

# Half year results 2004

August 17, 2004

**Portfolio streamlining and market environment drive excellent results**

# Agenda

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- ▶ **Highlights of 2004**

Wolfgang Ruttenstorfer, CEO

- ▶ **Half year results 2004**

David C. Davies, CFO

- ▶ **R&M strategy: expanding market leadership in CEE**

Gerhard Roiss, Deputy Chairman, responsible for R&M

- ▶ **Petrom: the strategic opportunity in E&P**

Helmut Langanger, Member of the Board, responsible for E&P

# Highlights of 2004

Wolfgang Ruttenstorfer,  
Chief Executive Officer

# Half year results 2004

in EUR mn	2002	2003	1-6/04	+ /-
<b>Group sales</b>	7,079	7,644	4,462	28%
<b>EBIT</b>	495	644	464	44%
<b>Clean EBIT</b>	502	705	378	11%
<b>Net income</b>	322	393	315	62%
<b>Clean net income</b>	329	433	258	24%
<b>EPS</b> in EUR	11.85	14.60	11.66	61%

► **Gearing down to 29%**

(from 46% in June 2003 after acquisition of Preussag and BP assets)



# Highlights 2004

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- ▶ **Portfolio reviewed**
  - ▶ sale of exploration assets in Sudan
  - ▶ sale of production asset in Venezuela
  - ▶ acquisition of remaining 50% of OMV Istrabenz joint venture
- ▶ **Turnaround at Schwechat refinery successfully completed**
- ▶ **Gas supply contracts with Russia extended to 2012**
- ▶ **Melamine capacity expansion on track**

# Acquisition of 51% of SNP Petrom

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- ▶ **SNP Petrom SA, Romania's leading oil and gas company**
  - ▶ 1 bn boe of estimated reserves
  - ▶ 8 mn t refining capacity and 600 retail stations
- ▶ **OMV acquires 51% of Petrom with immediate control**
  - ▶ 33.34% of Petrom from Government for EUR 669 mn
  - ▶ increased to 51% via simultaneous issue of new shares: EUR 723 mn to EUR 855 mn subscription (subject to minorities take-up of rights and EBRD conversion option)
  - ▶ this capital increase remains in Petrom to finance long-term capital expenditure needs
- ▶ **Fully debt-financed transaction will add less than 10%-points to OMV Group's consolidated gearing**

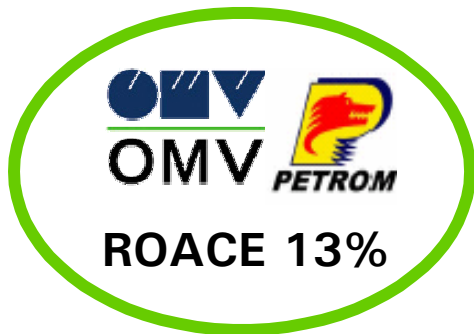
# OMV and Petrom in Romania

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- ▶ Expectation of significant earnings and cash flow accretion in medium-term
- ▶ Total transaction value would equate to attractive USD 2.6/boe of estimated reserves
- ▶ Integrated oil and gas business within OMV's core skill set in CEE
  - ▶ value creation opportunity via restructuring, modernization and application of OMV's skills and capabilities
- ▶ Represents a unique strategic opportunity in OMV's core market: significant step towards exceeding OMV's identified strategic goals in E&P and meeting the target in R&M

# Petrom acquisition represents a major step to reach/exceed the 2008 strategy goals

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- Doubling of market share (retail and commercial) to 20% by 2008 in Danube area  
Increasing refining capacity sufficient only to achieve and maintain this target market share

- Doubling of oil and gas production to 350,000 boe/d by 2008 and achieving a portfolio balance between E&P and R&M of better than 0.5 : 1

- Expansion of gas marketing and trading volumes and strengthening of the gas hub in Baumgarten

# Half year results 2004

**Portfolio streamlining and market environment drive excellent results**

David C. Davies,  
Chief Financial Officer

# Financial overview

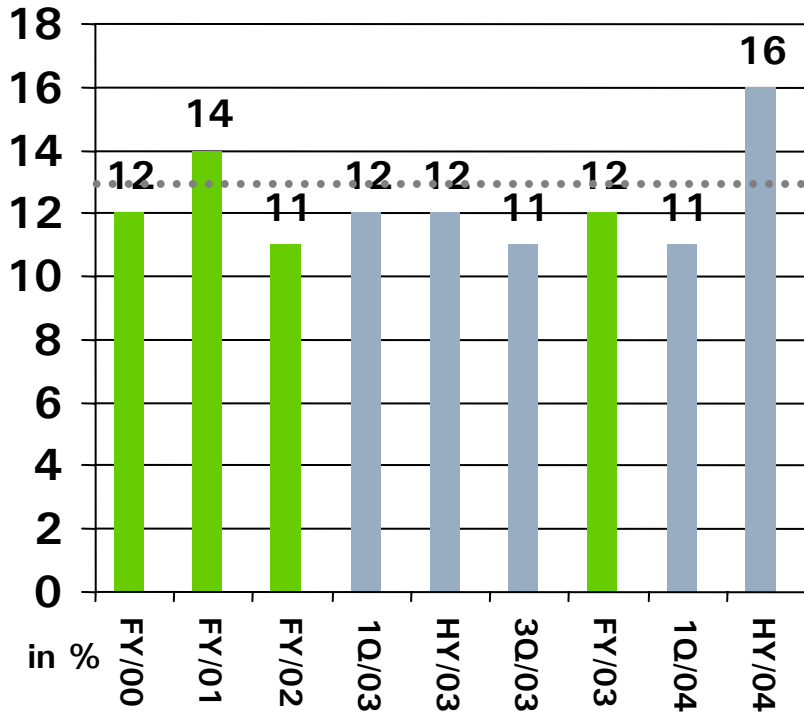
<b>Q2/04</b>	<b>Q2/03</b>	<b>in EUR mn</b>	<b>1-6/04</b>	<b>1-6/03</b>	<b>+ / -</b>
<b>316</b>	<b>177</b>	<b>EBIT</b>	<b>464</b>	<b>322</b>	<b>44%</b>
<b>237</b>	<b>184</b>	<b>Clean EBIT</b>	<b>378</b>	<b>341</b>	<b>11%</b>
<b>4</b>	<b>(13)</b>	<b>Financial charges</b>	<b>8</b>	<b>(21)</b>	<b>-</b>
<b>320</b>	<b>163</b>	<b>Income from ordinary activities</b>	<b>473</b>	<b>301</b>	<b>57%</b>
<b>(110)</b>	<b>(63)</b>	<b>Taxes on income</b>	<b>(157)</b>	<b>(106)</b>	<b>49%</b>
<b>210</b>	<b>101</b>	<b>Net income</b>	<b>315</b>	<b>195</b>	<b>62%</b>
<b>7.8</b>	<b>3.8</b>	<b>Earnings per share in EUR</b>	<b>11.7</b>	<b>7.2</b>	<b>61%</b>
<b>183</b>	<b>106</b>	<b>Net income US GAAP</b>	<b>254</b>	<b>219</b>	<b>16%</b>
<b>6.8</b>	<b>3.9</b>	<b>EPS US GAAP in EUR</b>	<b>9.5</b>	<b>7.7</b>	<b>23%</b>

# Cash flow

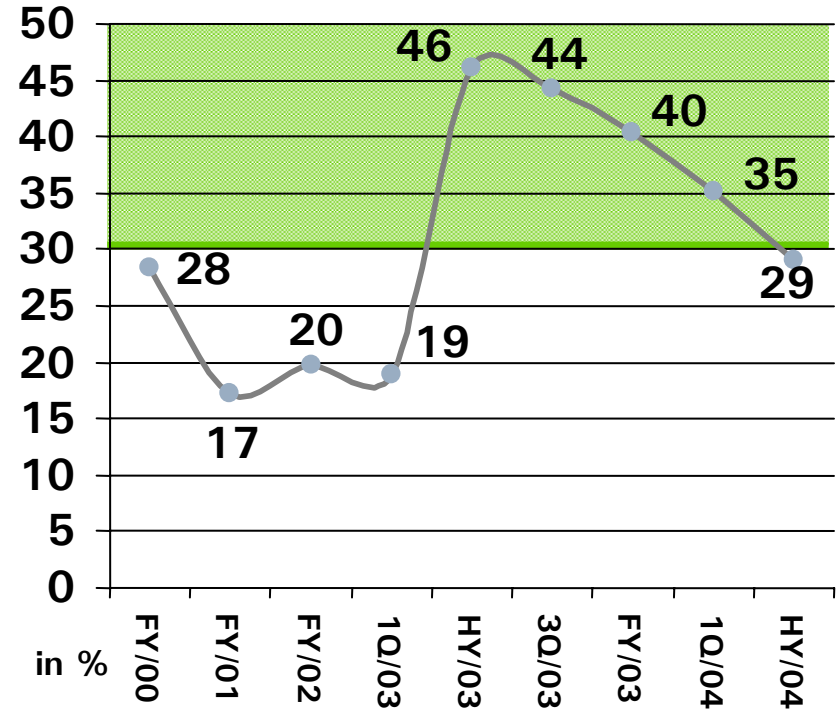
in EUR mn	1-6/04	1-6/03	+ / -
<b>Net income</b>	315	195	62%
<b>Depreciation</b>	230	198	16%
<b>Other</b>	(140)	26	–
<b>Sources of funds</b>	405	419	(3)%
<b>Decrease in net working capital</b>	86	93	(8)%
<b>Cash flow from operating activities</b>	491	512	(4)%
<b>Cash flow used in investing activities</b>	(103)	(1,049)	(90)%
<b>Free cash flow</b>	280	(633)	–



# ROACE and gearing ratio

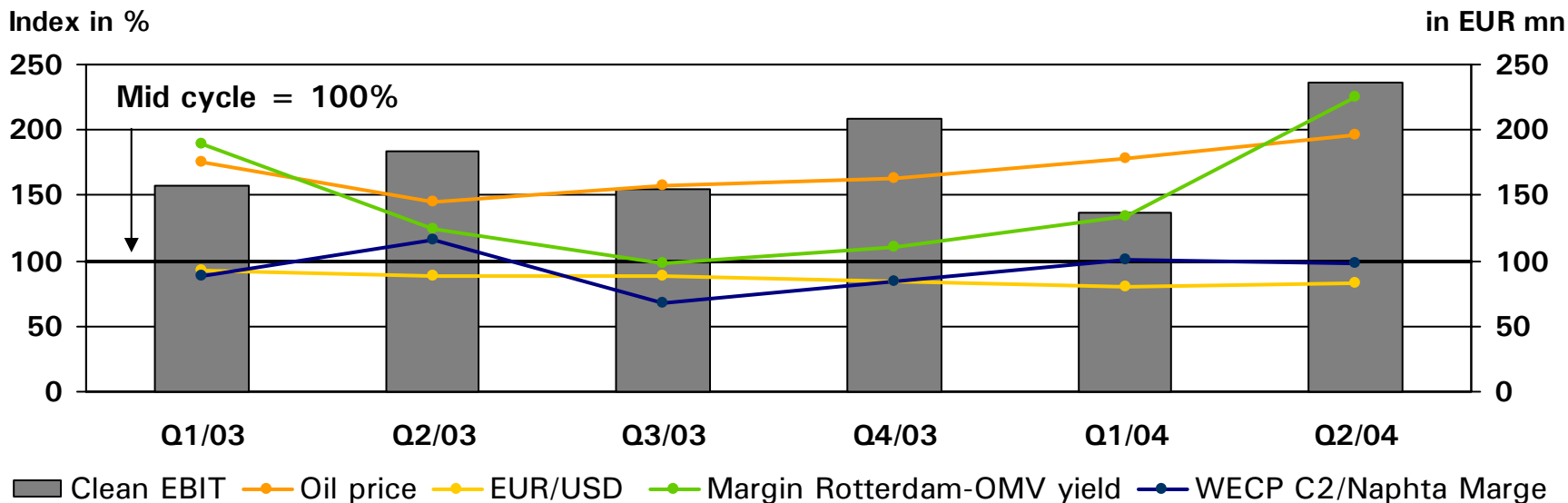


- ROACE FY
- ROACE of quarters
- ⋯ ROACE target of 13%



- Gearing ratio (net debt/equity)
- Gearing ratio target of 30%

# Main market indicators compared to mid cycle

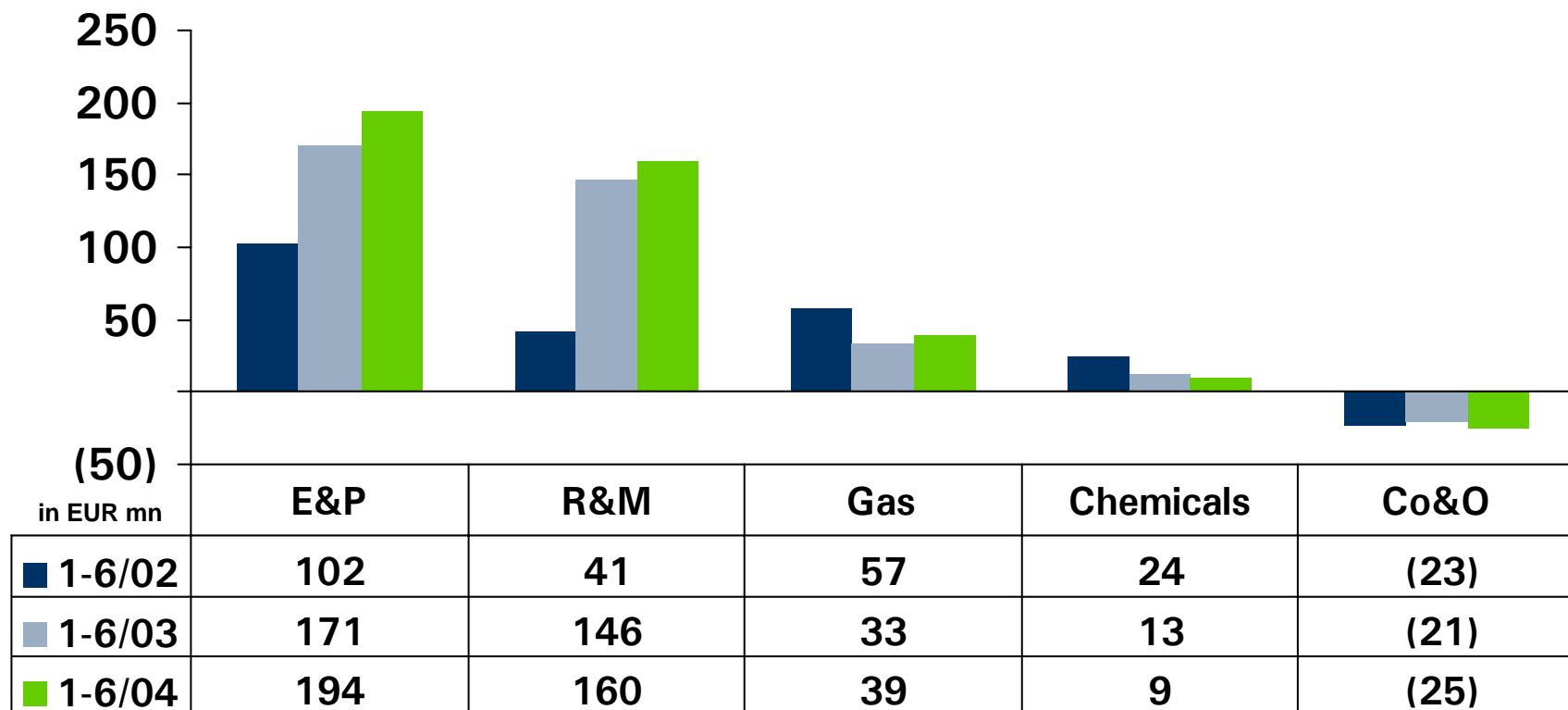


## Comparison to 2003:

- ▶ 1-6/04: crude oil price Brent ↑ USD 4.9/bbl;  
refining margin ↑ USD 0.43/bbl; EUR/USD ↓ 9 Euro-Cent
- ▶ Q2/04: crude oil price Brent ↑ USD 9.33/bbl;  
refining margin ↑ USD 2.01/bbl; EUR/USD ↓ 5 Euro-Cent

# Strong growth in Group clean EBIT

OMV Group clean EBIT 1-6/04: EUR 378 mn; Q2/04: EUR 237 mn



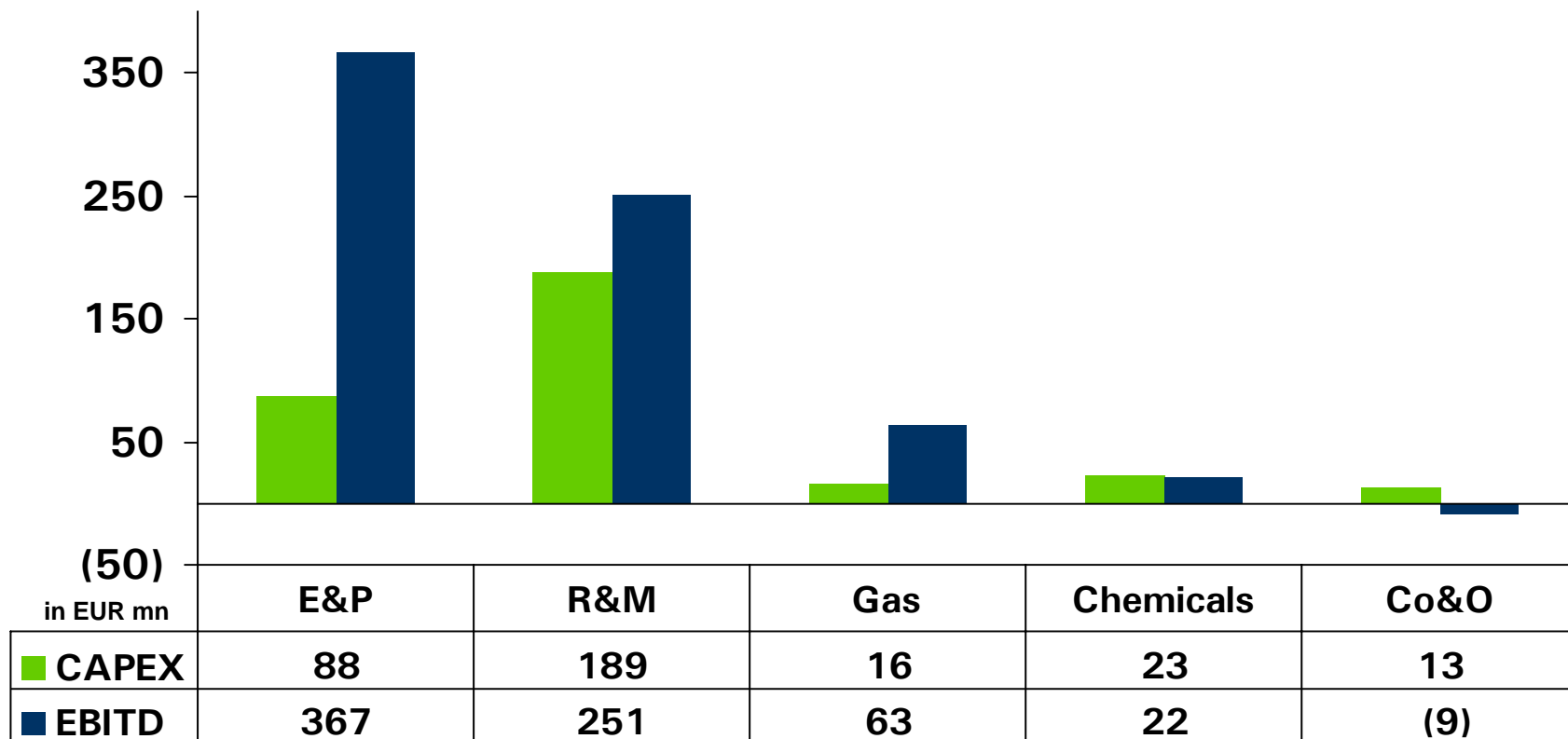
# Special items

	1-6/04	2003
<b>Reported EBIT</b> in EUR mn	<b>464</b>	<b>644</b>
Personnel restructuring costs	15	35
Unscheduled depreciation	2	34
New calculation for abandonment		9
New pension regulation positive effects		(12)
Profit on asset disposals	(106)	
Other	3	(5)
<b>Total special items</b>	<b>(86)</b>	<b>61</b>
<b>Clean EBIT</b>	<b>378</b>	<b>705</b>

# EBITD and CAPEX

OMV Group EBITD 1-6/04: EUR 694 mn; Q2/04: EUR 431 mn

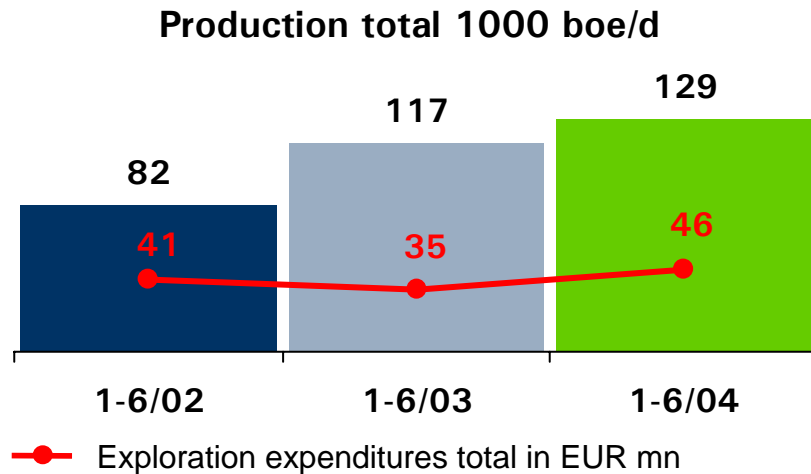
CAPEX 1-6/04: EUR 328 mn; Q2/04: EUR 177 mn



# Gearing significantly reduced

in EUR mn	<b>1-6/04</b>	1-6/03	+ /- in %	2003
<b>Tangible assets</b>	<b>3,927</b>	3,623	8%	3,858
<b>Financial assets</b>	<b>1,200</b>	1,154	4%	1,185
<b>Balance sheet total</b>	<b>8,051</b>	7,262	11%	7,517
<b>Net debt</b>	<b>840</b>	1,142	(26)%	1,081
<b>Gearing ratio</b>	<b>29%</b>	46%	(37)%	40%

# Exploration and Production: portfolio streamlined



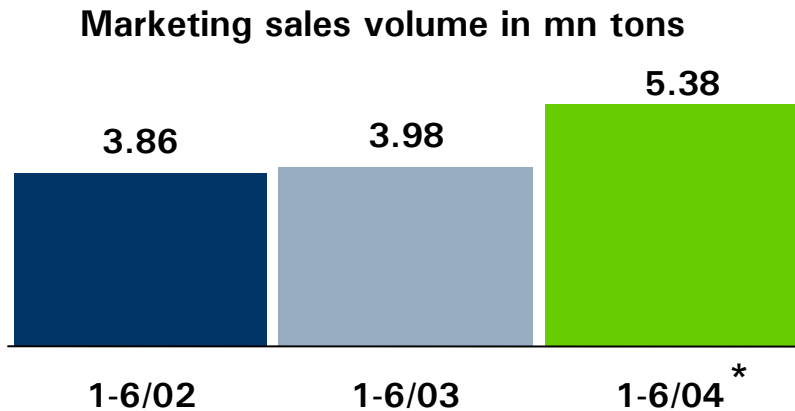
## 1-6/04 in EUR mn

**Sales: 476 (↑ 12%)**

**EBIT: 277 (↑ 69%)**

- ▶ Disposal of Sudan assets results in EUR 93 mn EBIT contribution
- ▶ Exploration expenditures up by 32% mainly due to increased activities in Pakistan and Libya
- ▶ Production volumes up by 11% mainly due to Pakistan and Libya
- ▶ Cabimas oil production assets sold

# Refining and Marketing: high refining margins put pressure on Marketing



\* Including BAYERNOIL and OMV Istrabenz

## 1-6/04 in EUR mn

**Sales:** 3,674 (↑ 43%)

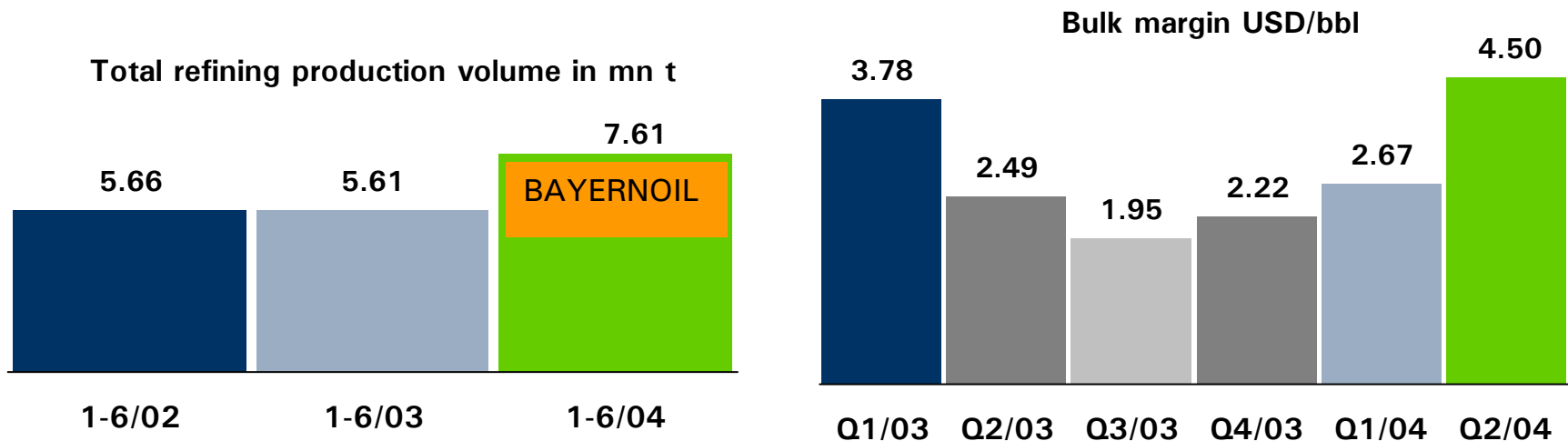
**EBIT:** 154 (↑ 15%)

**thereof Pch:** 39 (↓ 43%)

## Marketing:

- ▶ Retail sales volumes increased by 31%
- ▶ Total of 1,784 retail stations (↑ 30%)
- ▶ Retail margins remain under pressure (↓ 17%)
- ▶ Market share increased to 14%

# R&M: capitalizing on high Q2 bulk margins



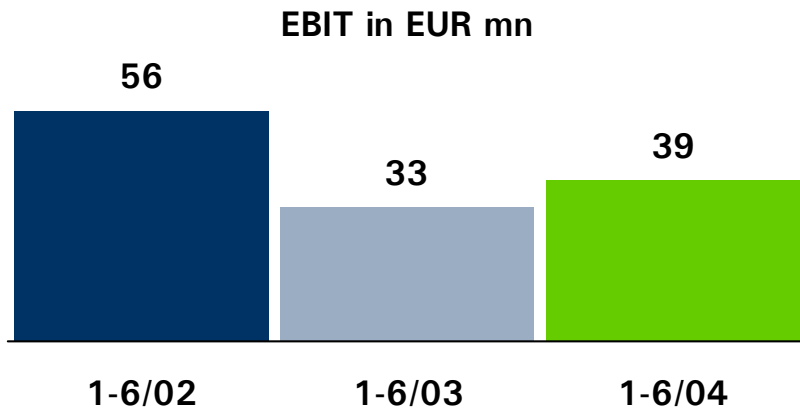
## Refining:

- ▶ Strong refining EBIT
  - ▶ Bulk production volumes up by 41% due to Bayernoil
  - ▶ Bulk margins increased markedly by 14%
  - ▶ Petrochemical production volumes increased by 3%
  - ▶ Petrochemical margins under pressure, due to high crude oil prices
- ▶ Schwechat refinery turnaround successfully completed



# Gas: successful in liberalized market

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## 1-6/04 in EUR mn

**Sales: 403 (↓ 18%)**

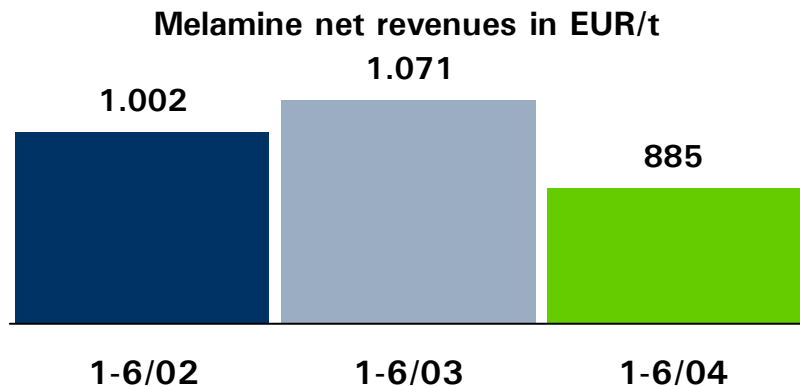
**EBIT: 39 (↑ 20%)**

- ▶ Higher transport (↑ 2%) and storage volumes (↑ 1%) sold
- ▶ Lower depreciation for TAG pipeline
- ▶ WAG overhaul expenses of past years charged to partners
- ▶ Gas supply contracts with Russia extended to 2012
- ▶ New tariffs as of June 1, 2004
- ▶ 2<sup>nd</sup> international gas auction in Austria – 250 mn cbm gas traded

# Chemicals:

## melamine margins remain under pressure

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### 1-6/04 in EUR mn\*

**Sales: 177 (↓ 24 %)**

**EBIT: 9 (↓ 32 %)**

\* 2003 figures included Polyfelt

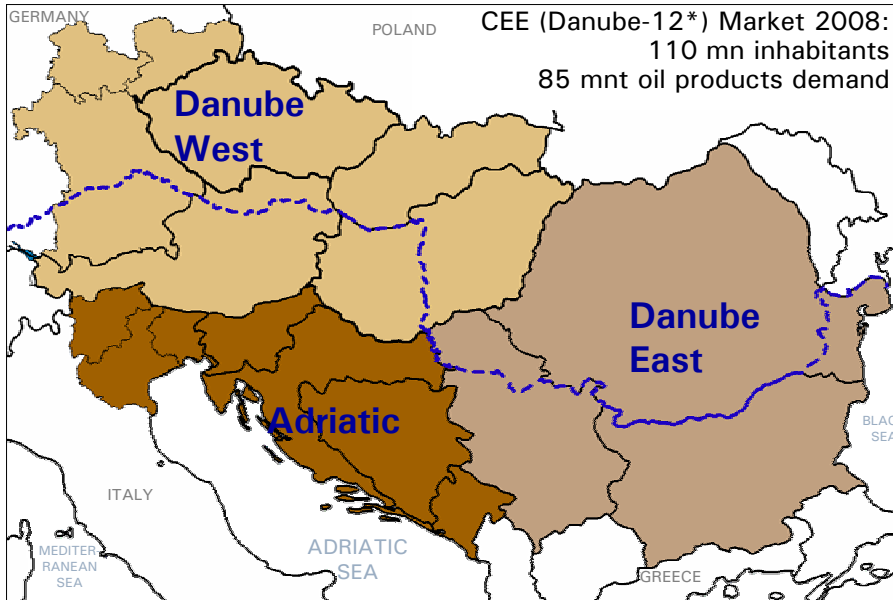
- ▶ Melamine margins remain under pressure (↓ 37%)
- ▶ Melamine sales volumes increased by 8%
- ▶ Plant availability in Castellanza still limited
- ▶ Fertilizer sales volumes recovered
- ▶ Fertilizer margins increased by 34%

# Refining and Marketing including Petrochemicals

**Milestones**  
**expanding market leadership in CEE**

Gerhard Roiss  
Deputy Chairman and Head of R&M

# Vision and strategy



## Vision

The leading R&M company in CEE (Danube-12\*):

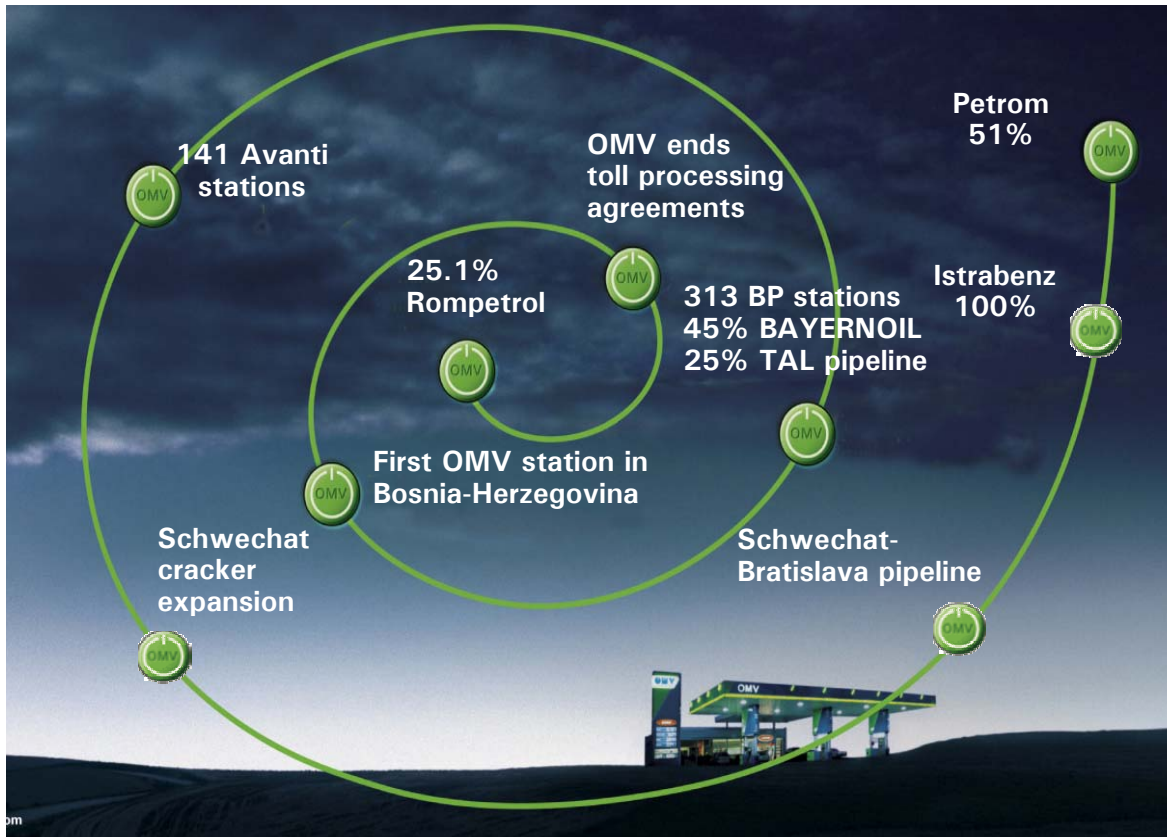
- ▶ 20% market share target
- ▶ 13% RofA target
- ▶ R:M = 1:1 integration target

\* Danube 12 comprise Austria, South-Germany, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Italy, Romania, Serbia-Montenegro, Slovakia and Slovenia.

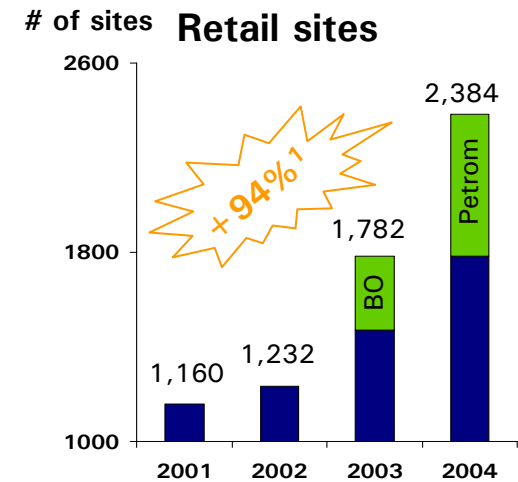
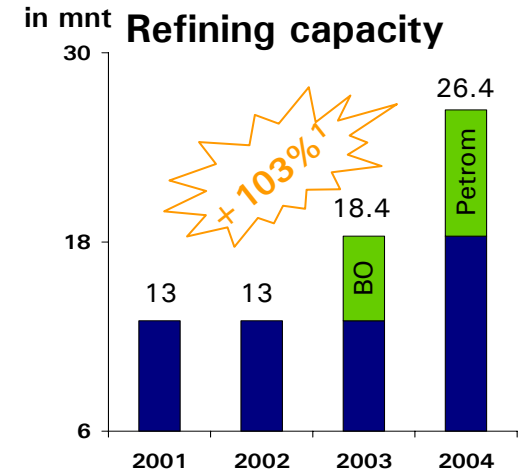
## Strategy

- ▶ Danube West: qualitative growth and optimization
- ▶ Danube East: supply integration, quantitative and qualitative growth
- ▶ Adriatic: Istrabenz integration and growth

# Milestones expanding market leadership in Danube-12

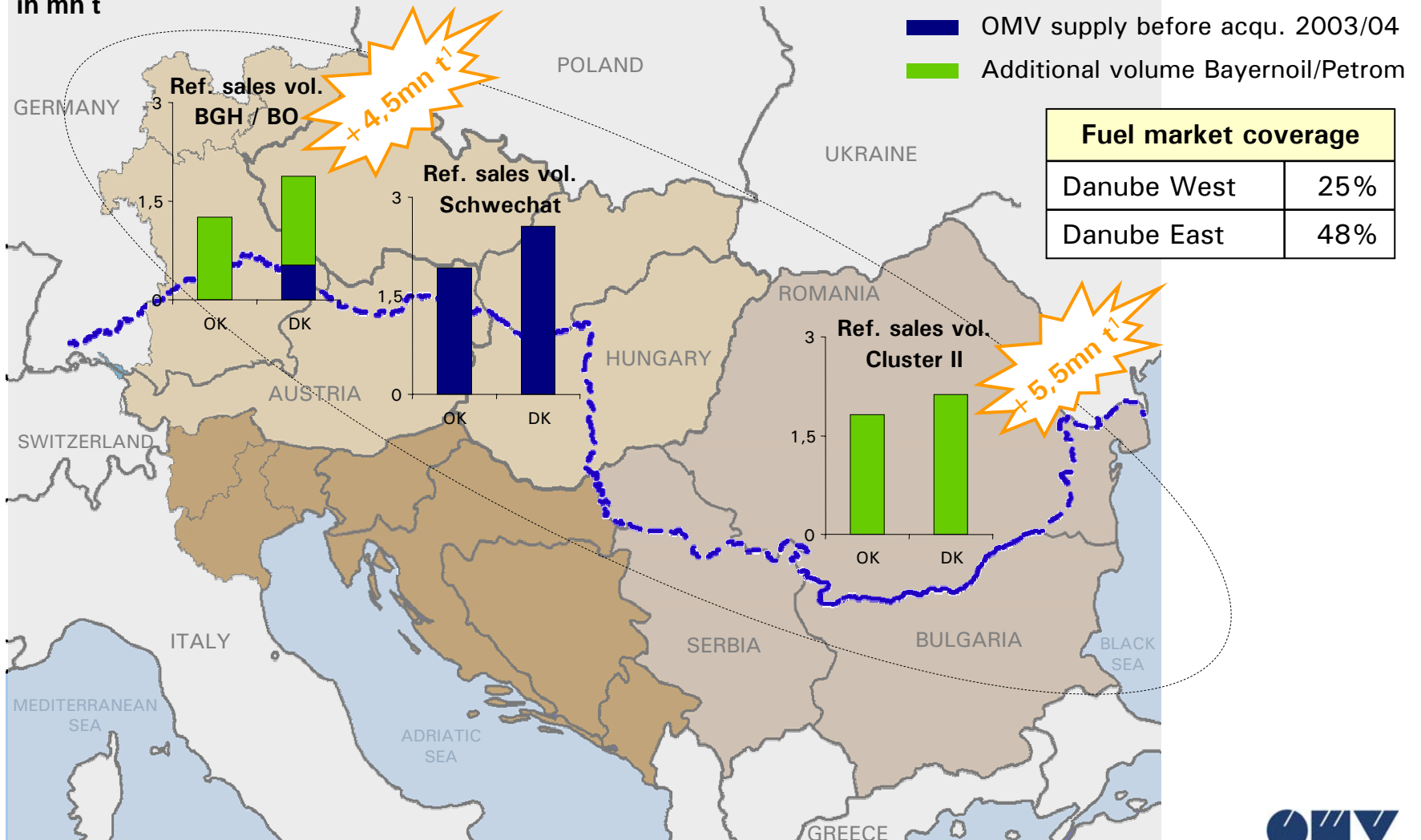


1 Growth rates 2002 - 2004



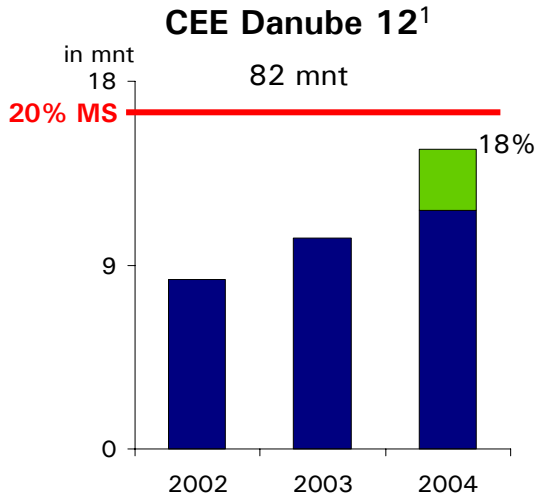
# CEE supply<sup>1</sup> strength in Danube corridor

in mn t



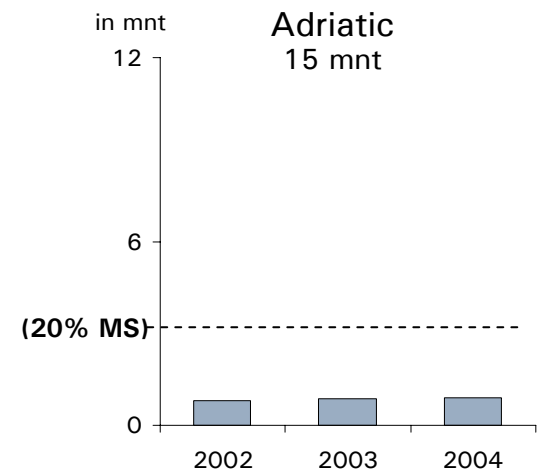
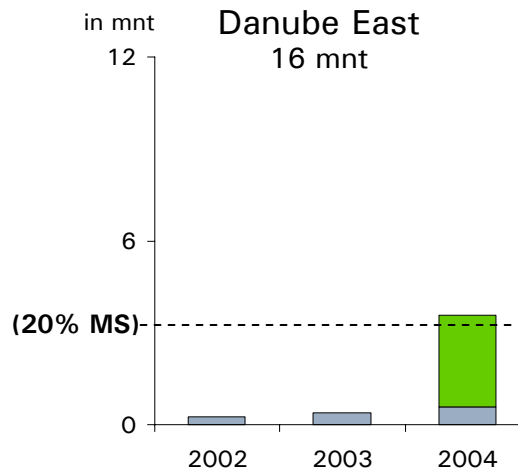
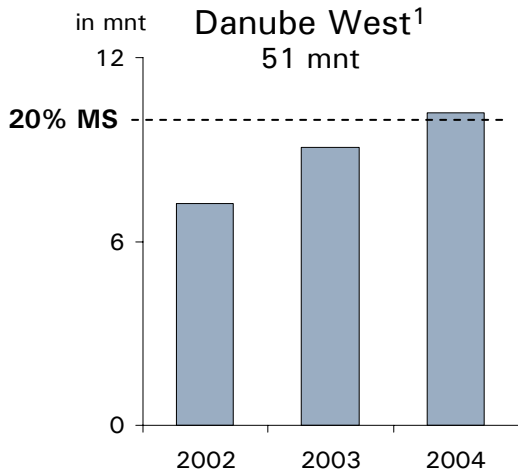
<sup>1</sup> Oil products from own refineries

# Significant steps towards 20% market share



## 2004 OMV market share 18% in D-12 Market

- ▶ **1. priority Danube West:**  
Bayernoil integration achieves quantitative growth target
- ▶ **2. priority Danube East:**  
Petrom acquisition achieves quantitative growth target
- ▶ **3. priority Adriatic:**  
OMV Istrabenz acquisition prerequisite to manage growth

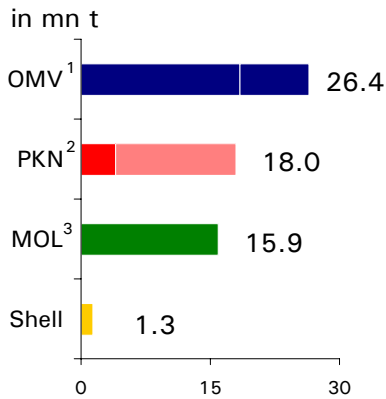


■ OMV sales    ■ Additional sales volume Petrom

<sup>1</sup> Sales volume 2003 only include half year of BAYERNOIL

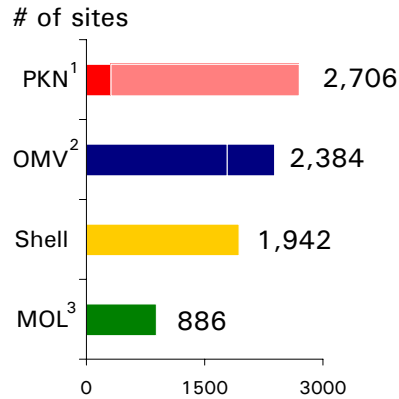
# OMV leading company in CEE (Danube 12)

## Refining crude capacity



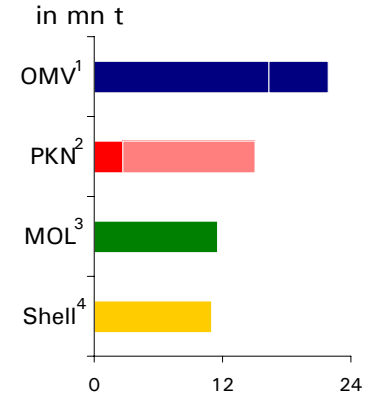
- 1) Excl. 25% Rompetrol
- 2) Incl. Poland and 51% Unipetrol (Ceska Rafinerska)
- 3) Incl. 100% Slovnaft/ 25% INA

## Retail sites



- 1) Incl. Poland/ Germany and 100% Unipetrol (Benzina)
- 2) Excl. 25% Rompetrol
- 3) Incl. 100% Slovnaft/ 25%INA

## Total oil sales



- 1) Excl. 25% Rompetrol
- 2) Incl. 51 % Unipetrol (Ceska Rafinerska)
- 3) Incl. 100% Slovnaft/ 25% INA
- 4) Est. OMV

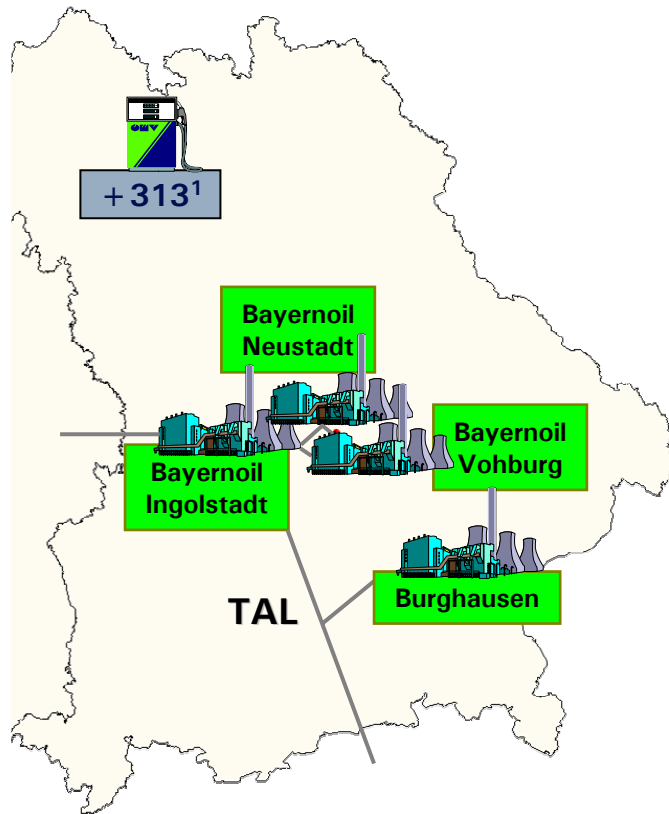


## Danube-12 market 2004:

- ▶ Volume: 82 mnt
- ▶ Refining capacity<sup>1</sup>: 108 mnt
- ▶ Retail sites: ~ 21,000 sites

1 thereof 8 mn t Pch

# Successful integration of BAYERNOIL



## Delivery above expectation:

- ▶ EBIT 1-6/04: EUR 45 mn

## Integration:

- ▶ Rebranded retail stations by end of 2003
- ▶ Market share impact in South-Germany<sup>1</sup>: more than doubled from 7% up to 15%
- ▶ Improved access to end consumer (AWS acquisition)

1) Bavaria, Saxony, Thuringia: retail and commercial

# Direct access to Russian crude and long term view Caspian crude



— Crude via mediterranean sea     
 — Russian crude     
 — Caspian crude

## ▶ Access to Russian export blend

- ▶ Access via Druzhba – operational in 2006
- ▶ 2-3 mnt (Improved crude delivery cost)

## ▶ Pricing Brent and Russian export blend

- ▶ 1997-2003: REB cost advantage compared to Brent: 1.3 USD/bbl

## ▶ Long term potential for access to Caspian crude

# Improve petrochemical's competitiveness



**OMV/Borealis: Schwechat becomes 5<sup>th</sup> biggest integrated petrochemical site in Europe**

► **Schwechat refinerez**

- ▶ C<sub>2</sub>: 350kt ↗ 500kt (+ 43%)
- ▶ C<sub>3</sub>: 300kt ↗ 400kt (+ 33%)
- ▶ Investment: EUR 200 mn

► **Simultaneously upgrading Borealis**

- ▶ PE: 350kt ↗ 500kt (+ 43%)
- ▶ PP: 330kt ↗ 430kt (+ 30%)
- ▶ Investment: EUR 200 mn

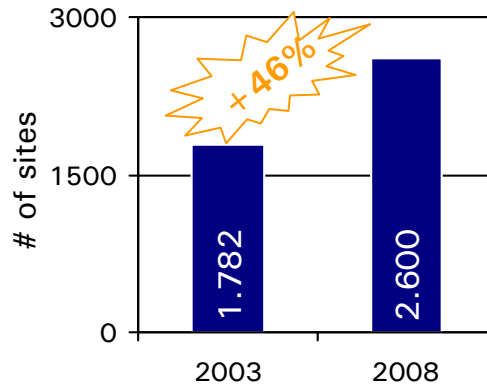
**Projects in progress, on time and budget  
 Implementation expected for 2005/2006**



# OMV retail business growth targets 2008

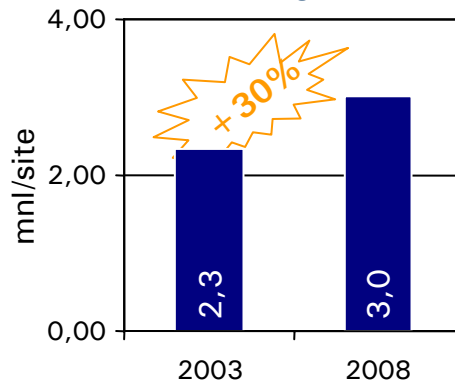
**Quantitative growth**

Network growth

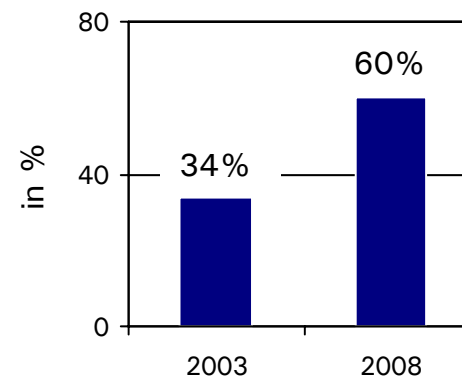


**Qualitative growth**

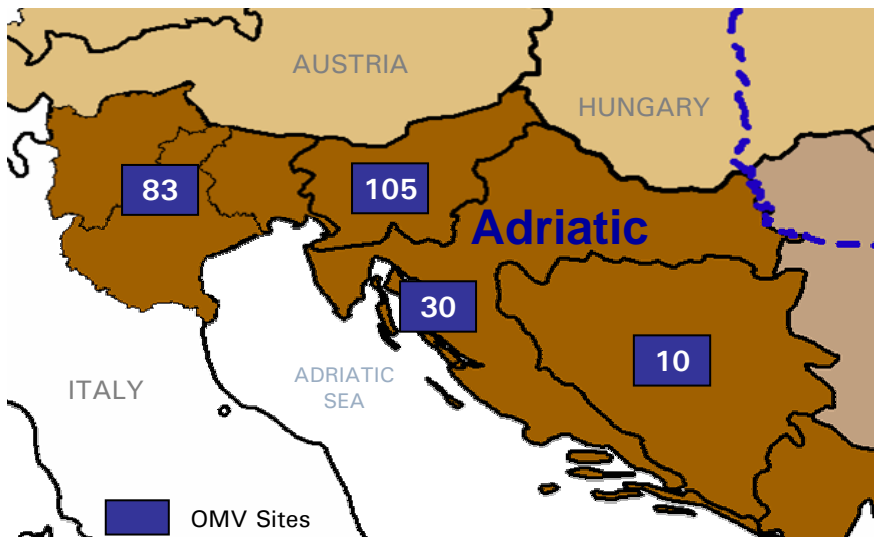
Growth average throughput



VIVA network penetration



# OMV Istrabenz acquisition



## Adriatic market:

- ▶ Retail sites: ~4.500 sites
- ▶ Sales volume: 15 mn t
- ▶ Inhabitants: 17 mn

## OMV Istrabenz:

- |                 | 2004      | 2008               |
|-----------------|-----------|--------------------|
| ▶ Retail sites: | 228 sites | ↗ 450 sites (+98%) |
| ▶ Total sales:  | 0.9 mn t  | ↗ 1.5 mn t (+66%)  |

- ▶ Purchase of the remaining 50% of OMV ISTRABENZ Holding Plc. shares
- ▶ 100% ownership gives chance to manage for the growth
- ▶ OMV strengthens its position in the Adriatic region

# Petrom: the strategic opportunity in E&P

**Clear leader in CEE**

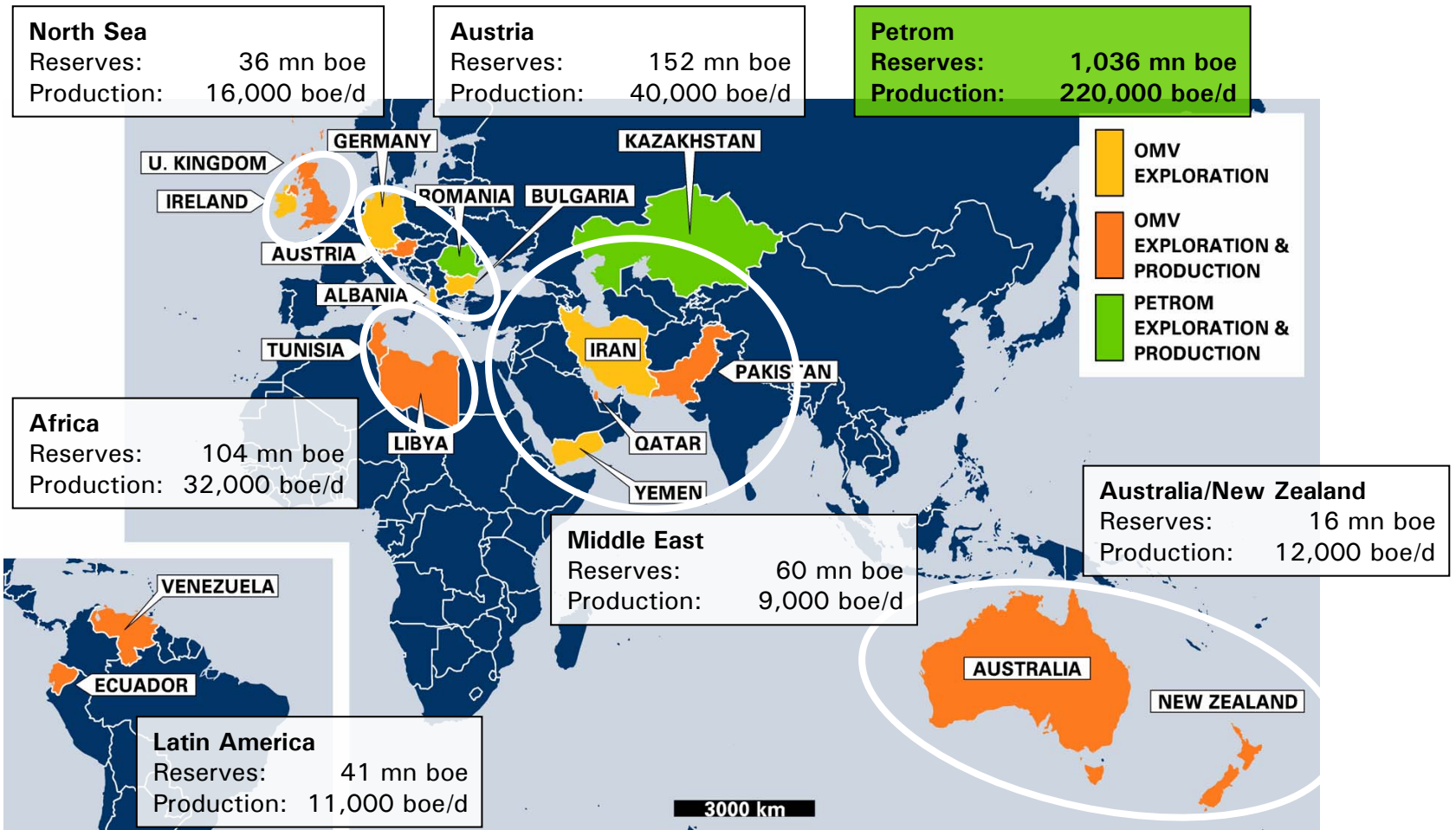
Helmut Langanger  
Head of Exploration and Production

# Petrom is a strategic opportunity in E&P: significant shift towards upstream

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- ▶ Estimated oil and gas reserves of 1 bn boe
- ▶ Petrom adds about 220,000 boe/d of production to OMV's production level of about 120,000 boe/d targeted for 2004
- ▶ More than doubling 2008 production target to 350,000 boe/d
- ▶ OMV's growth strategy for existing E&P portfolio remains in place
- ▶ Capitalize on OMV's experience gained in Austria's mature fields

# Strategic opportunity in E&P

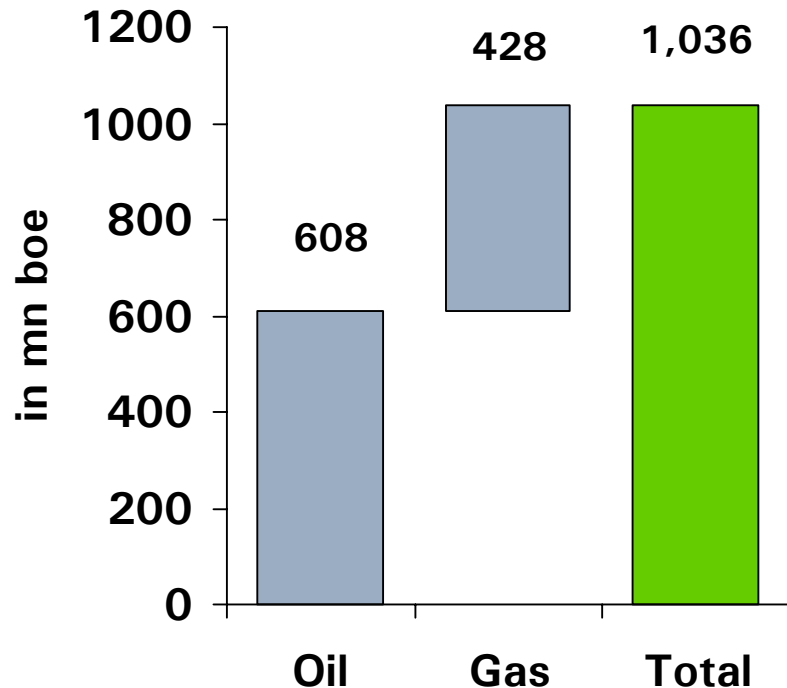


OMV production of 2003 and proved reserves as of December 31, 2003  
 Petrom estimated reserves correspond to cumulative production from 2005 to 2034  
 Petrom production indicates 2004 level

# Petrom has a significant upstream position in Europe

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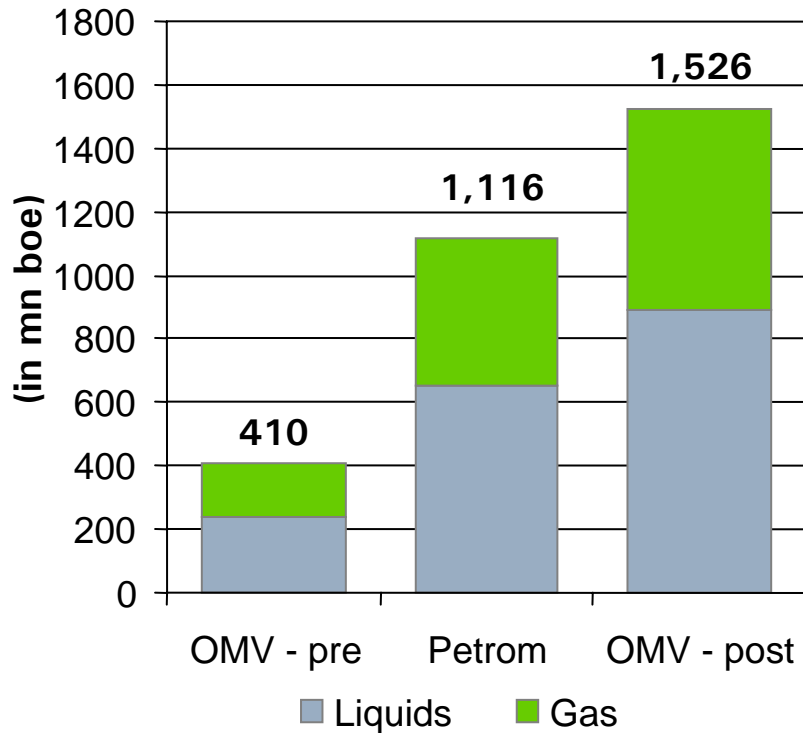
## Estimated reserves



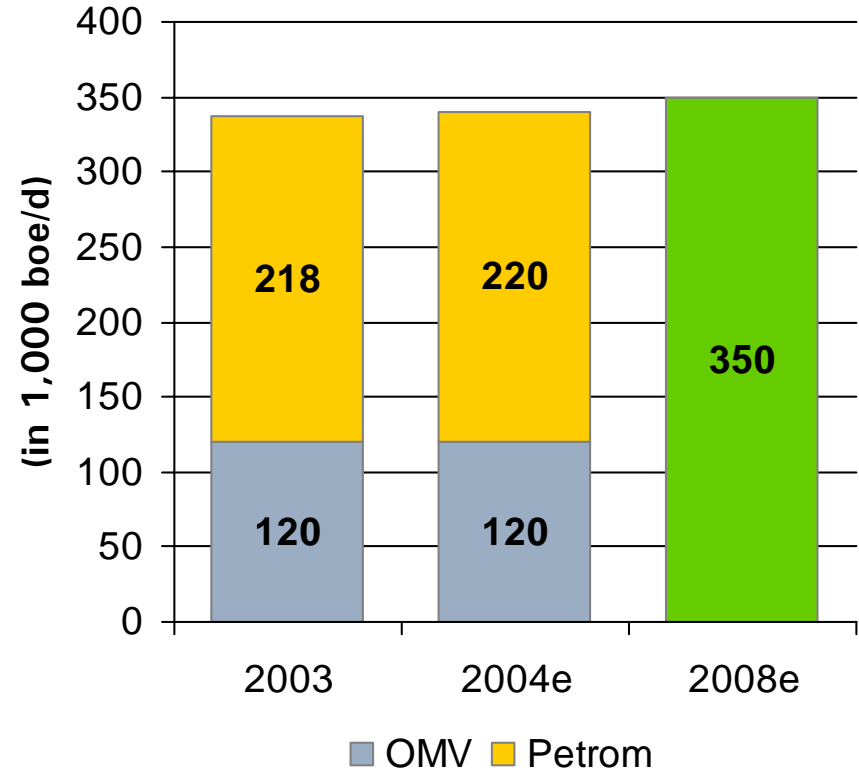
- ▶ Estimated reserves based on cumulative production forecast 2005–2034
- ▶ Estimated production in 2004: 80 mn boe (220,000 boe/d)

# The enlarged upstream business: an opportunity for profitable growth

## Reserves 2003



## Production



**Petrom:** 2003 estimated reserves: 1,116 mn boe  
(correspond to cumulative production from 2004 to 2034)  
2004 estimated production: 80 mn boe  
2004 estimated reserves: 1,036 mn boe

# The enlarged upstream business: early priorities

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- ▶ Our people immediately on the ground
- ▶ Adapting Petrom E&P organizational structure to strengthen management and operations control
- ▶ Identifying and assigning OMV and Petrom personnel to key E&P positions
- ▶ Designing concepts for post-closing activities – eg exploration strategy, production optimization, IT, procurement, workover and abandonment based on proven OMV skills and expertise
- ▶ Enhance cost accounting systems
- ▶ Evaluate oil and gas reserves according to SEC standards

# Outlook

**Improved results expected**

Wolfgang Ruttenstorfer  
Chief Executive Officer

# Outlook for 2004: better trading environment drives result

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## By business segment:

- ▶ **Group:** marginal impact of Petrom;  
long term benefit from tax reduction in Austria  
from 2005
- ▶ **E&P:** focus on core regions and higher oil prices  
bring better results than last year
- ▶ **R&M:** first full year after the acquisition of Bayernoil;  
good refining margin situation
- ▶ **Gas:** similar trading conditions as last year
- ▶ **Chemicals:** Castellanza plant back on-stream

# Petrom: a transformational deal

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- ▶ A leap forward to our 2008 strategic targets
  - ▶ re-weighting of OMV portfolio towards E&P
  - ▶ firmly establishing OMV's leading position in core Danube/CEE region
- ▶ Opportunity to create value from transforming Petrom
  - ▶ application of industry and financial best practice
- ▶ Financially attractive and expected to be strongly accretive in medium-term



# Stock information

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- ▶ **Capital stock:** EUR 196.29 million at 27 million shares
- ▶ **OeKB-WKN:** 074305, ISIN: AT0000743059
  
- ▶ **Shareholder structure:** ÖIAG 35%, IPIC 19.6%, free float 45.4%
- ▶ **Symbols:** Bloomberg (OMV AV), Reuters (OMVV.VI),  
US Ticker (OMVAY)
  
- ▶ **OMV TICKER:** quick and relevant key information
- ▶ **Next results** 1–9/04 and Q3/04 on November 11, 2004
  
- ▶ **Contact:** OMV Aktiengesellschaft, Investor Relations,  
Ana-Barbara Kunčič, Otto-Wagner-Platz 5, A 1090 Vienna,  
Phone: +43 (1) 40 440-21600, Fax: +43 (1) 40 440-29496,  
E-mail: [investor.relations@omv.com](mailto:investor.relations@omv.com)