

Energy (Oil & Gas)  
Austria  
Update

OMV AG

Ratings

|                                   |    |
|-----------------------------------|----|
| <b>OMV AG</b>                     |    |
| Foreign Currency Long-Term IDR    | A- |
| Senior unsecured                  | A- |
| <b>OMV Finance Limited</b>        |    |
| Foreign Currency Senior Unsecured | A- |

Outlook

|                                |          |
|--------------------------------|----------|
| <b>OMV AG</b>                  |          |
| Foreign-Currency Long-Term IDR | Negative |

Financial Data

| OMV AG  | 31 Dec 10 | 31 Dec 09 |
|---|-----------|-----------|
| Revenue (EURm)  | 23,323    | 17,917    |
| Operating EBITDAR (EURm)  | 4,024     | 2,810     |
| Funds from operations (EURm)  | 2,974     | 2,004     |
| Capital expenditure (EURm)  | 2,088     | 2,207     |
| Free cash flow (EURm)   | 465       | (696)     |
| Lease-adjusted debt (EURm)  | 7,122     | 4,894     |
| Lease-adjusted net debt/op. EBITDAR (x)                                     | 1.5       | 1.5       |
| Lease-adjusted net debt/op. EBITDAR excluding inventory holding results (x) | 1.6       | 1.6       |

Analysts

Arkadiusz Wicik, CFA  
+48 22 338 62 86  
[arkadiusz.wicik@fitchratings.com](mailto:arkadiusz.wicik@fitchratings.com)

Jakub Zasada, ACCA  
+48 22 338 62 95  
[jakub.zasada@fitchratings.com](mailto:jakub.zasada@fitchratings.com)

Applicable Criteria

- *Corporate Rating Methodology (August 2010)*

Other Research

- *Rating Oil and Gas Exploration and Production Companies (April 2010)*
- *Rating Oil Refining and Marketing Companies – Sector Credit Factors (November 2010)*
- *2011 Outlook: EMEA Oil and Gas (December 2010)*
- *2011 Outlook: Central European Oil and Gas (December 2010)*

Rating Rationale

**Removal from Rating Watch Negative:** Fitch Ratings affirmed OMV AG's (OMV) ratings and removed them from Rating Watch Negative (RWN) on 14 February 2011. The rating action reflects the reduced risk of a rating downgrade due to OMV's plans to mitigate the impact of recent acquisitions by strengthening its balance sheet in H111. The rating action also incorporates the agency's expectations of improved cash flow for OMV's oil and gas upstream business in 2011.

**Negative Outlook Assigned:** The Negative Outlook on the Long-Term IDR reflects Fitch's view that OMV's ratings may be downgraded if the company fails to strengthen its financial profile following the two initially debt-funded acquisitions. These include the acquisition of a 54.14% stake in Turkish fuel distributor Petrol Ofisi A.S. (POAS) for EUR1bn, closed in December 2010, and the acquisition of a 100% stake in Tunisian upstream business Pioneer Natural Resources Tunisia Ltd. and Pioneer Natural Resources Anaguid Ltd. (together, Pioneer Tunisia) for USD800m plus working capital, closed in February 2011.

**Refinancing Plan:** The company plans to replace the initial funding of these acquisitions (ie, cash balances and committed credit lines) with long-term funding, which may include an equity increase and equity-like sources of capital.

**Two Acquisitions Fit Growth Strategy:** Thanks to the POAS acquisition, OMV has gained full control over the largest distributor in the attractive Turkish fuel market. The Pioneer Tunisia acquisition supports future growth of OMV's upstream business. However, both acquisitions increase OMV's exposure to countries with a more volatile business environment (Turkey is rated 'BB+' / Positive, Tunisia 'BBB-' / Negative, compared with Austria, which is 'AAA' / Stable).

**Positive FY10 results:** Funds from operations increased by 48% in FY10 compared with FY09 mainly due to rising oil prices, positive foreign exchange rate movements and improved refining margins.

Recent Events

**Political Unrest:** OMV's oil and gas upstream business in Libya, Yemen and, to a lesser extent, Tunisia was negatively affected by the recent political unrest in these countries. The most difficult situation is in Libya, which is an important country for OMV, representing 10% of 2010 hydrocarbon production. Fitch believes that OMV has limited financial flexibility in its current ratings to absorb any material deterioration of cash flow in case of long-lasting production disruption, or a hostile operating environment in Libya.

What Could Trigger a Rating Action

**Credit Ratios to Weaken:** Fitch projects that credit ratios will weaken in 2011, mainly due to higher capex and the Pioneer Tunisia acquisition. This is based on the agency's oil price assumptions. The rating Outlook could be changed to Stable from Negative if OMV manages to improve its projected credit ratios to more moderate levels thanks to the planned refinancing. These include a consolidated lease-adjusted net debt to EBITDAR of about 1.8x on a sustained basis (through the cycle).

Liquidity and Debt Structure

The ratings also incorporate OMV group's solid liquidity. At end-December 2010, following the POAS acquisition, it held cash of EUR0.9bn and unused committed long-term facilities of EUR2.9bn, comfortably covering short-term debt of EUR1bn.

| Peer Group                            |               |
|---------------------------------------|---------------|
| Issuer                                | Country       |
| <b>A-</b>                             |               |
| OMV AG                                | Austria       |
| <b>BBB+</b>                           |               |
| Marathon Oil Corporation              | United States |
| Repsol YPF                            | Spain         |
| <b>BBB-</b>                           |               |
| MOL Hungarian Oil and Gas Company Plc | Hungary       |

### Issuer Rating History

| Date      | LT IDR (FC) | Outlook/Watch |
|-----------|-------------|---------------|
| 14 Feb 11 | A-          | Negative      |
| 25 Oct 10 | A-          | RWN           |
| 24 Jun 10 | A-          | Stable        |
| 19 May 09 | A-          | Stable        |
| 30 Mar 09 | A-          | Stable        |
| 9 Mar 09  | A-          | Stable        |
| 1 Sep 08  | A-          | Stable        |

"RW" denotes Rating Watch

### Snapshot Profile: Major Issuer-Specific Rating Factors and Trends

| Rating Factor   | Status <sup>a</sup> | Trend   |
|-----------------|---------------------|---------|
| Operations      | Average             | Neutral |
| Market Position | Strong              | Neutral |
| Finances        | Average             | Neutral |
| Governance      | Average             | Neutral |
| Geography       | Average             | Neutral |

<sup>a</sup> Relative to peer group

## Immediate Peer Group – Comparative Analysis

### Sector Characteristics

#### Operating Risks

The oil and gas industry continues to face challenges in both the upstream and downstream market segments. Key upstream risk factors include the need to arrest the decline in the rate of annual production of around 6%, and the rising costs and anticipated heightened regulatory oversight associated with accessing offshore, deepwater resources. Downstream risk factors are associated mainly with large global spare refining capacity, which negatively affects refining margins.

#### Financial Risks

Conservative financial policies help highly-rated companies maintain healthy credit profiles through the cycle. Cash flow generation is subject to cyclicity, driven mainly by changes in oil and gas prices, refining margins, and demand for oil and gas, and refined products. Fitch has observed an improvement in cash flow generation in reported 2010 figures, as oil prices averaged around USD80 per barrel. As supply, rather than demand, concerns now contribute to a high price environment, 2011 could be another favourable year for the industry.

### Peer Group Analysis<sup>a</sup>

|   | OMV<br>A-<br>/Negative | Repsol<br>BBB+<br>/Stable | Marathon<br>BBB+<br>/RWN | MOL<br>BBB-<br>/Stable |
|---|------------------------|---------------------------|--------------------------|------------------------|
| Oil and gas production (mmboepd)              | 0.32                   | 0.88                      | 0.41                     | 0.14                   |
| Refining capacity (mmbpd)                     | 0.53                   | 0.93                      | 1.2                      | 0.47                   |
| Funds from operations (EURm)                  | 2,974                  | 5,355                     | 3,331                    | 1,569                  |
| Lease-adjusted net debt/operating EBITDAR (x) | 1.5                    | 2.8                       | 1.4                      | 1.8                    |

<sup>a</sup> 2010 data for OMV and MOL, 2009 data for Repsol and Marathon  
Source: Fitch, Companies

### Key Credit Characteristics

Low- or mid-investment-grade rating profiles can be achieved by medium-sized integrated companies with upstream operations that are located mainly in low-risk countries, often supported by a favourable and sustainable domestic position and prudent financial policies.

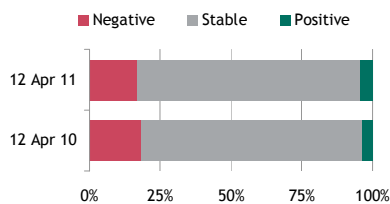
### Overview of Companies

- **OMV** ('A-'/Stable) – a medium-sized integrated oil and gas company, with leading market positions in Austria and Romania. With 2010 production of 0.32 million barrels of oil equivalent per day (mmboepd), exploration and production is the group's key segment in cash flow terms, followed by refining and marketing, with a refining capacity of 0.53mmbpd.
- **Repsol YPF** (Repsol, 'BBB+'/Stable) – Spain-based Repsol is one of Europe's largest integrated oil and gas companies, with upstream production in 2009 of 0.88mboepd, mainly concentrated in non-OECD countries.
- **Marathon Oil Corporation** (Marathon, 'BBB+'/RWN) – Marathon is a US-based integrated oil and gas company, with 2009 upstream output of 0.41mmboepd and a relatively large downstream presence (1.2mmbpd of refining capacity).
- **MOL Hungarian Oil and Gas Company Plc** (MOL, 'BBB-'/Stable) – a medium-sized integrated oil and gas company, with leading market positions in Hungary, Croatia and Slovakia. It has relatively large downstream operations with a capacity of 0.47mmbpd, compared with its relatively small upstream business (0.14mmboepd).

OMV AG — Energy (Oil & Gas) Median — A- Median — Source: Company data; Fitch.

### Distribution of Sector Outlooks

Directional Outlooks and Rating Watches



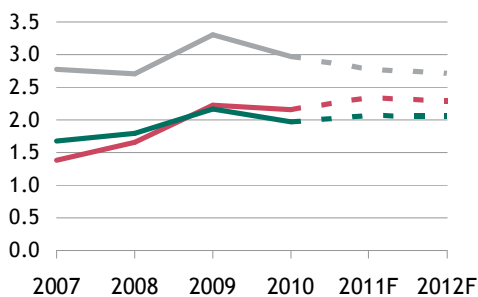
Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecast assumptions include:

- oil price based on Fitch price deck (USD75/bbl for 2011, USD65/bbl for 2012, and a long-term price of USD60/bbl);
- 2011 includes the impact of oil price hedging and assumes no resumption of Libyan production;
- average capex for 2011-2012 close to the company's guidance of EUR2.7bn per year;
- projected credit ratios do not reflect planned strengthening of the balance sheet in the next few months.

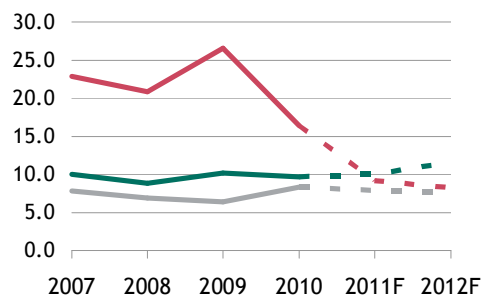
### Definitions

- Leverage:** Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest cover:** FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/revenue:** FCF after dividends divided by revenue.
- FFO profitability:** FFO divided by revenue.
- For further discussion of the interpretation of the tables and graphs in this report, see Fitch's "Interpreting the New EMEA and Asia-Pacific Credit Update Format", dated 25 November 2009 and available at [www.fitchratings.com](http://www.fitchratings.com).

### Leverage including Fitch expectations



### Interest Cover including Fitch expectations

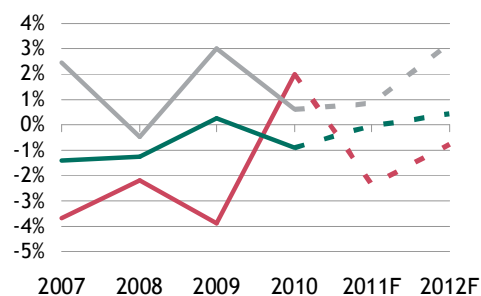


### Debt Maturities and Liquidity at end-2010

| Debt maturities <sup>a</sup>               | EURm         |
|--|--------------|
| 2011                                       | 968          |
| 2012                                       | 1,168        |
| 2013                                       | 846          |
| 2014                                       | 1,608        |
| 2015 and thereafter                        | 1,384        |
| <b>Cash and equivalents (unrestricted)</b> | <b>910</b>   |
| <b>Undrawn Committed Facilities</b>        | <b>2,912</b> |
| Including:                                 |              |
| EUR1.5bn due in 2015                       |              |
| EUR850m due in 2012                        |              |

<sup>a</sup> Debt maturities excluding finances leases of EUR139m.

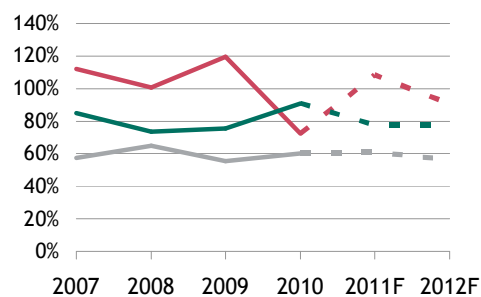
### FCF/Revenues including Fitch expectations



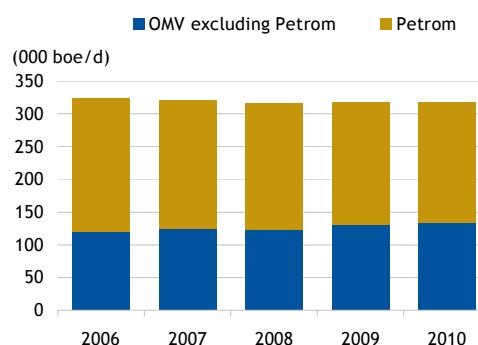
### FFO Profitability including Fitch expectations



### Capex/CFO including Fitch expectations

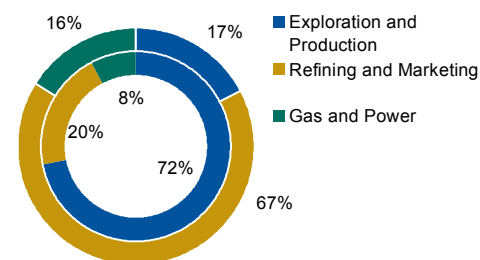


### Oil and Gas Production



### 2010 Segmental Split

Outer ring: Total sales excl. corporate and other  
Inner ring: EBITDA excl. corporate and other



## OMV AG FINANCIAL SUMMARY

|   | 31 Dec 2010<br>EURm<br>Original | 31 Dec 2009<br>EURm<br>Original | 31 Dec 2008<br>EURm<br>Original | 31 Dec 2007<br>EURm<br>Original | 31 Dec 2006<br>EURm<br>Original |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Profitability</b>  |                                 |                                 |                                 |                                 |                                 |
| Revenue   | 23,323                          | 17,917                          | 25,543                          | 20,042                          | 18,970                          |
| Revenue Growth (%)  | 30.17                           | (29.85)                         | 27.45                           | 5.65                            | 21.76                           |
| Operating EBIT  | 2,326                           | 1,373                           | 2,309                           | 2,186                           | 1,989                           |
| Operating EBITDA  | 3,898                           | 2,697                           | 3,602                           | 3,163                           | 2,794                           |
| Operating EBITDA Margin (%)   | 16.71                           | 15.05                           | 14.10                           | 15.78                           | 14.73                           |
| FFO Return on Adjusted Capital (%)  | 18.05                           | 15.56                           | 20.91                           | 19.99                           | 19.79                           |
| Free Cash Flow Margin (%)   | 1.99                            | (3.88)                          | (2.20)                          | (3.69)                          | 1.44                            |
| <b>Coverages (x)</b>  |                                 |                                 |                                 |                                 |                                 |
| FFO Gross Interest Coverage   | 16.38                           | 26.56                           | 20.87                           | 22.88                           | 21.23                           |
| Operating EBITDA/Gross Interest Expense                                   | 17.11                           | 13.12                           | 22.10                           | 25.67                           | 33.71                           |
| FFO Fixed Charge Coverage (inc. Rents)                                    | 10.31                           | 11.46                           | 12.73                           | 15.24                           | 14.36                           |
| FCF Debt-Service Coverage   | 0.55                            | (0.79)                          | (0.24)                          | (0.23)                          | 0.27                            |
| Cash Flow from Operations/Capital Expenditures                            | 1.38                            | 0.84                            | 1.00                            | 0.89                            | 1.47                            |
| <b>Debt Leverage of Cash Flow (x)</b>                                     |                                 |                                 |                                 |                                 |                                 |
| Total Debt with Equity Credit/Operating EBITDA                            | 1.57                            | 1.48                            | 1.15                            | 1.09                            | 0.82                            |
| Total Debt Less Unrestricted Cash/Operating EBITDA                        | 1.33                            | 1.24                            | 0.97                            | 0.88                            | 0.27                            |
| <b>Debt Leverage Including Rentals (x)</b>                                |                                 |                                 |                                 |                                 |                                 |
| Rental Expense  | 126                             | 113                             | 95                              | 66                              | 57                              |
| Gross Lease Adjusted Debt/Operating EBITDAR                               | 1.77                            | 1.74                            | 1.33                            | 1.23                            | 0.96                            |
| Gross Lease Adjusted Debt/FFO+Int+Rentals                                 | 2.16                            | 2.23                            | 1.66                            | 1.39                            | 1.15                            |
| FCF/Lease Adjusted Debt (%)   | 6.53                            | (14.22)                         | (11.46)                         | (18.61)                         | 9.95                            |
| <b>Debt Leverage Including Leases and Pension Adjustment (x)</b>          |                                 |                                 |                                 |                                 |                                 |
| Pension and Lease Adjusted Debt /EBITDAR + Pension Cost                   | 1.78                            | 1.74                            | 1.35                            | 1.25                            | 0.95                            |
| <b>Liquidity</b>  |                                 |                                 |                                 |                                 |                                 |
| (Free Cash Flow+Available Cash+Committed Facils)/(ST Debt + Interest) (%) | 356.28                          | 357.44                          | 92.02                           | 29.57                           | 207.55                          |
| <b>Balance Sheet Summary</b>  |                                 |                                 |                                 |                                 |                                 |
| Cash and Equivalents (Unrestricted)                                       | 910                             | 643                             | 669                             | 669                             | 1,536                           |
| Restricted Cash and Equivalents   | 36                              | 32                              | 31                              | 31                              | 28                              |
| Short-Term Debt   | 1,010                           | 704                             | 1,608                           | 2,516                           | 1,312                           |
| Long-Term Senior Debt   | 5,103                           | 3,285                           | 2,540                           | 929                             | 981                             |
| Subordinated Debt   | 0                               | 0                               | 0                               | 0                               | 0                               |
| Equity Credit   | 0                               | 0                               | 0                               | 0                               | 0                               |
| Total Debt with Equity Credit   | 6,113                           | 3,989                           | 4,148                           | 3,445                           | 2,294                           |
| Off-Balance-Sheet Debt  | 1,009                           | 906                             | 762                             | 524                             | 452                             |
| Lease-Adjusted Debt   | 7,122                           | 4,894                           | 4,910                           | 3,969                           | 2,746                           |
| Fitch- identified Pension Deficit   | 216                             | 172                             | 189                             | 156                             | 130                             |
| Pension Adjusted Debt   | 7,337                           | 5,066                           | 5,099                           | 4,126                           | 2,875                           |
| <b>Cash Flow Summary</b>  |                                 |                                 |                                 |                                 |                                 |
| Operating EBITDA  | 3,898                           | 2,697                           | 3,602                           | 3,163                           | 2,794                           |
| Gross Cash Interest Expense   | (193)                           | (78)                            | (137)                           | (122)                           | (110)                           |
| Cash Tax  | (242)                           | (185)                           | (572)                           | (546)                           | (758)                           |
| Associate Dividends   | 0                               | 0                               | 0                               | 0                               | 0                               |
| Other Items before FFO (incl. interest receivable)                        | (489)                           | (430)                           | (166)                           | 177                             | 293                             |
| Funds from Operations   | 2,974                           | 2,004                           | 2,727                           | 2,671                           | 2,220                           |
| Change in Working Capital   | (88)                            | (157)                           | 488                             | (605)                           | (192)                           |
| Cash Flow from Operations   | 2,886                           | 1,847                           | 3,214                           | 2,066                           | 2,027                           |
| Total Non-Operating/Non-Recurring Cash Flow                               | 0                               | 0                               | 0                               | 0                               | 0                               |
| Capital Expenditures  | (2,088)                         | (2,207)                         | (3,230)                         | (2,318)                         | (1,377)                         |
| Dividends Paid  | (334)                           | (336)                           | (547)                           | (487)                           | (378)                           |
| Free Cash Flow  | 465                             | (696)                           | (563)                           | (739)                           | 273                             |
| Net (Acquisitions)/Divestitures   | (2,250)                         | 1,387                           | (331)                           | 11                              | (1,009)                         |
| Net Equity Proceeds/(Buyback)   | 0                               | 1                               | 1                               | (64)                            | (202)                           |
| Other Cash Flow Items   | (73)                            | (559)                           | 190                             | (1,227)                         | 55                              |
| Total Change in Net Debt  | (1,857)                         | 133                             | (703)                           | (2,019)                         | (883)                           |
| <b>Working Capital</b>  |                                 |                                 |                                 |                                 |                                 |
| Accounts Receivable Days  | 38.07                           | 40.07                           | 28.58                           | 43.88                           | 36.98                           |
| Inventory Days  | 52.52                           | 60.21                           | 40.14                           | 58.64                           | 51.42                           |
| Accounts Payable Days   | 56.20                           | 57.33                           | 39.55                           | 61.73                           | 40.60                           |

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