OMV Group Business Year

In 2022, OMV has achieved a strong clean CCS Operating Result of EUR 11.2 bn. Furthermore, cash flow from operating activities excluding net working capital effects remained significant amounting to EUR 9.8 bn, and the organic free cash flow before dividends totaled EUR 4.9 bn. As a consequence, the leverage ratio decreased from 21% at the end of 2021 to 8% at the end of 2022. This financial strength is an excellent basis for OMV's further strategic development into a leader in sustainable fuels, chemicals and materials while committing to deliver attractive shareholder returns.

Business environment

Global economic growth during 2022 is estimated to have been the weakest for two decades, save only for the immediate aftermath of the global financial crisis (2009) and the depths of the COVID-19-related slowdown (2020). A broad set of headwinds confronted the global economy in 2022, with annual growth expected at some 3.2%, according to the IMF. This represents a significant drop from the 6% registered in 2021. According to UNCTAD, global trade, meanwhile, is expected to have reached an outright record in 2022[1], with growth more concentrated in services. However, the second half of 2022 saw something of a slowdown, with global goods trade turning negative in the third quarter, before services trade followed in the fourth quarter.

Effects of the COVID-19 pandemic continued to impact markets in early 2022, even before the Russian invasion of Ukraine tipped supply and demand further out of balance from the second half of Q1 onward. Outsized spending on goods relative to services – combined with ongoing bottlenecks in supply chains – drove rapid, marked increases in inflation in almost all large economies. Headline CPI topped 8% on average over Q2 in the US, peaking in June at 9.1%. Headline inflation in the Eurozone averaged in double digits at the beginning of the fourth quarter of 2022, with a peak of 10.6% in October. Combating price increases for consumers and businesses became the main focus of central banks in 2022, while governments were tasked with mitigating the effects of price rises. This was especially true in Europe, where year-on-year price growth in energy was the single largest contributing factor to headline inflation. This became arguably the dominant political and economic issue for the region in 2022.

The economic headwinds piled up in various metrics as 2022 progressed. Purchasing Managers' Indices sank from mostly expansionary at the end of 2021 to mostly being in contraction territory by the middle of 2022, with only a couple of exceptions. Eurozone net exports flipped negative by Q3 (Eurostat), while essentially all other economic indicators spent the second half of the year trending lower, i.e., toward recession territory. By the end of the year, financial conditions, consumer confidence, and services PMIs had made their way below the 20th percentile in data going back more than 20 years. The only metric to buck this trend has been the labor market, which, as of late 2022, remains historically tight, with unemployment numbers continuing to trend close to record lows.

This conundrum was still in place for central banks at the end of 2022 on both sides of the Atlantic. The macro environment focus has shifted definitively to the effects of more expensive financing and the potential for this to contribute to recessionary effects in advanced economies. The latest available GDP figures for the Eurozone indicate a significant decline in the third quarter of 2022. By the end of the year, the European Central Bank had raised its key deposit rate by 250 basis points, a rapid increase necessitated by surging inflation. Higher interest rates are having and will continue to have a lagged effect on consumer and business spending.

The fallout from the geopolitical upheaval following the Russian invasion of Ukraine has been wide-ranging. However, supply and trade disruptions were arguably more pronounced in energy than anywhere else. And within energy, no region saw more pronounced price effects than Europe. Following the invasion, the decision by many western corporations to "self-sanction" ahead of government mandates to limit or cease the trade and import of Russian energy was a key driver of the oil price rally that peaked at the end of the second quarter of 2022.

However, it was the natural gas market that was the epicenter of the energy-related difficulties experienced by Europe in 2022. The removal of the vast majority of Russian gas pipeline flows from the middle of the year posed an unprecedented challenge for the European Union, which, in 2021, sourced almost 40% of its natural gas imports from Russia and which was 20% dependent on natural gas for power generation. The removal of the region's single largest supply source from the market, combined with the government mandates

[1] Source: United Nations Conference on Trade and Development (UNCTAD) Global Trade Update December 2022