



# Annual Financial Report 2022



OMV Group

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# Annual Report 2022



OMV Group



# DIRECTORS' REPORT

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# About OMV

**OMV produces and markets oil and gas as well as chemical products and solutions in a responsible way and develops innovative solutions with a special focus on circular economy. In 2022, Group sales amounted to EUR 62 bn. With a year-end market capitalization of around EUR 16 bn, OMV is one of Austria's largest listed industrial companies. The majority of its roughly 22,300 employees work at its integrated European sites.**

## Our purpose

In 2022, OMV implemented a new Group-wide purpose as a fundamental part of our new strategy for becoming a leading company in sustainable fuels, chemicals, and materials. Our new purpose, "Re-inventing essentials for sustainable living," guides the Company like a North Star, toward its goal of becoming a net-zero emissions company. To ensure this purpose is fully embraced, we have designed new values and behaviors that align with our new direction. The new values will be launched in 2023, to empower our employees and drive our Company toward a sustainable future.

## Our business segments

In Chemicals & Materials, OMV is one of the world's leading providers of advanced and circular polyolefin solutions with total polyolefin sales of 5.7 mn t in 2022 (2021: 5.9 mn t). It is also a European market leader in base chemicals, fertilizers<sup>1</sup>, and plastics recycling. The Company supplies services and products to customers worldwide through OMV and Borealis, and its two joint ventures: Borouge (with ADNOC, based in the UAE and Singapore) and Baystar™ (with TotalEnergies, based in the US).

In Refining & Marketing, OMV operates three refineries in Europe, Schwechat (Austria) and Burghausen (Germany), both of which feature integrated petrochemical production, and the Petrobrazi refinery (Romania). In addition, OMV holds a 15% share in ADNOC Refining and in ADNOC Global Trading in the UAE. OMV's total global processing capacity amounts to around 500 kbbl/d. Fuels and other sales volumes in

Europe were 15.5 mn t in 2022 (2021: 16.3 mn t) and the retail network consists of around 1,800 filling stations in ten European countries. In the Gas & Power Eastern Europe business, OMV Petrom operates a gas-fired power plant in Romania and is engaged in gas and power sales. In 2022, natural gas sales amounted to 36.2 TWh (2021: 39.6 TWh) and net electrical output was 5.0 TWh (2021: 4.8 TWh).

In Exploration & Production, OMV explores, develops, and produces oil and gas in its four core regions of Central and Eastern Europe, the Middle East and Africa, the North Sea, and Asia-Pacific<sup>2</sup>. Daily production was 392 kboe/d<sup>3</sup> in 2022 (2021: 486 kboe/d), with a roughly equal share of natural gas and liquids production. In the Gas Marketing Western Europe business, OMV markets and trades natural gas with sales volumes amounting to 111.2 TWh in 2022 (2021: 156.8 TWh). Furthermore, OMV operates natural gas storage facilities with a capacity of 30 TWh and holds a 65% stake in the Central European Gas Hub (CEGH).

## Our new corporate structure

To drive sustainable growth and innovation, starting with January 1st, 2023, OMV reorganized its corporate structure in three business segments: Chemicals & Materials, Fuels & Feedstock, and Energy.

 For more information about the new corporate structure and the Strategy 2030, see the chapter Strategy.

<sup>1</sup> On June 2, 2022, Borealis received a binding offer from AGROFERT, a.s. for the acquisition of its nitrogen business including fertilizer, melamine and technical nitrogen products.

<sup>2</sup> On February 27, 2023, OMV announced the start of the sales process for its E&P business in the Asia-Pacific region.

<sup>3</sup> Production figures in 2022 include 17 kboe/d from Russia (2021: 96 kboe/d); OMV no longer considers Russia a core region as of March, 2022. Furthermore, Russian volumes are no longer included in total production, due to a change in the consolidation method.

## Our value chain

### 05 Refining

OMV operates three refineries in Europe and holds a 15% share in ADNOC Refining in the UAE, where it processes sustainable and fossil-based feedstocks into a wide range of refined products.

### 07 Base Chemicals

Base chemicals are produced at five major sites in Europe and at the joint ventures of Borealis, Borouge and Baystar. Most of the base chemicals are processed internally into polyolefins.

### 09 Mechanical Recycling

Borealis runs four mechanical recycling plants in Austria and Germany, where plastic waste is processed into high quality recyclate.

### 06 Chemical Recycling

OMV is currently constructing a demo plant based on its proprietary ReOil® technology which will turn plastic waste, not fit for mechanical recycling, into valuable resources. In addition, Borealis has a controlling stake in Renasci, a Belgian provider of innovative recycling solutions.

### 03 Circular Resources

OMV aims to further increase its use of circular resources such as bio-feedstocks, for example waste and residue streams, as well as cultivated algea, plastic waste, and green hydrogen. Furthermore, OMV is also actively looking into synthetic fuels and feedstocks based on CO<sub>2</sub>.

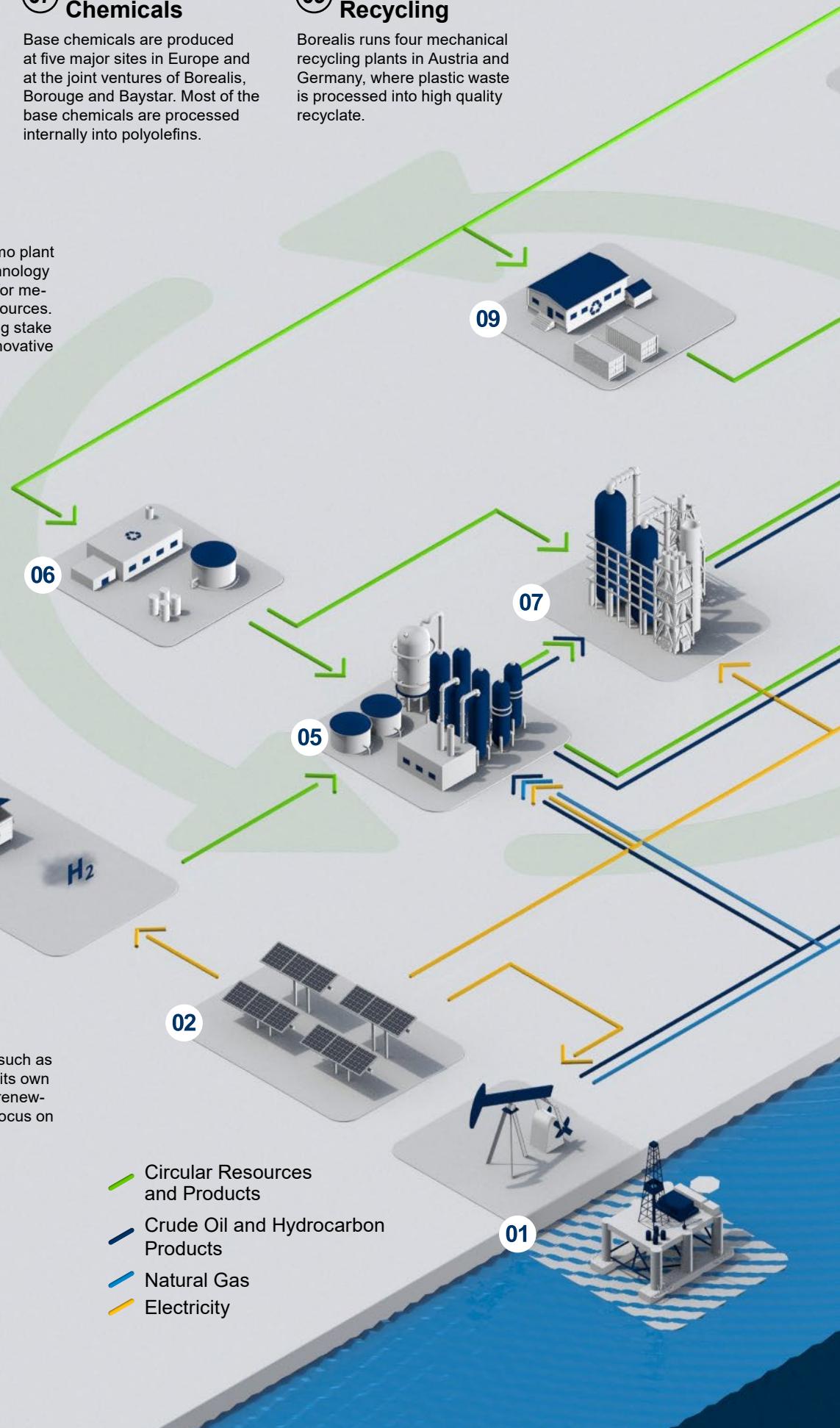
### 01 Hydrocarbon Production

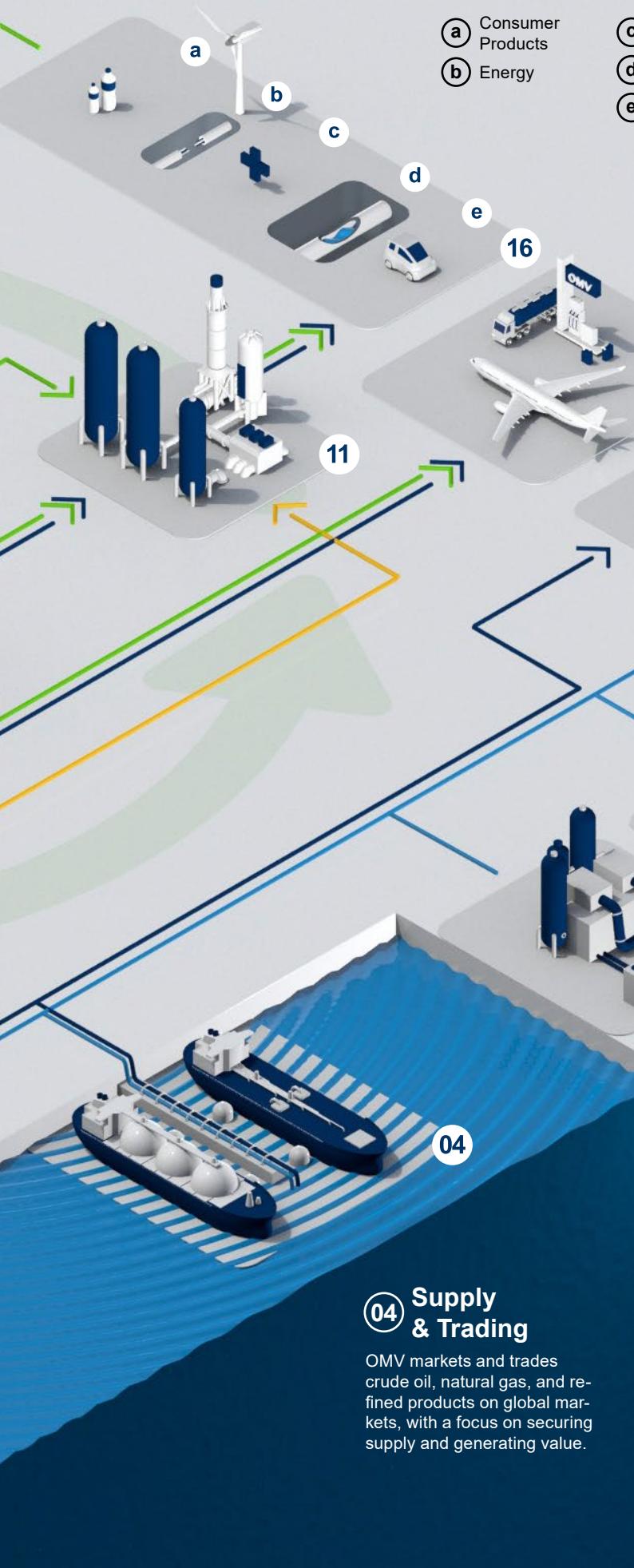
OMV is utilizing renewable energy, such as photovoltaic, primarily for powering its own operations, and plans to build up a renewable energy portfolio with a strong focus on geothermal energy.

### 02 Renewable Energy

OMV explores, develops, and produces hydrocarbons (crude oil, natural gas and NGL).

- Circular Resources and Products
- Crude Oil and Hydrocarbon Products
- Natural Gas
- Electricity





## 16 Industries

Through Borealis, OMV provides innovative and value creating plastics solutions to five end-use industries:

- (a) Consumer Products
- (b) Energy
- (c) Healthcare
- (d) Infrastructure
- (e) Mobility

## 15 Fuels & Others

OMV sells its refined products via several retail filling station brands and also serves a large base of commercial customers.

## 14 Crude Oil & NGL

Crude oil and NGL are marketed on global markets, while Austrian and Romanian production is predominantly supplied to OMV's refineries.

## 11 Polymers

Through Borealis, OMV is one of the largest polyolefin (polyethylene and polypropylene) producers in Europe and among the top ten producers globally, serving customers in more than 120 countries.

08 Natural Gas Storage

## 08 Natural Gas Storage

OMV runs natural gas storage facilities, which are well connected to the pipeline grid and in the vicinity of important urban areas of consumption.

## 10 Gas Fired Power Plant

In Romania, OMV Petrom produces electricity in a gas-fired combined-cycle power plant.

## 12 Electricity

OMV Petrom is a licensed power supplier in Romania and offers solutions for the electricity supply to end customers.

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## Market Outlook

**Inflation and significant reductions in the availability of Russian commodities, especially natural gas, in Europe following the removal of almost all Russian supply to the region, were the key causes of a substantial increase in global energy prices in 2022, leading to the “first global energy crisis” as described by the IEA. This has amplified the incentive for Europe to further diversify and decarbonize its energy supply. High prices, in particular for gas and electricity, have put the focus back on security of supply.**

2022 was something of a watershed year in energy markets. Consumers and central banks across the globe were faced with the challenge of rapidly rising inflation already at the end of 2021 and the early part of 2022, and this was before the picture was further complicated by the Russian invasion of Ukraine at the end of February. Significant reductions in the availability of Russian energy, especially natural gas, in Europe following the removal of almost all Russian supply to the region were the key causes of a substantial increase in global energy prices in 2022. Energy commodities ended up being one of the few asset classes to post gains during 2022, as inflation and subsequent rapid interest rate hikes by central banks saw a broad-based sell-off of riskier assets and the long bull market in equities came to an end.

The developments in energy markets during 2022 have been described as the “first global energy crisis” by the IEA’s Fatih Birol. With natural gas in Europe averaging at several times its value from the last few years, the incentive for Europe in particular to further diversify and decarbonize its energy supply has been amplified. This urgency was reflected in the political landscape of 2022. The RePowerEU program and the Inflation Reduction Act in the US in particular will provide significantly expanded provision and financial support for the build-out of clean energy over the coming years.

The goal of achieving net zero emissions by the middle of the century has never been shared by more governments and corporations. As of the end of 2022, countries representing more than 90% of global GDP had made a commitment to net zero emissions. An increase of 10 percentage points compared to the end of 2021, according to the University of Oxford’s Net Zero Tracker. Emissions coverage has increased by an estimated 6 percentage points to 83%, compared to 2021. While this trend is encouraging, the hurdles to achieving these goals remain significant.

In particular, the events of 2022 and the accompanying high prices, especially for gas and electricity, have put the focus back on security of supply. Europe’s natural gas infrastructure is being rapidly retooled to shift from a high dependency on pipeline imports of gas from the east to a

more diversified portfolio that includes much larger volumes of LNG from the global seaborne market. The urgency of ensuring basic supplies of energy to consumers and businesses took precedence over long-term decarbonization goals during 2022, and it is entirely possible that this will be the case again over the next couple of years. Associated trends, such as resurgent coal demand for power generation and subsequent higher emissions intensity, can also be expected to recur. At the end of 2022, policymakers were occupied with the question of how severe recessionary effects will be during 2023, especially in Europe, where many observers have pointed to an existential threat to the viability of the regional manufacturing base.

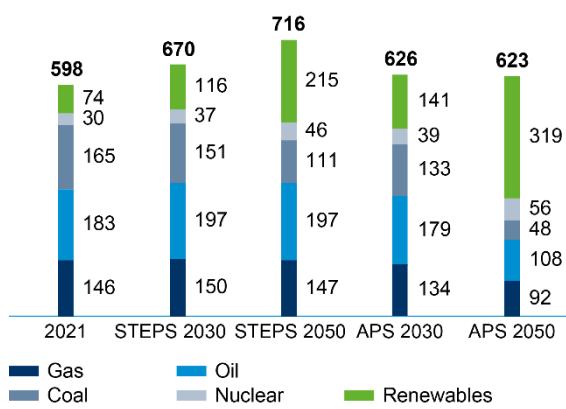
Nevertheless, over the medium and long term, OMV fully expects the structure of energy supply and demand to undergo drastic changes as efforts are made at varying speeds and with varying degrees of success to decarbonize electricity production, transport, industry, and other carbon-intensive sectors of the global economy. A viable path to a net zero global energy system by the middle of the century has to include a diverse range of technologies being employed in place of the traditional fossil and biomass energy sources. No single energy source should account for more than a quarter of total primary energy supply by 2050, according to the most recent update of the IEA’s Net Zero Emissions by 2050 Scenario.

On a global level, there remains a significant implementation gap – the difference between the combined pledges on emissions reductions and the actual measures that have been taken to achieve them. Compared to 2021, additional announced pledges on emissions reductions from India and Indonesia have served to reduce the perceived gap between announced pledges and a net zero energy system. However, major uncertainty remains. This is reflected in the range of modeled shares of the different energy sources in the IEA’s most recent World Energy Outlook: By the end of this decade, oil and gas will supply only 46% of total global primary energy in the net-zero scenario (down from 53% in 2021). However, this number remains essentially unchanged in the IEA’s Stated Policies Scenario (STEPS) by 2030, and falls only to 47% by the middle of the century.

IEA scenarios based on stated policies and announced pledges foresee oil demand remaining robust at least through to the end of the decade (these scenarios assume compound annual growth rates of 0.8% and 0.2% respectively through to the end of the current decade for total global energy supply). In these environments, the question of underinvestment in upstream oil and gas remains a pertinent one for the energy system as a whole. Various analyses have shown that capital expenditure in E&P has so far not responded to the marked increases in oil and gas prices observed since the depths of the pandemic-related sell-off in the middle of 2020 in the same way that was characteristic of previous commodity cycles.

### World total primary energy supply

In EJ



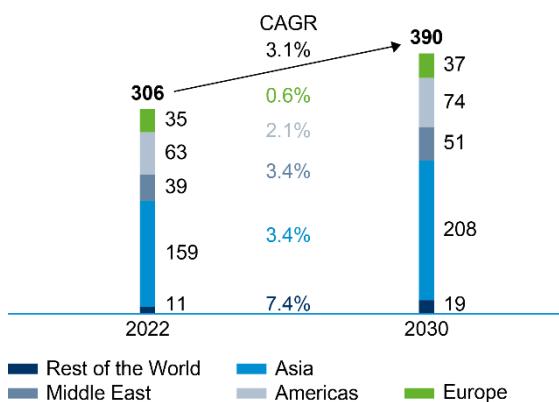
Source: IEA World Energy Outlook 2022

Despite these factors long term assumptions remain largely unchanged. For example, the expectation that advanced economies will see the most notable negative growth trends for fossil fuels over the medium and long term remain in place. The EU sees faster declines in oil demand than any other large country or region except Japan in the IEA's projections. The CAGR of EU oil consumption for 2021–2030 is –2% in the STEPS, falling to –3.8% in the Announced Pledges Scenario (APS). China, the engine of global oil demand growth over the last two decades, sees a CAGR on oil demand of less than 1% up to 2030 even in the STEPS.

In addition to an entrenched demand-decline trend in the domestic market, the European refining industry is likely to face ongoing headwinds in the form of higher utility and fuel costs vs. the other refining hubs, especially those in the US and the Middle East. While these higher costs are to some extent offset by higher market prices for refined products, they are nevertheless expected to continue to weigh on European competitiveness. Meanwhile, consensus demand assumptions continue to imply an advantage in the market for players with petrochemical integration. It is notable that, even in the IEA's Net Zero Emissions by 2050 Scenario, oil demand for non-energy use falls by only 6% by 2050 vs. 2021 levels (vs. a decline of almost 80% for oil demand overall).

### Global petrochemicals<sup>1</sup> demand

In mn t

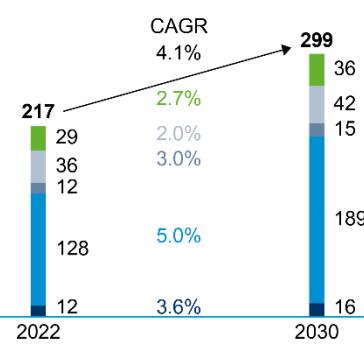


<sup>1</sup> Ethylene and propylene

Oil demand for chemical production is expected to increase, primarily originating from rising demand in emerging markets and closely linked to GDP development. By 2030, oil demand for chemical production will rise by about 2% per year. Approximately 80% of chemical and plastic demand growth will be concentrated in emerging markets, mainly Asia, until 2030 and beyond. This region represents most of the global population growth and the corresponding potential for improving living standards. For mature markets such as Europe, North America, and Japan, demand growth is anticipated to remain healthy in the long term, in line with economic development, but growth rates are expected to slow.

### Global virgin polyolefin demand

In mn t



Source: Chemical Market Analytics by OPIS, a Dow Jones Company

Polyolefins are the largest market segment in producing plastic goods. Demand for virgin polyolefins will continue to grow at a rate above global GDP until 2030, driven by the Asian market. Polyolefins will remain essential for various industries, including packaging, construction, transportation, healthcare, pharmaceuticals, and electronics.

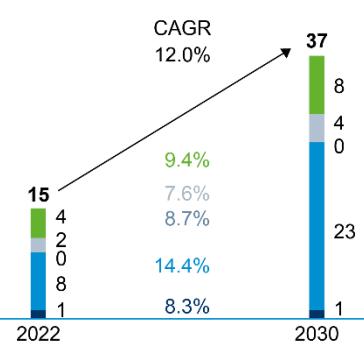
Over the next decade, key focus areas for the plastics industry will be continued improvement in waste collection, the redesign of plastics and their applications for increased recyclability, and improvements in recycling technologies. Global recycling rates are projected to increase almost threefold by 2030.

OMV uses two frameworks for future market assumptions. For 2022, these are positioned as follows:

1. A base case that assumes OECD economies follow a decarbonization path more aggressive than the IEA's Announced Pledges Scenario, but falling short of the net zero oil demand path, while non-OECD economies progress in line with announced pledges.
2. A stress case that sees a faster transition away from fossil fuels than that in the Sustainable Development Scenarios used in the 2021 IEA report, though not as aggressive as the Net Zero Emissions by 2050 Scenario. This stress case represents a trajectory for oil demand declines that would correspond to the upper limit of the temperature increases foreseen in the UN climate goals from Paris, with net zero achieved in the global energy system between 2050 and 2070.

### Global recycled polyolefin demand

In mn t



Source: Chemical Market Analytics by OPIS, a Dow Jones Company

The key success factor for medium- to long-term sustainable business models is growth in renewable feedstocks, bioplastics, and the development of circular solutions. Recycled polyolefin demand is expected to grow at a rate significantly above global GDP until 2030, with Asia having the largest share.

For details on climate change-related risks and their management, see the chapter Risk Management and Note 2 of the Consolidated Financial Statements, as well as the OMV Sustainability Report.