reported EBIT decreased from EUR 47.13 mn in Q1/03 to EUR 34.08 mn, mainly reflecting lower refining and marketing margins but also lower production and sales volumes in Schwechat. Schwechat has also been preparing for the scheduled turnaround for the crude distillation plant that will take place in Q2/04. **Clean EBIT** decreased to EUR 36.74 mn (Q1/03: EUR 55.20 mn), after adjusting for personnel restructuring costs of EUR 2.66 mn. The contribution of the BP downstream assets, which was included in the half-year results 2003 for the first time, was approximately EUR 13 mn in Q1/04.

The primary drivers behind the decrease were substantially lower margins in bulk refining and marketing despite higher sales volumes. The benchmark bulk margin ex Rotterdam for Schwechat showed a decrease of 29% to USD 2.67/bbl compared to last year's level of USD 3.78/bbl. **Petrochemicals** showed slightly higher margins and stable sales volumes. The EBIT contribution of basic petrochemicals decreased slightly to EUR 17.78 mn (Q1/03: EUR 18.30 mn) due to the valuation of internal product streams between bulk and basic petrochemicals which reflect the changed market prices.

Compared to Q4/03 the decrease is due to weak bulk volumes and lower bulk and marketing margins. Margins decreased markedly and volumes in Austria suffered from advance purchases due to an increase of the petroleum excise tax as of January 1, 2004, which contributed to the strong sales volume in Q4/03. As a result the Austrian market declined by approximately 7% in Q1/04 compared to Q1/03.

Combined **production volumes in Refining** increased in Q1/04 to 3.62 mn t due to the additional volume of the 45% stake in BAYERNOIL of 1.14 mn t (Q1/03: 2.68 mn t). The like-for-like comparison without BAYERNOIL showed a decrease of 7%. **Total volumes sold** by OMV as a consequence have shown a substantial increase over last year, rising by 42% from 2.74 mn t to 3.89 mn t (including contributions of BAYERNOIL of 1.14 mn t). The like-for-like comparison without BAYERNOIL showed stable sales volumes.

OMV's **refining input** rose to 4.48 mn t reflecting the addition of BAYERNOIL's processing of 1.24 mn t (Q1/03: 2.96 mn t). **Capacity utilization** increased from 89% to 94%.

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 2.56 mn t (Q1/03: 1.91 mn t).

As of March 31, 2004, OMV's **retail network** totaled 1,782 stations in operation (December 31, 2003: 1,782). In total 10 stations were added and 10 outlets were closed. The number of international stations increased by 2 outlets reaching 1,159 stations abroad, thus showing a ratio of 65% of international stations (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 13% (Q1/03: 10%).

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 Q1/04 include Plastics for the first time. Comparative figures have not been restated as the impact was not considered material.

Gas

Q1/04	Q1/03	%	in EUR mn	2003	2002	%
21.02	19.04	10	EBIT	78.64	115.38	(32)
21.02	19.27	9	Clean EBIT [1]	79.45	114.44	(31)

[1] Special net charges are added back to reported EBIT; net special income is deducted from EBIT.

Gas **segment sales** decreased by 30% to EUR 208.69 mn (Q1/03: EUR 296.81 mn). This was largely a result of the transfer of trading activities to EconGas, which gradually grew its operations in 2003.

EBIT increased by 10% from EUR 19.04 mn in Q1/03 to EUR 21.02 mn in the current period. The increase was due to higher transportation volumes sold and increased storage volumes and performance.

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 needed for domestic transports. Total gas **transportation capacity sold** increased by 2% to for domestic transports. Total gas **transportation capacity sold** increased by 2% to 1,491 mn cbm/h*km, mainly due to the expansion of the TAG (Trans-Austria-Gasleitung) capacity and higher capacities sold on the PENTA West pipeline to Germany (Q1/03: 1,460 mn cbm/h*km).

As of March 31, 2004, **contracted storage volumes** of natural gas held for OMV customers increased by 1% to 1.73 bcm. The **supply** business benefited from slightly higher import volumes, which increased by 1%, however they could not compensate for reduced margins due to high gas prices.

In January 2004 OMV, EconGas and NIGEC (National Iranian Gas Export Company) signed a Memorandum of understanding to cooperate in natural gas export. It will include assessing the participation of NIGEC in the **Nabucco** pipeline project. This project, currently under evaluation, would bring gas from the Caspian Sea Region to Austria and provide access for Europe to Middle Eastern reserves.

On March 12, 2004 the partners of the Nabucco consortium signed the incorporation documents to establish the **Nabucco Company Pipeline Study GmbH**. 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 Erdgas. (Further information at www.omv.com/investor-relations >Data Desk >News Release from March 12, 2004.)

On May 5, 2004 OMV Erdgas 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 term have been continually developed in line with market demands and customer requirements. (Further information at www.omv.com/investor-relations >Data Desk >News Release from May 5, 2004.)

Chemicals [1]

Q1/04	Q1/03	%	in EUR mn	2003	2002	%
3.35	6.75	(50)	EBIT	42.90	42.75	0
3.29	6.75	(51)	Clean EBIT [2]	40.92	36.18	13

[1] excluding Plastics, from beginning of 2004 Plastics will be included in R&M;
[2] Special income in Q1/04 relates to real estate disposals.

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 Q1/04 exclude the activities of Plastics for the first time. Comparative figures have not been restated as the impact was not considered material.

Segment sales in Chemicals declined by 22% to EUR 97.90 mn (Q1/03: EUR 125.71 mn) mainly as a result of the reorganization, lower melamine prices and lower fertilizer volumes.

EBIT dropped to EUR 3.35 mn due to weaker melamine margins, lower fertilizer volumes due to bad and cold weather, and maintenance turnaround shut-downs in Austrian and Italian plants (Q1/03: EUR 6.75 mn). Special items were of immaterial magnitude in both quarters under review.

In **melamine,** sales volumes in Q1/04 were up by 4% notwithstanding maintenance stops in the Austrian and Italian plants. Due to difficulties in third-party supply of some raw materials, i.e. incorrect specifications of feedstock delivered which led to an unscheduled plant turnaround in Castellanza, results are expected to remain under pressure in the second quarter. In addition, prices and margins were under pressure due to difficult markets and increased marketing activities. These activities prepare for the streaming of the new capacity of the melamine plant in Piesteritz, Germany, which will commence production in the second half of 2004.

The **fertilizer** business saw a 15% decrease in sales volumes in Q1/04 as weather conditions delayed the first round of spreading. Higher prices and improved margins, however, could not compensate for this decline.

Group statements: Income statement

Consolidated sales excluding petroleum excise tax for the three months increased by 23% to EUR 2,199.05 mn (Q1/03: EUR 1,791.66 mn), mainly due to increased volumes and price levels. R&M represents some 82% of total quarterly consolidated sales, Gas accounts for almost 10%, and Chemicals, as well as E&P, for approximately 4% each (sales in E&P being in large part inter-company sales rather than third party sales).

Group EBIT rose to EUR 148.40 mn (Q1/03: EUR 145.00 mn), showing an increase of 2%. This rise in reported EBIT was caused by the improvement in the Corporate and Other (Co&O) segment as well as in Gas and E&P. The main improvement stemmed from the disposal of assets in Co&O and from higher sales volumes in both other segments. When eliminating special disposal income, **clean EBIT** decreased by 10% to EUR 141.23 mn (Q1/03: EUR 157.58 mn). Net special income of EUR 7.17 mn relates to personnel restructuring charges (EUR 5.97 mn) and insurance expense (EUR 4 mn), and to income from real estate disposals of EUR 17.14 mn (Q1/03: special charges of EUR 12.58 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 Q1/04 represented an income of EUR 4.38 mn (Q1/03: expense of EUR 7.57 mn). The EUR 11.95 mn improvement in Q1/04 was due to improvements in equity and other income (EUR 20.31 mn and EUR 1.06 mn respectively) that more than compensated for higher net interest expense.

Net interest charges increased markedly by about EUR 9.42 mn to EUR 15.46 mn (Q1/03: EUR 6.04 mn). Interest and similar expenses rose by EUR 9.29 mn to EUR 24.77 mn, mainly reflecting financing cost for the higher net debt level this year and some FX-losses. The interest components of pension obligations, disclosed under interest expense, amounted to EUR 8.76 mn (Q1/03: EUR 9.15 mn). Interest income including returns from securities marginally fell by EUR 0.13 mn to EUR 9.31 mn.

Equity investment income amounted to EUR 20.31 mn (Q1/03: a loss of EUR 0.01 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 Q1/04 this amounted to a profit of EUR 9.49 mn (Q1/03: a loss of EUR 6.49 mn). Equity income from **EconGas GmbH**, the leading Austrian gas supplier established in 2003 in which OMV holds a 50% stake, amounted to EUR 5.01 mn (Q1/03: EUR 0.99 mn). Other **financial charges** were EUR 0.47 mn (Q1/03: EUR 1.53 mn).

In the first quarter 2004 **income from ordinary activities** increased by 11% to EUR 152.79 mn (Q1/03: EUR 137.43 mn). **Taxes on income** for the Group increased from EUR 43.31 mn to EUR 47.32 mn. Current taxes on income were EUR 38.55 mn, down on the Q1/03 amount at EUR 34.09 mn. Deferred taxes of EUR 8.77 mn were recognized in Q1/04 (Q1/03: EUR 9.22 mn). The effective **corporate income tax rate**, based on pre-tax profits, showed a temporary decrease to 31% because of deferred TPC (tax paid cost)-lifting volumes from Libya (Q1/03: 32%). **Net income** for Q1/04 increased by 12% to EUR 105.46 mn (Q1/03: EUR 94.12 mn). Clean net income adjusted for special items amounted to EUR 100.51 mn, thus showing a decrease of 2% (Q1/03: EUR 102.74 mn).

Balance sheet, capital expenditure and gearing

Total assets increased by 4% to EUR 7.83 bn (December 31, 2003: EUR 7.52 bn). Fixed assets grew to EUR 5.25 bn (December 31, 2003: EUR 5.20 bn). **Additions to fixed assets** amounted to EUR 173.76 mn (Q1/03: EUR 145.54 mn), of which about 78% resulted from additions to tangible assets (Q1/04: EUR 136.02 mn; Q1/03: EUR 128.72 mn). Additions to financial assets were EUR 28.63 mn (Q1/03: EUR 6.25 mn), and additions to intangible assets were EUR 9.12 mn (Q1/03: EUR 10.57 mn). **Current assets** (including prepaid expenses and deferred charges) increased by almost 12% to EUR 2.58 bn (December 31, 2003: EUR 2.31 bn) mainly due to increases in accounts receivables and cash.

Capital expenditure in the first three months of 2004 increased by 8% from EUR 140.08 mn to EUR 151.68 mn. Of the total, 26% was invested in E&P and 57% in R&M, mainly for the AC cracker revamp, retail stations, etc. Capital expenditure in the Gas segment, about 6% 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 markedly down to 35% at the end of March 2004 (December 31, 2003: 40%). **Net debt** decreased from EUR 1,080.97 mn at the end of 2003 to EUR 977.84 mn. Financial liabilities were stable at EUR 1,413.39 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 March 2004 of EUR 511.78 mn (December 31, 2003: EUR 503.37 mn). Current financial assets (liquid funds) increased to EUR 435.55 mn (December 31, 2003: EUR 330.77 mn).

Stockholders' equity increased by approximately 4% to EUR 2.79 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 Q1/04. The total share buy backs between the years 2000 to 2003 amounted to 124,161 shares, therefore resulting in a total of 119,661 shares at March 31, 2004. **Liabilities** increased to EUR 3.15 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 three months of 2004 amounted to an inflow of EUR 136.36 mn (Q1/03: inflow of EUR 5.42 mn).

Sources of funds at EUR 190.60 mn were lower by almost 10% (Q1/03: EUR 211.34 mn), resulting, for example, from gains from the disposal of fixed assets and from non-cash results components of equity consolidated companies. Net working capital contributed EUR 25.90 mn to the operating cash flow, mainly due to lower trading stocks at March 31, 2004. In Q1/03, the increase in net working capital of EUR 76.26 mn resulted mainly from an increase in trading stocks and accounts receivable. Overall, **net cash provided by operating activities** was strong at EUR 216.50 mn (Q1/03: EUR 135.09 mn).

Net cash used in investing activities was lower at EUR 80.68 mn (Q1/03: EUR 126.73 mn), including inflows from disposals of EUR 51.74 mn (Q1/03: EUR 24.27 mn). **Net cash used in financing activities** showed an outflow of EUR 10.56 mn, mainly due to a reduction of long-term refinancing. In the first three months of 2003 mainly short term debt was reduced resulting in an outflow of EUR 48.29 mn. **Cash and cash equivalents** increased, since the beginning of the year 2004 by EUR 127.17 mn to EUR 424.53 mn. In Q1/03, cash decreased by EUR 42.06 mn to EUR 153.94 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 2.83 bn (December 31, 2003: EUR 2.72 bn), and was almost 3% higher than the corresponding ACC equity (after minorities) of EUR 2.76 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 for the first three months of 2004 was EUR 71.88 mn (Q1/03: EUR 113.53 mn), 31% lower than the ACC net income of EUR 104.38 mn (excluding minorities). This decrease is mainly due to restructuring liabilities.

EPS under US GAAP declined by 29% to EUR 2.67 (Q1/03: EUR 3.79), predominantly reflecting the personnel restructuring measures mentioned above. Reported **EPS according to ACC** rose by 12% to EUR 3.88 (Q1/03: EUR 3.47) and clean EPS according to ACC decreased by 2% to EUR 3.70 (Q1/03: EUR 3.79).

Personnel

As of the end of March 2004, OMV Group **headcount** decreased by 11 to 6,126 employees (December 31, 2003: 6,137). Compared to the figure as of March 31, 2003, the number of employees increased from 6,008 by 118 employees, mainly resulting from the growth in E&P and R&M.

Outlook for 2004

Following our major acquisitions of 2003 we are well on track to achieving our goal of doubling in size by 2008. The macro economic drivers of our performance— including crude and natural gas prices, refining margins and exchange rates, among others — will continue to be subject to uncertainty in 2004. In line with the industry, we expect **crude oil prices** to remain strong and the dollar to soften in 2004. This will have a dampening impact on our E&P activities when results are translated into euro. Refining margins are also expected at this point to be lower than in 2003.

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 GmbH, acquired and integrated in 2003. The sale of the two Sudanese exploration blocks will be closed in the second quarter, which will positively contribute to earnings and profit (sales price USD 115 mn). According to our 2004 stated target, we expect production volumes to be similar to last year's level at 120,000 boe/d, following the sale of our Venezuelan assets in 2004.

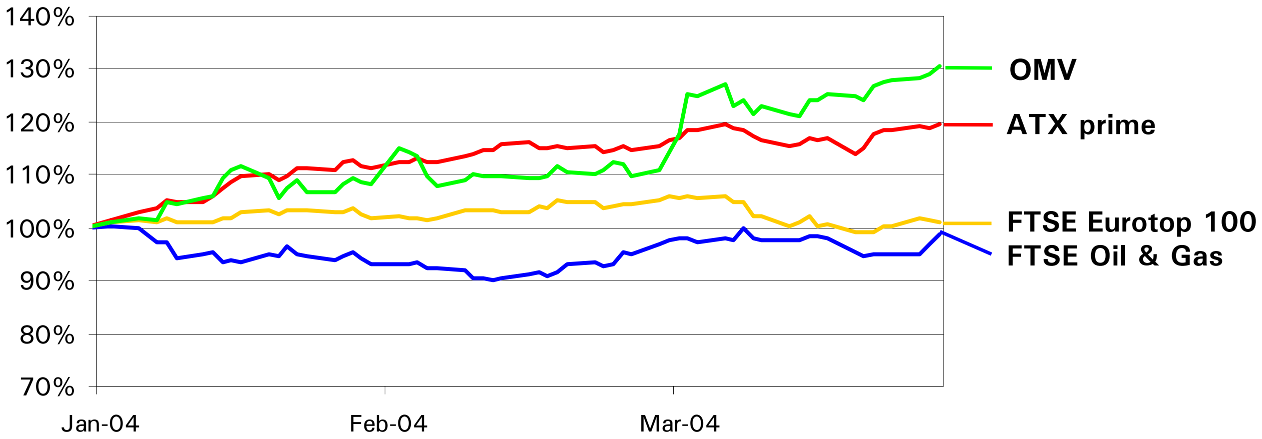
In **Marketing** we will continue to build our market share in the growth markets through smaller acquisitions and by opening new outlets. In the mature markets we will create differentiation by growing our non-oil business such as developing our shop and catering revenues. **Refining** is likely to see a decline in earnings due to planned shutdowns at Schwechat to enable investments in improved quality and maintenance turnarounds. We also anticipate bulk margins to decrease from last year's high levels. 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. Therefore, R&M could be exposed to lower volumes and margins.

We expect **Gas** earnings to stabilize now that the developed business units are firmly established. We also expect EconGas to post stable or slightly higher earnings. **Chemicals** is expected to experience lower melamine margins and could be affected by the plant shut-downs. This deterioration should be offset partly by the positive effect of additional volume from commissioning a new plant in Germany.

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

In summary, we anticipate that overall results for 2004 will be broadly similar to those for 2003, including special income such as the proceeds of the Sudan disposal.

■ Stock watch: January – March 2004



In Q1/04 sentiment on international financial markets overall was neutral leaving most of the major indices almost unchanged (DAX down 3%, FTSE 100 down 2%, Dow Jones down 1%, FTSE Eurotop 1%, Nikkei 12%). Oil and gas companies in particular could not profit from higher oil prices as worries about the disclosure of hydrocarbon reserves weighted on their share prices. The FTSE Oil & Gas Index decreased by 1%. A positive exception was **OMV's share price** which rocketed by 30% in Q1/04 ending the quarter at its 2004 year high of EUR 154.00. The Austrian Trade Index (ATX) increased by 21% making it again one of the top-performing indices worldwide.

OMV share **turnover volumes** on the Vienna Stock Exchange rose by 35% to EUR 698 mn in Q1/04 from EUR 518 mn in Q4/03, and by 21% compared to Q1/03. The OTC (over the counter) turnover in Q1/04 for OMV shares was EUR 306 mn, or about 30% of OMV's total turnover volume of EUR 1.004 mn. By comparison, the turnover volumes for the total equity market of the Vienna Stock Exchange were EUR 9,098 mn in Q1/04 (Q4/03: EUR 5,321 mn) reflecting the positive environment for the Austrian financial market.

Key ratios of OMV stock (January–March 2004)

WKN: 74305	Market capitalization (March 31)	EUR 4,158 mn
Vienna SE: OMV	Stock exchange turnover (Q1/04)	EUR 698 mn
Reuters: OMV.VI	Last (March 31)	EUR 154.00
Bloomberg: OMV AV	High (March 31)	EUR 154.00
ADR Level I: OMVKY	Low (January 2)	EUR 119.30

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Financial calendar 2004:

May 18	Annual General Meeting at 14:00 (CET), AUSTRIA CENTER VIENNA, 1220 Vienna The presentations will be webcast live on www.omv.com
August 17	Results January–June and Q2 2004 at 8:30 (CET)
November 11	Results January–September and Q3 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

Q1/04	Q1/03	Sales in EUR 1,000	2003	2002
225,820	184,106	Exploration and Production	864,415	733,901
1,793,848	1,294,937	Refining and Marketing [1]	6,023,451	4,923,044
208,692	296,805	Gas	794,381	1,483,108
97,904	125,711	Chemicals [2]	490,858	469,060
42,625	34,389	Corporate and Other	110,882	95,121
2,368,889	**1,935,948**	**Segment subtotal**	**8,283,987**	**7,704,234**
(169,839)	(144,289)	less: internal sales	(639,555)	(624,832)
2,199,050	**1,791,659**	**OMV Group**	**7,644,432**	**7,079,402**

Q1/04	Q1/03	EBIT in EUR 1,000	2003	2002
92,651	84,657	Exploration and Production	303,229	256,142
34,076	47,127	Refining and Marketing [1]	265,126	124,725
21,023	19,040	Gas	78,644	115,376
3,351	6,748	Chemicals [2]	42,901	42,748
(2,698)	(12,569)	Corporate and Other	(46,291)	(44,230)
148,403	**145,003**	Segment subtotal	**643,609**	**494,761**
(7,171)	12.580	Special items [3]	61,184	7,526
1,130	*3.940*	*thereof: Exploration and Production*	*40,548*	*5,611*
2,660	*8.070*	*Refining and Marketing [1]*	*20,607*	*9,415*
0	*230*	*Gas*	*808*	*(932)*
(63)	*0*	*Chemicals [2]*	*(1,980)*	*(6,573)*
(10,898)	*340*	*Corporate and Other*	*1,201*	*5*
141,232	**157,583**	**OMV Group clean EBIT**	**704,793**	**502,287**

[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	Unappropri-ated income OMV AG	Stockholders' equity
Jan. 1, 2003	**196,290**	**417,663**	**1,978,905**	**(53,425)**	**12,171**	**26,144**	**107,588**	**2,685,336**
Net income			104,379			1,085		105,464
Dividend recommendation								0
Changes in min.			441		(441)			0
Dividend paid						(66)		(66)
Foreign exchange differences				(5,390)				(5,390)
Mar. 31, 2004	**196,290**	**417,663**	**2,083,725**	**(58,815)**	**11,730**	**27,163**	**107,588**	**2,785,344**

Consolidated balance sheet in EUR 1,000		
Assets	**Mar. 31, 2004**	**Dec. 31, 2003**
A. Fixed assets		
I. Intangible assets	162,511	160,284
II. Tangible assets	3,898,701	3,858,141
III. Financial assets	1,188,644	1,185,468
	5,249,856	**5,203,893**
B. Current assets		
I. Inventories	678,356	707,237
II. Accounts receivable and other assets	1,419,998	1,237,182
III. Cash in hand and cash at bank, securities	447,275	341,554
	2,545,629	**2,285,973**
C. Deferred taxes	0	0
D. Prepaid expenses and deferred charges	35,185	26,820
	7,830,670	**7,516,686**
Stockholders´ equity and liabilities	**Mar. 31, 2004**	**Dec. 31, 2003**
A. Stockholders´ equity		
I. Capital stock	196,290	196,290
II. Capital and revenue reserves, unappropriated income	2,550,161	2,450,731
III. Own shares	11,730	12,171
IV. Minority interests	27,163	26,144
	2,785,344	**2,685,336**
B. Provisions		
I. Provisions for severance payments and pensions	673,633	673,886
II. Other provisions	439,344	375,513
	1,112,977	**1,049,399**
C. Liabilities	3,147,759	3,002,294
D. Accrued decommissioning and restoration costs	302,782	298,679
E. Deferred income	481,808	480,978
	7,830,670	**7,516,686**

Q1/04	**Q1/03**	**Consolidated statement of income** in EUR 1,000	**2003**	**2002**
2,808,105	**2,265,914**	**Sales including excise petroleum tax**	**10,036,757**	**9,175,219**
(609,055)	(474,255)	Petroleum excise tax	(2,392,325)	(2,095,817)
2,199,050	**1,791,659**	**Sales excluding excise petroleum tax**	**7,644,432**	**7,079,402**
(32,587)	(25,222)	Direct selling expenses	(130,566)	(101,972
(1,892,405)	(1,495,361)	Cost of goods sold	(6,274,421)	(5,913,548)
274,058	**271,076**	**Gross profit**	**1,239,445**	**1,063,882**
51,295	16,851	Other operating income	147,182	107,163
(85,842)	(70,270)	Selling expenses	(355,706)	(297,290)
(43,729)	(46,478)	Administrative expenses	(175,714)	(162,849)
(22,943)	(13,310)	Exploration expenses	(74,181)	(61,139)
(4,857)	(3,361)	Research and development	(22,724)	(22,813)
(19,579)	(9,505)	Other operating expenses	(114,693)	(132,193)
148,403	**145,003**	**Earnings before interest and tax**	**643,609**	**494,761**
4,382	(7,574)	Financial items	(47,114)	(20,888)
152,785	**137,429**	**Income from ordinary activities**	**596,495**	**473,873**
(47,321)	(43,308)	Taxes on income	(203,442)	(151,688)
105,464	**94,121**	**Net income for the period**	**393,053**	**322,185**

Q1/04	Q1/03	Summarized statement of cash flows in EUR 1,000	2003	2002
105,464	94,121	Net income for the period	393,053	322,185
114,448	93,292	Depreciation	434,511	346,836
(29,311)	23,931	Other	(24,230)	(49,643)
190,601	**211,344**	**Sources of funds**	**803,334**	**619,378**
25,902	(76,257)	(Increase) decrease in net working capital	135,596	(38,734)
216,503	**135,087**	**Net cash provided by operating activities**	**938,930**	**580,644**
132,421	(151,004)	Capital expenditure	(1.588,519)	(670,792)
51,741	24,274	Proceeds from the sale of fixed assets and subsidiaries	92,512	49,160
(80,680)	**(126,730)**	**Net cash used in investing activities**	**(1.496,007)**	**(621,632)**
(10,559)	**(48,286)**	**Net cash provided by (used in) financing activities**	**670,459**	**57,819**
1,901	(2,130)	Effect of exchange rate changes	(12,021)	(9,972)
127,165	**(42,059)**	**Net increase (decrease) in cash and cash equivalents**	**101,361**	**6,859**
297,362	196,001	Cash and cash equivalents at beginning of period	196,001	189,142
424,527	153,942	Cash and cash equivalents at end of period	297,362	196,001

■ US GAAP reconciliation of net income and stockholders' equity

(Rounded figures sometimes do not add up.)

Stockholders' equity		US GAAP reconciliation	Net income		
Mar. 31, 2004	Dec. 31, 2003	in EUR 1,000	1–3/04	1–3/03	2003
2,785,344	**2,685,336**	**Equity and net income according to ACC**	**105,464**	**94,121**	**393,053**
(27,163)	(26,144)	Income attributable to minority interests	(1,085)	(876)	(945)
2,758,181	**2,659,192**	**Equity and net income after minority interests**	**104,379**	**93,245**	**392,108**
92,220	98,898	Depreciation of fixed assets (other than E & P)	(7,723)	(1,156)	(22,963)
91,135	91,932	Depreciation of fixed assets in E & P	(184)	28,645	28,590
(11,730)	(12,171)	Own shares	0	(406)	(559)
(532)	(532)	Stock option plans	0	0	(532)
0	0	Sale and leaseback transactions	0	0	0
(6,438)	(7,938)	Purchases of associates	1,519	565	2,738
(176,386)	(177,253)	Severance payments, pensions and jubilee payments	(3,034)	4,353	(44,901)
2,389	22,620	Restructuring costs	(20,231)	12,291	(52,104)
35,829	43,905	Other provisions	(5,224)	(18,045)	(16,340)
14,203	11,817	Foreign currency translations and transactions	(6,282)	(471)	33,462
97,955	55,770	Securities	(1,856)	1,886	(322)
(20,955)	(13,178)	Derivative instruments	(7,903)	(1,751)	(1,054)
(6,947)	(7,579)	Changes in accounting principles: plant upgrades	632	586	2,341
(36,400)	(42,123)	Deferred taxes	17,789	(6,217)	51,502
74,343	**64,168**	**Total reconciliation**	**(32,497)**	**20,280**	**(20,142)**
2,832,524	**2,723,360**	**Equity and net income according to US GAAP**	**71,882**	**113,525**	**371,966**