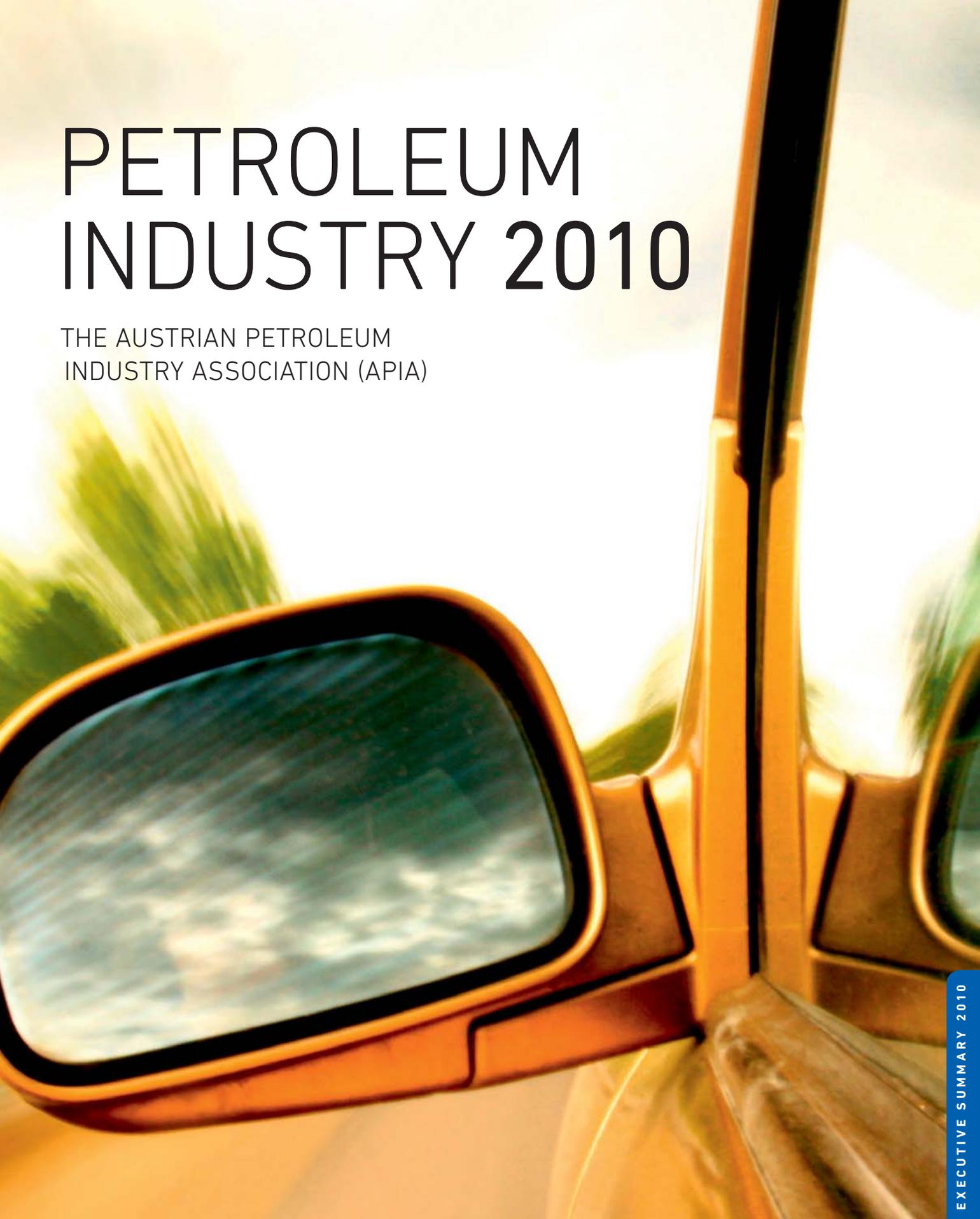


PETROLEUM INDUSTRY 2010

THE AUSTRIAN PETROLEUM
INDUSTRY ASSOCIATION (APIA)



EXECUTIVE SUMMARY 2010

KEY FIGURES

Austrian Petroleum Industry

		2010	2009	2008	2007	2006
Number of association companies		22	23	23	25	25
Sold production	EUR mn	9,000 ¹	7,232	10,224	8,040	8,054
Total employees		3,500 ¹	3,510	3,725	4,066	3,923
thereof Blue-Collar		850 ¹	889	1,050	1,321	1,346
thereof White-Collar		2,550 ¹	2,520	2,500	2,590	2,500
thereof Apprentices		100 ¹	101	175	155	77
Domestic oil production incl. NGL	tons	965,112	998,451	942,030	944,741	944,641
Domestic natural gas production	m ³ n bn	1.704	1.580	1.532	1.848	1.819
Crude oil import	tons mn	6.770	7.425	7.946	7.645	7.698
Natural gas import	m ³ n bn	9.920	9.463	9.779	8.740	9.212
Oil transport – Pipelines ²	tons mn	6.800	7.400	7.900	7.602	7.831
Oil refining incl. semifinished products	tons mn	8.30	8.93	9.38	9.09	8.81
Domestic oil consumption	tons mn	11.610	11.297	11.919	12.009	12.7858
Petroleum imports – products	tons mn	6.972	6.275	6.719	6.808	7.142
Petroleum exports – products	tons mn	2.218	2.240	2.441	2.125	1.635
Domestic gas consumption	m ³ n bn	9.105	8.217	8.391	7.939	8.456
Number of filling stations ³ thereof major-branded		2,656 1,635	2,716 1,663	2,802 1,809	2,810 1,844	2,812 1,921
Car population thereof passenger cars and station wagons		6,091,881 4,441,027	5,981,075 4,359,944	5,873,281 4,284,919	5,796,973 4,245,583	5,722,624 4,204,969

¹ APIA approximation

² Adria-Wien-Pipeline

³ Excluding 301/302/302/300/314 agricultural diesel-outlets



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PREFACE



The energy sector – indubitably one of the key industries of this century – is expected to change over the next years even more extensively than it did in the past. It is moving at an ever more rapid and dynamic pace. In this, two core themes are of great importance to me: How does the concept of “energy efficiency” impact on the traditional energy sources and how will the new energies affect society and the economy? In my dual capacity of Director General of OMV and President of the Austrian Petroleum Industry Association I expect greater challenges than ever to face the companies of the petroleum industry. Over the coming years it will be the proper mix of resources and products that will decide on whether we meet customer requirements and survive in a highly competitive market.

This year’s Annual Report prepared by the Association offers an opportunity to look back over the past year. Business in 2010 was marked by a recovery of the main economies following the global economic crisis. Compared to the crisis year of 2009, real growth was rated at about 4%. Energy consumption, on the other hand, rose disproportionately by 5.6%, driven by the economic revival, thereby preparing the ground for global economic growth. The increase was slightly lower when it came to oil but, after a decline in global oil consumption in 2008 and 2009, was still the second steepest in the past 30 years. Demand for oil shot up by 3.4% to almost 88 million bbl/d. Of this, non-OECD countries accounted for a plus of not quite 6%. At 33.6% oil is still the number one energy source worldwide, followed by coal and gas.

In terms of prices, oil began the past year by showing substantially less volatility than in previous years. It was only in the fourth quarter that a clear surge was noted, and crude ended the year at USD 94/bbl. Seen across the year, the price for Brent crude was almost USD 80 per barrel – 29% higher than in 2009. On the Rotterdam product market, the main product groups (such as petrol and gas oil) were quoted at 35% to 40% above the previous year’s level. Refinery margins recovered slightly from their historical low in 2009.

Compared to many other countries, the Austrian petrol station market is still characterised by a dense network of petrol stations and cut-throat competition. While predatory price cutting between petrol stations may be welcomed by consumers it nevertheless causes economic problems to companies due to low margins. Thus the number of public petrol stations operated in Austria has dwindled by about 200 in the past ten years. The decline continued in 2010, and there are now fewer than 2,700 stations. More than ever, petroleum companies need to distinguish themselves from competitors through their range of fuels, shop products and other services.

A special challenge to the fuel market will come from the rising proportion of biofuel. In order to save Austria from a chaos similar to what happened when Germany stipulated a 10% admixture of bioethanol to petrol, the petroleum industry in the spring of 2011 advocated the voluntary introduction of E10 in gradual steps until the end of 2014. This would not endanger compliance with the European climate and energy targets. Jointly we (and by that I mean politicians, businesses and consumers) now have an opportunity to learn from the problems in Germany and to prepare proactively and comprehensively for the smooth introduction of E10 in Austria. The Austrian Petroleum Industry Association offers an excellent platform to enable balanced solutions and implementary processes together with the responsible institutions and government bodies.

Vienna, on September 2011

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a horizontal line.

Gerhard Roiss, CEO
President of the Austrian Petroleum Industry Association

THE AUSTRIAN ECONOMY IN 2010

Following the worldwide crisis of the financial markets which had triggered the first shrinkage in decades of the global economy in 2009, a strong recovery was recorded in 2010, as is indicated by the Austrian Institute of Economic Research WIFO in its business report. World production rose by 5% – a growth rate almost as high as in 2007, the year before the onset of the financial and economic crisis. However, the upward trend of 2010 varied considerably across the euro zone. German economic output, which had contracted substantially in 2009, once again surged ahead at a growth rate of 3.6%. Increases were slightly more moderate in Belgium, the Netherlands and Austria (a plus of about 2%).

With the global economy back on an expansion course, prices for raw materials quickly returned from their deep trough, in their turn driving inflation upwards. In the euro zone, inflation rose from an average of 0.3% in 2009 to 1.7%. As a result, prices in Austria shot up: with consumer prices rising by 1.9% as an average of 2010, and by fully 2.3% in December of that year.

The decline of the gross domestic product by 3.9% in real terms made 2009 the worst year in economic terms in over 50 years. But the economy picked up again in 2010, with GDP growing by 2% in real terms thanks to stimuli impacting from abroad. Domestic demand also began to revive. Austrian foreign trade in goods recovered substantially in 2010, due chiefly to substantial improvements in international framework conditions, a recovery in global trade originating in the threshold countries, and an upswing experienced by the major markets. According to Statistics Austria, the country exported goods valued at almost EUR 110 billion in 2010 (a real increase of 12.7%), while imports rose to over EUR 113 billion (a plus of 11% in real terms). Brisk foreign demand caused the domestic economy to return to growth rates. Nevertheless, it was not possible in 2010 to fully compensate for the production losses caused by the crisis.

The labour market's response to the economic recovery was just as prompt as its reaction to the outbreak of the crisis had been. According to the WIFO report, a revitalised economic dynamism led to a reversal of trends in unemployment and employment rates already in mid 2009, which further strengthened in 2010. As an annual average, the number of active dependently employed rose by 25,526 or 0.8% to 3,260,013. Unemployment dropped slightly to 6.9% according to the Austrian method of calculation, following a jump from 5.9% to 7.2% in 2009. By Eurostat figures, unemployment declined to 4.4% in 2010, compared to an average of 9.6% in the EU and 10% in the euro zone.

In 2009, energy consumption in Austria plunged by almost 6%, as a result of foundering industrial production and goods transport, only to rise by more than 5% in 2010. A key factor was the cold weather rather than the economic recovery. Energy prices were up again in 2010, with the exception of gas which shows a delay in adjusting to crude oil price developments. Crude oil prices increased by almost 30% as an average of 2010, from about USD 60 per gallon to some USD 80/bbl on a dollar basis or by almost 37% on a euro basis. Consequently, prices for various crude oil products went up accordingly. In spite of this increase, petroleum consumption rose by a total of almost 2.8% from 2009 to 2010. Specifically, demand grew by 4.6% for diesel, whereas a slight minus (-1.2%) was recorded for petrol. Altogether, energy-caused CO₂ emissions appear to have been higher by 5.5% than in the previous year.

THE AUSTRIAN PETROLEUM INDUSTRY IN 2010

In Austria, OMV and Rohöl-Aufsuchungs AG (RAG) are prospecting for and extracting crude oil and natural gas in economically relevant quantities at the Wiener Becken, a sedimentary basin around Vienna, and in the molasse zone of Upper Austria and Salzburg. The successful production of domestic crude and – even more – natural gas helps quite substantially to secure the supply of households, transport, industry and utilities.

In 2010, OMV sank 9,603 metres of pipes in the course of its drilling works; and RAG contributed a total of 64,770 metres.

In Austria, crude production declined in 2010 whereas gas production was increased. In concrete figures, total annual production of crude including NGLs shrank by 33,339 tons to 965,112 tons (a reduction of 3.3% over the previous year). Crude production excluding NGLs yielded 875,968 tons (-3.2%), of which 769,179 tons were extracted from the Vienna Basin and 106,790 tons from the molasse zone.

Crude imports into Austria comprised 6.8m tons in the year under review, or 8.8% less than the previous year's level of 7.4m tons. Austria's main crude suppliers were Kazakhstan, Libya and Nigeria, with Russia placing fourth. Altogether, crude for Austria was sourced from 16 countries. Crude transport was by pipeline, almost all of it from the harbour of Trieste to the Schwechat refinery through the transalpine pipeline (TAL) and, from Carinthia, through the Adriatic-Vienna pipeline AWP. It should be noted that next to the crude imports delivered to Schwechat for processing, Austria required imports of almost 7.0m tons of finished products, such as petrol, diesel or fuel oil, mostly from Germany, Italy and Slovakia, in order to supply Austria with liquid petroleum products.

In 2010, natural gas production including petroleum gas ran to 1.7bn m³n (standard cubic metres), of which 1.38bn m³ or 80.8% were natural gas and 326m m³ (19.2%) were petroleum gas. This production exceeded the previous year's level by some 124m m³ (+7.8%), of which 87% were contributed by OMV and 13% by RAG. Domestic natural gas production yielded 19% of the 8.85bn m³ of natural gas required in Austria, and the huge amount of the remaining 81% had to be provided through imports. Most of these came from Russia which supplied 5.5bn m³, with almost 1.4bn m³ delivered from Norway and 3.0bn m³ imported from other countries.

OMV's refinery at Schwechat (near Vienna) processed altogether 7.7m tons of crude in 2010 (2009: 8.3m tons), as a

turnaround was performed. 12% of the processed crude came from domestic production and 88% from abroad; 0.6m tons of semi-finished products (2009: 0.6m tons) were processed as well. Due to the turnaround, the OMV refinery worked at 81% capacity in 2010 (2009: 87%), covering 43% of Austria's demand for petroleum; about 22% of the production was exported. From this input, the refinery produced 37% diesel, 22% petrol, 8% extralight fuel oil, 9% fuel oil including light fuel oil, 11% petrochemical basics, 8% JET A1 fuel, 4% bitumen and 1% other products. The biogenic components added to diesel and petrol in 2010 were 182,000 tons of FAME and 81,300 tons of ethanol.

The overall market of petroleum products in Austria amounted to 11.6m tons in 2010, a plus of 2.8% over the previous year, excluding petroleum products for the petrochemical industry (2009: 11.3m tons; 2008: 11.9m tons). Demand varied between products. Thus petrol consumption decreased by almost 1.2% whereas diesel consumption showed a brisk rise of 4.6% over 2009. Extralight fuel oil (gas oil for heating purposes) did not change much against the previous year, with consumption shrinking only slightly by 0.6% to not quite 1.45m tons. Growth was more substantial for jet fuel (675,000 tons or a plus of 13% over 2009). Sales of petrol and diesel at petrol stations made up about 67% of the total quantity, with the remaining volume sold through commercial transactions. The number of publicly accessible petrol station contracted from 2,716 to 2,656. The number of major branded stations which are supplied by APIA members (Avanti, BP, ConocoPhillips, Eni, MOL, OMV, Shell) continued to contract while offering a large convenience sector (bistro, shop) at those left. By the end of 2010, the major branded stations had been reduced from 1,663 to 1,635.

In Austria, petrol station prices (including petroleum tax and VAT) in early 2010 hovered at about EUR 1.1 per litre of Eurosuper and at about EUR 1.0 per litre of diesel fuel. In spring prices for both petrol and diesel rose by about 10 cents per litre, only to remain for a long time at EUR 1.2 per litre of petrol and EUR 1.1 to 1.12 per litre of diesel. By the end of the year, prices once again shot up by about 5 to 7 cents per litre of petrol and diesel. The trend received another boost after the turn of the year, when the petroleum tax was raised by 4 cents per litre for petrol and 5 cents per litre for diesel (each plus VAT) as of 1 January 2011. Yet in spite of these drivers, prices at Austrian petrol stations for both Eurosuper and diesel continue to remain noticeably below the European average.

INTRODUCTION TO THE ASSOCIATION

The Austrian Petroleum Industry Association (APIA, or FVMI to give it its proper German title) is an Austrian-wide association of petroleum-based industries operating within the scope of the Austrian Federal Economic Chamber (WKÖ). It is organised as a corporation under public law to serve as a lobby for its members. A legal interest group, the Association acts as a link between business and the public. Its members are Austrian companies that operate upstream (exploration and production of crude oil), midstream (transport in pipelines) and downstream (processing at their own or associated refineries and sale of petroleum products). At present, the Association has 22 petroleum companies active in the up-, mid- and/or downstream sectors. The Association's remit comprises e.g.:

- collaboration with the Austrian Ministry of Economy, Family and Youth and the Federal Ministry for Agriculture, Forestry, Environment and Water Management, especially with regard to issues of energy provision, supply security and fuel qualities, as well as close cooperation with specialised organisations in the industry;
- coordination and preparation of comments and statements by the Association for the sector's assessment of EU directives and national regulations on issues such as emissions trading, fuel ordinance and energy taxes;
- response to technical enquiries by government authorities, the social partners, consumers, students and national and international organisations;
- enquiries addressed to government authorities, the social partners and other public and private institutions on concerns of the petroleum industry, representation of the petroleum industry at the federal- and state-level bodies of the Economic Chamber;
- specialised information for members in the upstream, mid-stream and downstream sectors and information on general business issues in collaboration with the Economic Chamber;
- issue-oriented press information, statements and interviews for the print and broadcast media on market developments and the supply situation of crude and petroleum products, and publication of contributions on the Association's homepage (www.oil-gas.at);
- preparation of the Association's annual report, its delivery as a printed version and publication on the Association's homepage;
- organising and handling several panel meetings per year for segments such as commercial business, retail sector, statistics, HSSE, REACH, transport logistics and hazardous goods, biofuels, waste and p.r. activities;
- weekly survey of petrol station prices for an EU-wide comparison of prices for petrol and diesel as provided in the Price Transparency Act;
- negotiations for the collective bargaining agreement with the Union of Private Sector Employees, Graphical Workers and Journalists (GPA-djp) and the Union PRO-GE for about 3,500 employees; publication of the collective bargaining agreement for the employees of the Austrian petroleum industry in a paper version, on the Association's homepage (also as a pdf file in English) and in the database of collective bargaining agreements kept by the Austrian Economic Chamber;
- cooperation with and support of Österreichische Gesellschaft für Erdölwissenschaften (Austrian Society for Petroleum Sciences; ÖGEW);
- participation as the sponsoring organisation in the "Liquid Biofuels" working group and as a shareholder in Heizen mit Öl GmbH, a company promoting oil heating systems, cooperation with Hauptstelle für das Grubenrettungs- und Gasschutzwesen GmbH (main office for mine life-saving and gas protection services);
- coordinatory activities with Schutzverband gegen unlauteren Wettbewerb (Association to Protect Against Unfair Competition) to combat anticompetitive fuel sales at state-operated petrol stations;
- organisation and commissioning of expert opinions on legal and engineering issues;
- SCC platform (Security Certificate Contractor), secretariat run by the Association (www.scc-austria.at);
- administration of the Association's office, organisation and agenda of the committee meetings, preparation of the budget and audit.