

# Challenges and opportunities for an integrated oil and gas company

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# OMV has positioned itself as an integrated market leader in Central and Southeastern Europe

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## **E&P: Solid player in second tier**

- ▶ Oil & gas production is running at a total of about 317,000 boe/d, proved reserves (P1) approximately 1.2 bn boe
- ▶ International E&P portfolio spread across 17 countries comprising six core regions
- ▶ Focus on OECD and areas from which OMV markets can be supplied



## **R&M: Clear market leader**

- ▶ 20% market share in 13 CEE and SEE markets
- ▶ Five refineries with 25.8 mn t/y capacity and a network of 2,433 filling stations
- ▶ 42% stake in leading Turkish marketing company Petrol Ofisi
- ▶ Integrated petrochemical business and 36% stake in Borealis



## **G&P: Turntable in supply and logistics**

- ▶ Shipping of some 75 bcm per year of natural gas to Western Europe
- ▶ Operation of storage facilities with a capacity of 2.3 bcm
- ▶ Gas sales of 13 bcm in CEE, SEE and Turkey
- ▶ Long-term Russian and Norwegian supply contracts and access to equity gas

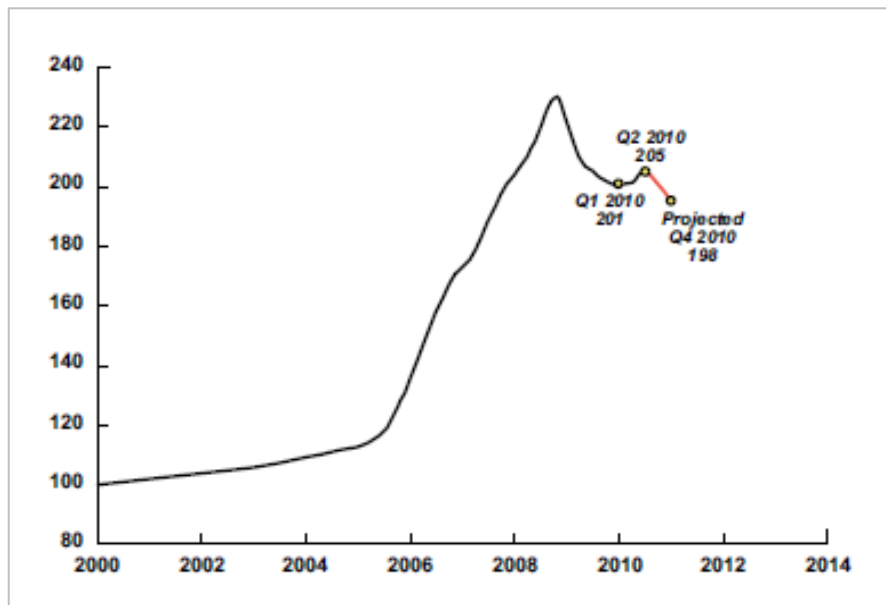
Figures refer to 2009; since Q1/10 R&M is active in 12 CE/SEE markets

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## Cost pressure remains a challenge for the energy industry

### Upstream Cost of Capital Index (UCCI)



- ▶ Upstream construction costs rose by 1.7% in Q2 2010
- ▶ Steel price fluctuations and the consequences of the spill could cause a second post-recession dip in the UCCI later this year
- ▶ Steel prices rose more quickly than expected in Q2 2010 with Chinese demand growth being the driving factor
- ▶ Aging workforce and a limited number of new engineers entering the market will add to the escalation

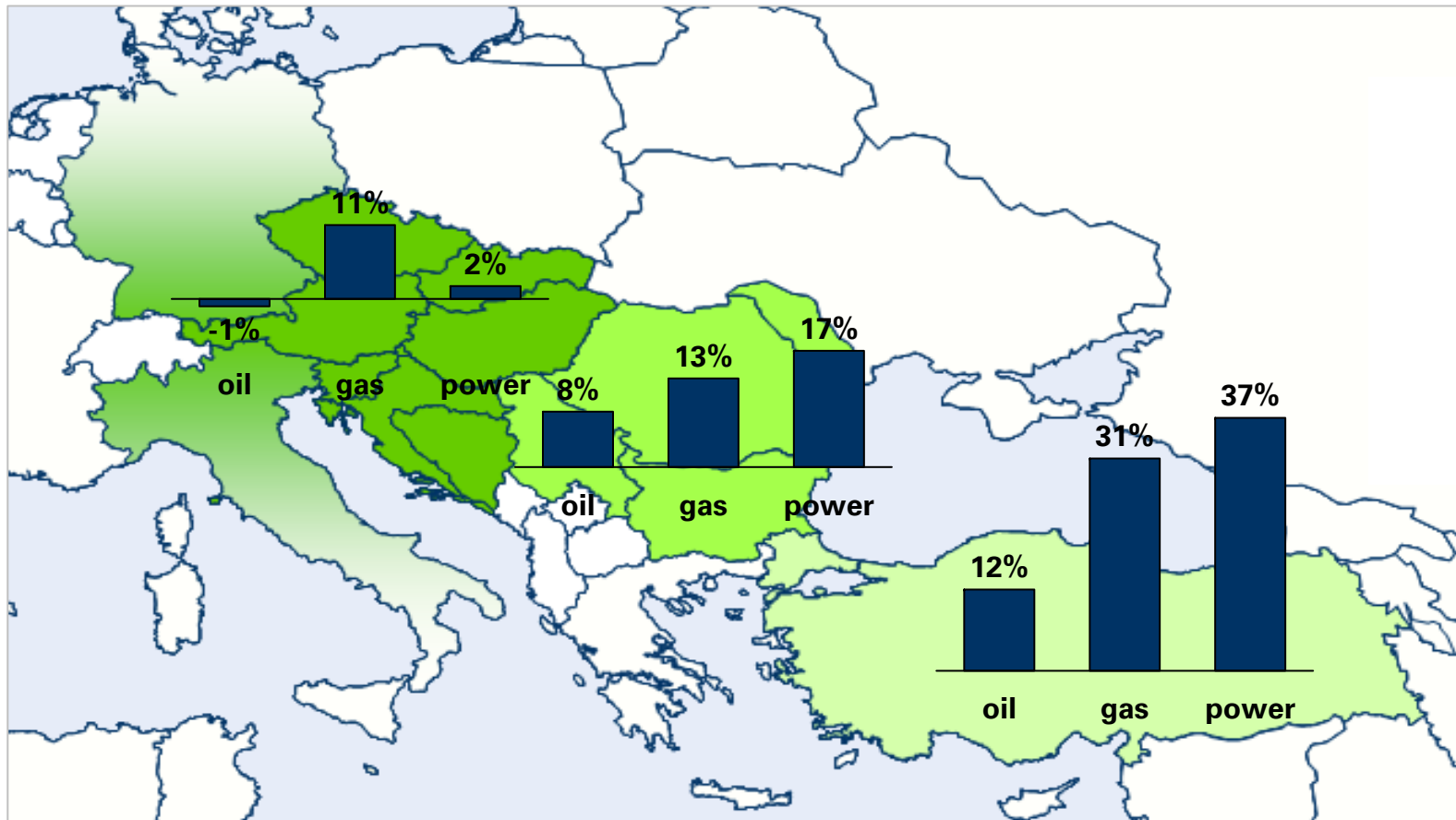
Remark: Year 2000 indicates 100%

Source: CERA (July 2010)

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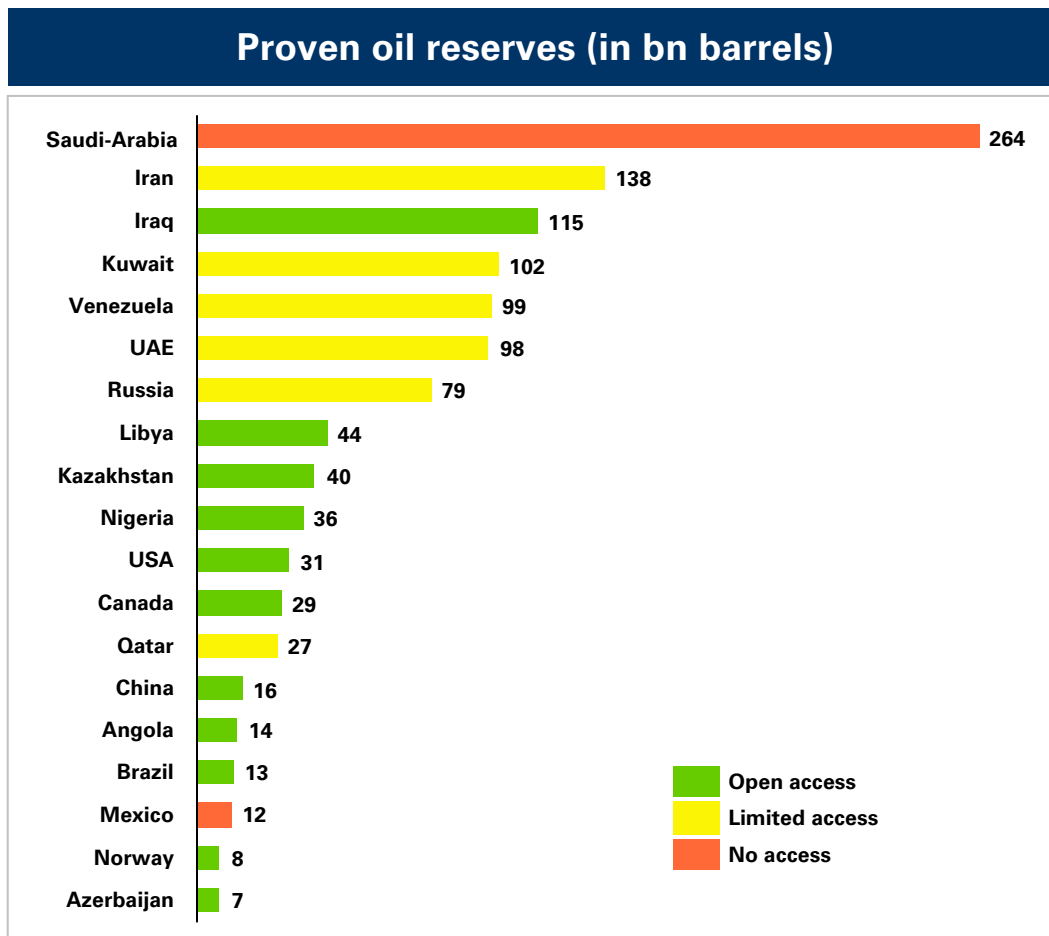


## Energy demand growth is mainly driven by emerging regions, with limited growth from developed countries



Remark: Growth rates until 2015 for oil, gas and electricity consumption in CEE, SEE and Turkey  
Source: OMV analysis

## Difficult access to resources due to power of NOCs



- ▶ Top-20 oil producing countries representing 93% of proven oil reserves, but no or limited access to ~70% of these reserves
- ▶ Increased worldwide competition as NOCs are expanding outside host countries and IOCs fight for OECD assets

Source: BP Statistical Review 6/2009; data by end 2008

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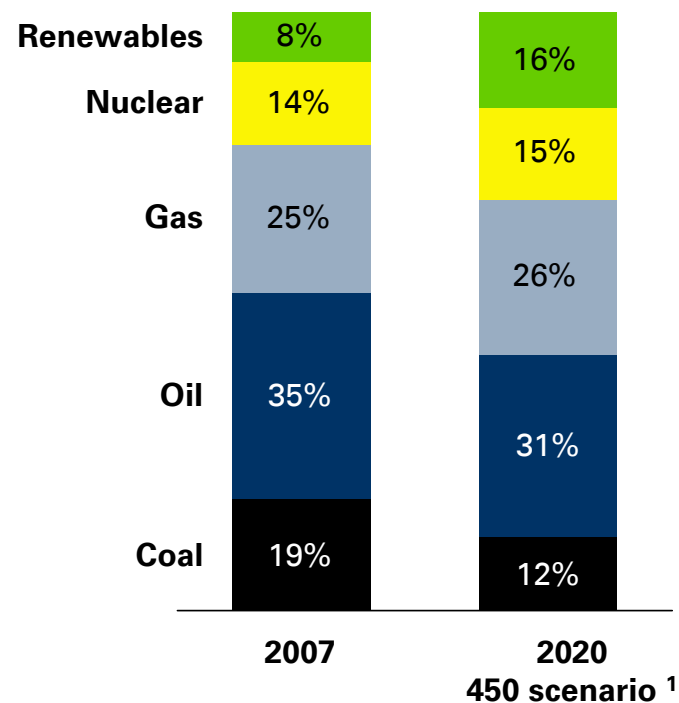


## Changing energy mix driven by tightening CO<sub>2</sub> regime

### Drivers of changing energy mix

- ▶ Tightening CO<sub>2</sub> regime (e.g. ETS)
- ▶ Subsidies to promote renewable energies (e.g. feed-in tariffs)
- ▶ Efficiency targets (e.g. EU 20-20-20)
- ▶ Cost depression of alternative energy sources (e.g. photovoltaic wafers)
- ▶ Public awareness of climate change

### EU-27 energy demand mix



Source: IEA/WEO 11/2009

<sup>1</sup> Remark: The 450 scenario is a 'green' scenario of the IEA and depicts a world in which collective policy action is taken to limit the long-term concentration of greenhouse gases in the atmosphere to 450 ppm CO<sub>2</sub>-equivalent

## OMV's response to challenges

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### Market challenges

**Cost development**

**Energy demand growth driven by emerging regions, limited growth from developed countries**

**Difficult access to resources due to power of national oil companies (NOCs)**

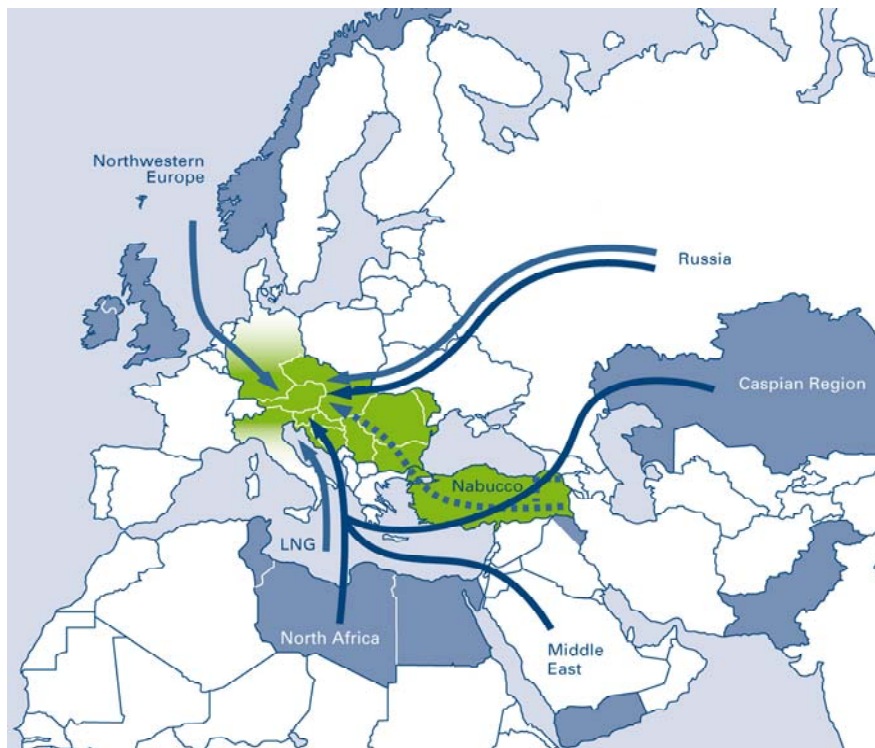
**Changing energy mix mainly driven by tightening CO<sub>2</sub> regime**

### OMV's positioning

- ▶ Cost initiatives with clear targets
- ▶ Capital discipline
  
- ▶ Position as integrated energy company in SEE and Turkey
- ▶ Stronger E&P position
  
- ▶ Integrated business model to develop international E&P portfolio
- ▶ 80% of E&P production in EU & OECD countries
  
- ▶ Strengthen G&P business division also by investments in combined cycle gas-fired power plants (CCPP)
- ▶ Selective investments in renewable power

# OMV's benefit from integrated portfolio

## OMV landscape today



■ E&P   ■ Downstream activities (R&M and G&P)   ○ Downstream activities as well as E&P  
— Gas supply   — Oil supply

## Proven USP of OMV

### Market leadership in growth market

- ▶ OMV's expansion into CEE, SEE and Turkey laid the ground for successful growth
- ▶ 20% R&M market share in the region
- ▶ Gas initiatives to reach significant market share in the region

### Integration as key advantage for OMV

- ▶ Integrated activities from upstream assets, supply, logistics, refining to marketing and trading and power generation
- ▶ Key argument for successful acquisition of Petrom and Northern Iraq assets

### Access to equity oil & gas

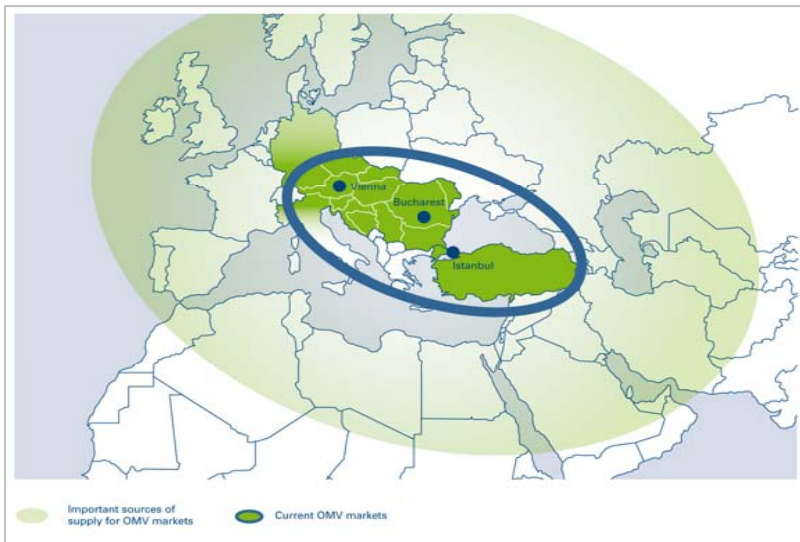
- ▶ E&P activities in our markets and neighbouring regions
- ▶ Supply diversification enabled through key logistics projects (Nabucco and LNG)

### Solid financial structure

- ▶ Conservative financial policy with low gearing ratio
- ▶ Investments are prioritized



## OMV's 3plus strategy and its strategic thrust



**The OMV 3plus strategy:** Combination of our 3 strengths leads to sustainable growth

- ▶ 3 markets - **PLUS** supply regions strengthening market position (and vice-versa)
- ▶ 3 business segments - **PLUS** synergies through leveraging integration
- ▶ 3 values: Pioneers, Professionals, Partners - **PLUS** expansion of the business portfolio towards sustainability

### Strategic thrust

#### Regional focus

Move to growth markets in SEE and Turkey and connect to supply regions.

#### Portfolio adaptation

Grow through integration and strengthen E&P and G&P businesses.

#### Integration and costs

Use integration to create value through synergies and facilitate access to business opportunities. Strict cost and capital discipline.