2

DIRECTORS’ REPORT

25 — 76

About OMV

OMV produces and markets oil and gas, as well as chemical solutions in a responsible way and develops innovative solutions for a circular economy. In 2020, Group sales amounted to EUR 17 bn. With a year-end market capitalization of around EUR 11 bn, OMV is one of Austria's largest listed industrial companies. The majority of OMV's roughly 25,000 employees (including Borealis) work at its integrated European sites.

In Upstream, OMV focuses on the exploration, development, and production of oil and gas in its five core regions of Central and Eastern Europe, the Middle East and Africa, the North Sea, Russia, and Asia-Pacific. At the end of 2020, OMV had proven reserves (1P) of 1.33 bn boe and proven and probable reserves (2P) of 2.37 bn boe. The Reserve Replacement Rate (RRR) was 102% in 2020. Daily production was 463 kboe/d in 2020 (2019: 487 kboe/d), which equals a total production of 169 mn boe. While gas accounted for 62% of total production, oil amounted to 38%.

In Downstream, 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 each in ADNOC Refining, which operates the world-class Ruwais refinery in the United Arab Emirates, and in ADNOC Global Trading. OMV's total global processing capacity exceeds 500 kbbl/d annually. Total refined product sales amounted to 17.81 mn t in 2020 (2019: 20.94 mn t). The retail network consists of around 2,100 filling stations[1] in ten countries with a strong multi-brand market portfolio.

The natural gas sales volume was 164.0 TWh in 2020 (2019: 136.7 TWh). OMV owns gas storage facilities with a capacity of 30 TWh and a 51% share in Gas Connect Austria, which operates a 900 km natural gas pipeline network[2]. The Central European Gas Hub (CEGH), in which OMV holds a 65% share is a well-established gas trading platform. The node in Baumgarten (Austria) is Central Europe's largest entry and distribution point for Russian gas. In addition, OMV operates a gas-fired power plant in Romania.

On October 29, 2020, OMV completed the acquisition of an additional 39% interest in Borealis from Mubadala, and now holds a majority stake of 75%. Borealis is one of the world's leading providers of advanced and circular polyolefin solutions and a European market leader in base chemicals, fertilizers[3] and mechanical plastics recycling. Starting in April, OMV will be reorganized intro three reporting segments: Exploration & Production, Refining & Marketing, and Chemicals & Materials. The new corporate structure will expedite the integration of Borealis into the OMV Group and accelerate the expansion of the Chemicals & Materials business.

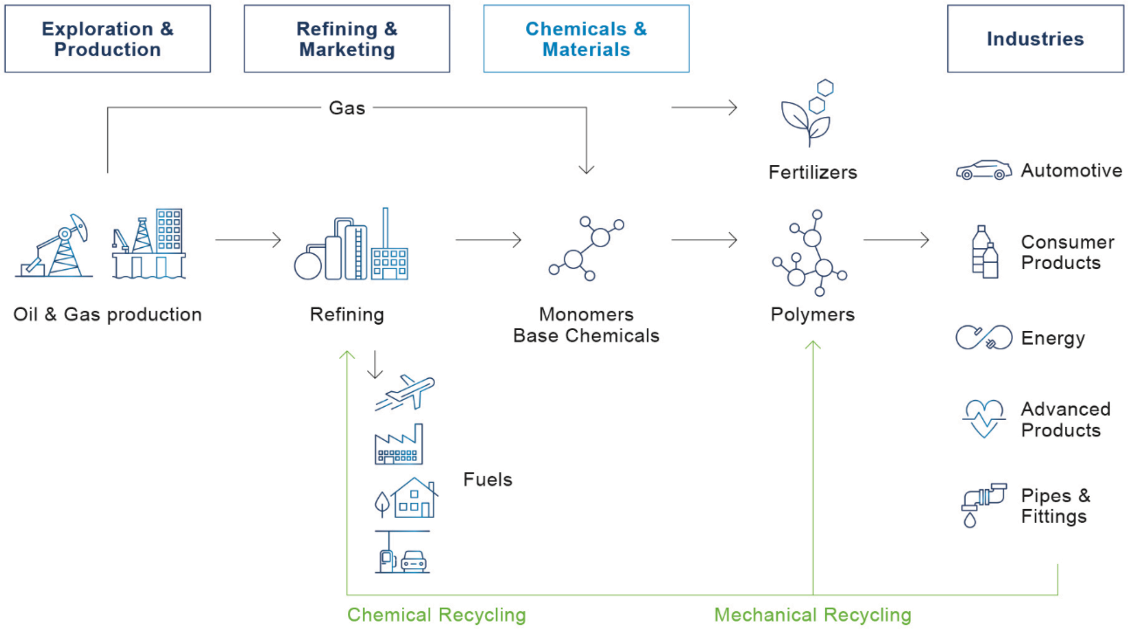
Sustainability is an integral part of OMV's corporate strategy. OMV supports the transition to a lower-carbon economy. The Group has set measurable targets for reducing carbon intensity and aims to become a leading player in the circular economy.

[1] On December 14, 2020, OMV and EG Group reached an agreement for the acquisition of 285 filling stations in Germany by EG Group. The transaction is subject to required regulatory approvals and the closing is expected in 2021. On February 4, 2021, OMV announced its intention to sell its business in Slovenia, including around 120 filling stations.

[2] On September 23, 2020, OMV and VERBUND reached an agreement for the acquisition of a 51% interest in Gas Connect Austria GmbH by VERBUND. The closing is subject to regulatory approval and is expected in the first half of 2021.

[3] On February 4, 2020 OMV announced its intention to sell the nitrogen business of Borealis, which includes the fertilizer business.

Our value chain



Strategy

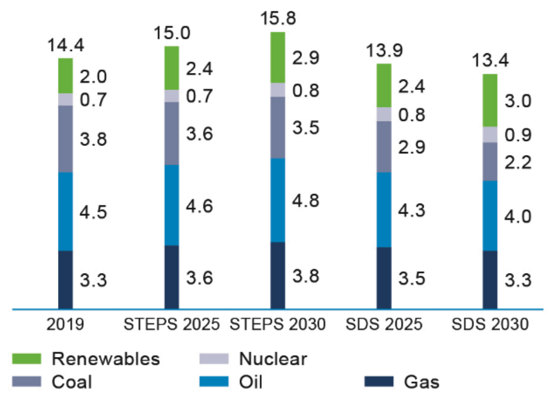
The OMV 2025 Strategy builds on the proven concept of integration, which ensures strong cash flows and resilience. Significant milestones were reached since 2018: built a high-quality gas-focused asset base in Upstream and extended the portfolio into high-value chemicals by increasing the share in Borealis to 75%. The Group strategic ambition now focuses on chemicals growth, maximizing value through its existing portfolio and increasing the share of low- and zero-carbon products in the portfolio. OMV strives to substantially increase the clean CCS Operating Result and operating cash flow, before net working capital effects, to at least EUR 5 bn each by 2025.

Market outlook

Global energy demand continues to grow and will be met predominantly through traditional energy sources.

Global energy demand by primary energy sources

In bn toe



Source: IEA World Energy Outlook 2020

The COVID-19 pandemic had a significant impact on energy markets worldwide in 2020, disrupting supply and demand dynamics. The global economy is now bracing for a multi-year recovery with a strongly divergent pace among different regions. In the short to medium term, energy demand will again grow but will be coupled with the possibility that some changes in consumer behavior may remain, especially in strongly affected sectors like tourism and aviation. 2020 can be considered a landmark year for the global energy transition, especially in the light of the European Green Deal, the growth of renewable energy, despite the crisis, and the fact, that many countries declared net zero carbon ambitions.This leaves a sustainable impact on the energy markets in the medium to long term.

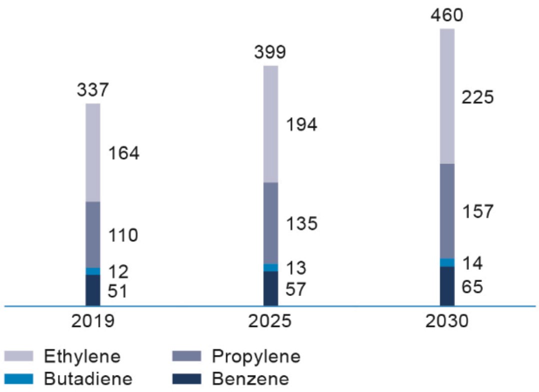
Global energy demand will continue to increase following the outlook in the IEA Stated Policies Scenario (STEPS) which incorporates the impact of the existing policy framework and is expected to rise 9% by 2030, on account of GDP and population growth. Oil and gas demand continue to grow and will still account for about 55% of global energy demand. This expected growth trajectory might slow, however, if current emissions target announcements materialize and the energy transition results in declining fossil fuel demand. This trend is in accordance with the IEA Sustainable Development Scenario (SDS) showing a potential trajectory towards fulfillment of the UN climate goals factoring in high political ambitions.

Despite strong growth in renewables, oil will remain the main source of primary energy in the next decade, capturing a share of about 30% and exhibiting a compound annual growth rate of 0.5% by 2030. The increase in oil consumption will come from rising demand for petrochemical products as well as growing road and aviation transportation sectors in emerging markets. While oil product consumption is expected to decline in mature markets such as North America and Europe, global growth beyond 2030 will come from Asia, the Middle East and Africa. Driven by the global climate protection ambitions, the refinery industry is putting significant effort into partially replacing conventional oil feedstocks with bio-based feedstocks or recycled plastic materials. New technologies for producing alternative fuels, initially by means of pyrolysis or gasification are gaining traction. This will help producers contribute to global emissions reduction targets.

Natural gas will continue to be the fastest growing major energy source among fossil fuels, supported by strong global decarbonization policies and more stringent emissions standards. Gas demand will grow at an annual rate of 1.2% by 2030. This is attributable to the ability of natural gas to displace coal in the power generation sector. It also provides a reliable fuel source for the energy transition, serving as backup for the increasing share of renewables in the power generation mix.

Global petrochemical demand

In mn t



Source: IHS Chemical Supply & Demand (2020)

The growth in global demand for petrochemical products is closely linked to economic development as well as increasing prosperity and living standards in developing economies. Therefore, the growing petrochemicals market will continue to be an important consumer of oil and gas and a driver of global oil demand. Demand for olefins such as ethylene, propylene, butadiene, and benzene is expected to increase by 37% by 2030, mainly due to demand growth in Asia. These petrochemicals are considered to be the major building blocks for the chemical industry. Their derivatives, such as polyolefins, offer unique properties and economic benefits such as low material costs, as well as easy and fast processing. Petrochemicals are increasingly being used as a substitute for other energy-intensive materials due to their advantageous characteristics. They remain essential for various industries such as packaging, construction, transportation, healthcare, pharmaceuticals, and electronics. These sectors underpin the robust overall rise in demand, which stems primarily from the Asia-Pacific region and is aligned with the economic development there. Demand in mature markets such as Europe, North America, and Japan is expected to remain generally healthy in the long term in line with economic development, but growth rates are expected to slow down.

Naphtha, an oil derivative product, is expected to remain the main feedstock for the petrochemical industry. Other key feedstocks are associated gas in the Middle East and shale gas in North America. In addition, recycled products are becoming increasingly important feedstock that will help to better manage global plastic waste.

Strategic cornerstones – OMV set to become stronger and more valuable

The OMV 2025 Strategy builds on the proven concept of integration, which ensures strong cash flows and resilience. When the strategy was announced in March 2018, the Group aimed at growing both the Upstream and the Downstream businesses. Since the strategy was introduced, OMV has transformed its portfolio as it achieved significant milestones. Upstream now has a high-quality asset base with expanded production and reserves, low production costs, and a portfolio shifted to gas. The Downstream business saw most notable transformations and step changes. In 2019, the Downstream business increased its international footprint by acquiring a 15% interest in ADNOC Refining and ADNOC Global Trading. In 2020, OMV embarked on a transformational journey, by acquiring an additional 39%-share in Borealis, a leading provider of polyolefins, base chemicals, and fertilizers. OMV holds now 75% controlling interest in Borealis. With this acquisition, OMV further extended its value chain into high-value chemicals and gained access to attractive growth markets. At the same time, this acquisition is a decisive step toward successfully positioning OMV for a low-carbon future, as the Company's portfolio shifts towards non-energy, low-carbon emissions products, as well as an emphasis on plastics recycling and circular economy. OMV's cash out for the acquisition of the 39% stake in Borealis, totaling EUR 3.9 bn, was supported by solid cash generation, strict cost and capital discipline, and a newly announced divestment program amounting to EUR 2 bn by end of 2021.

In the first nine months after the launch of the program, the Group successfully signed three major transactions:

- Divestment of its 51% stake in Gas Connect Austria in order to exit its regulated gas transportation business completely
- Disposal of the retail network in Germany, given its limited integration with the Burghausen refinery
- Divestiture of the Upstream assets in Kazakhstan, allowing OMV Petrom to focus on the growth opportunities in the Black Sea region

OMV will continue to implement this program, thus pursuing the divestments of the nitrogen business in Borealis and the retail and commercial operations in Slovenia.

OMV Group – 2020 strategic achievements

- Signed transformative agreement for increasing share in Borealis to 75%
- Adhered to its dividend policy: distributed dividends were at the highest, equal to prior-year level of EUR 1.75 per share
- Agile reaction to the COVID-19 pandemic: significant reduction in spending
- Successfully signed divestments with a net debt effect of more than EUR 1 bn, in line with the EUR 2 bn disposal target by the end of 2021
- Achieved its carbon footprint reduction target ahead of time and set new, ambitious goals

In a continuously changing world, the Group strategic ambition focuses on chemicals growth, maximizing value through its existing portfolio and increasing the share of low- and zero-carbon products in the portfolio. In Upstream, the current organic projects pipeline will be executed. The business will be run for generating value, optimizing the cash flow to enable transformation at Group level. In its transition towards a low-carbon portfolio, Upstream production will be maintained in a corridor of approximately 450-500 kboe/d, with overweight on gas (around 60%). In its existing refining operations, the output mix will be increasingly shifted towards higher-value petrochemicals as part of the shift towards non-energy products. In its chemicals business, OMV will leverage Borealis as a platform for growth, focusing on delivering organic growth projects as well as building a sustainable chemicals portfolio by becoming a leading player in the circular economy. To further underscore its commitment to reducing the carbon footprint, OMV is investing in developing alternative sustainable feedstocks and biofuels. This portfolio will enable OMV to increase both its clean CCS Operating Result and its operating cash flow, before net working capital effects, to at least EUR 5 bn each by 2025.

In February 2021, OMV changed its corporate structure by splitting and expanding the current area of Downstream fuels and chemical operations in two areas: Refining and Chemicals & Materials. In addition, the Upstream business segment was renamed to Exploration and Production.

OMV Group – 2025 strategic priorities

- Transition to become an integrated chemical company
- Continue to leverage the proven concept of integration along the value chain
- Maximize value of existing traditional oil and gas portfolio
- Expand portfolio of low- and zero-carbon products
- Strive for leadership in plastics recycling and circular economy
- Strengthen balance sheet and deliver attractive shareholder returns

Upstream

The Upstream business has been significantly transformed since the introduction of OMV's strategy in 2018. The business aimed at building a portfolio of higher quality that generates more cash, on the base of a renewed and improved asset base, with double reserves and increased production, as well as through extending its track record of operational excellence.

The successful strategy execution enabled Upstream to optimize its portfolio, as OMV expanded production to the UAE and the Asia-Pacific region. At the same time, in line with its strategy, the Group divested its operations in Pakistan and marginal fields in Romania, signed the divestment of the Kazakhstan upstream assets, and oil fields in New Zealand and is advancing the divestment of oil assets in Malaysia. The portfolio shift focused on four core regions with the aim to create five core regions. The fifth core region was established by an increased footprint in Asia-Pacific, through the SapuraOMV joint venture partnership in Malaysia and theacquisition of Shell's upstream business in New Zealand.

The portfolio was further strengthened as key development projects were brought on stream in Malaysia (Gorek, Larak and Bakong offshore gas fields) the and in Abu Dhabi, where Umm Lulu Super Complex operates in full field mode since April 2020. In reshaping its portfolio, Upstream targeted to ensure sustainable reserve replacement with low-cost barrels in order to improve the Company's overall resilience.

OMV has therefore already achieved most of its targets. By the end of 2020, it had ensured a three-year reserve replacement rate (RRR) of 138% and low-cost production of USD 6.6/boe, well below the initial target of USD 8/boe. Thanks to the robust portfolio built over the last years, Upstream reached a production volume of 463 kboe/d in 2020. The 2020 target of 500 kboe/d was not reached due to negative external factors such as the security situation in Libya and COVID-19-related production cuts imposed by governments. Moreover, the portfolio was shifted toward gas as the bridge fuel for the transition to a low-carbon future. In 2020, 62% of hydrocarbon production was gas, outperforming the initial Group target of 50%.

DigitUP, the global Upstream digitalization program launched in 2018 to further improve and ensure OMV's competitive position, has progressed swiftly and successfully, laying the foundation for OMV's transformation into a top digital player. In order to leverage the value impact of its digitalization strategy, OMV Upstream kicked off a key organizational initiative called UPfront in the second half of 2020. The initiative complements Upstream's digital transformation and aims to deliver a value-oriented organization as a key pillar for business resilience and competitiveness.

Upstream – 2020 strategic achievements

- Production costs reduced to USD 6.6/boe
- Production reached 463 kboe/d, overweight on gas (62%)
- Three-year average reserve replacement rate of 138%
- Portfolio further strengthened: key development projects fully on stream in Malaysia and Abu Dhabi, progress in non-core assets divestment such as Kazakhstan and marginal fields Romania
- Established Upstream organization transformation initiative UPfront, to complement the digitalization strategy and further improve and ensure Upstream's competitive position

In a rapidly changing world, OMV is revising its volume targets for 2025. The initial goal of reaching a production volume of 600 kboe/d and 1P reserves of 2 bn boe by 2025 will no longer be pursued. Going forward, the Upstream portfolio will be run for generating value, optimizing the cash flow, with a strong emphasis on gas. The delivery of key projects in the portfolio, including those from past M&A projects, as well as Upstream's digital and organizational transformation program will sustain a substantial increase of free cash flow into and beyond 2025. With the current portfolio, OMV expects to maintain a relatively stable production corridor of around 450–500 kboe/d, with around 60% gas by 2025. The exact level of production and reserves will depend on the cash generation capacity of the portfolio. Strengthening value delivery and cash generation are the main goals and criteria for managing and developing the portfolio. In this respect, the portfolio will be further optimized, focusing on its existing five regions: Central and Eastern Europe, North Sea, Russia, Middle East and Africa, and Asia-Pacific. The acquisition of Achimov 4A/5A will only be held as an option, without commitment, and will only be realized if its value will be attractive to OMV and the Group's financial framework will allow it. OMV's exploration and appraisal activities will focus on gas and low-cost opportunities with a total budget of around EUR 230 mn per year.

Upstream will focus on reducing the carbon intensity of its operations and aims to lower carbon intensity by more than 60% by 2025 compared to 2010. This effort will include portfolio changes, a phase out of routine gas flaring and venting, a reduction of fugitive methane emissions and completion of projects like the photovoltaic plant developed with VERBUND in Schönkirchen, Austria for the purpose of powering OMV's own operations. The latter is the largest ground-mounted photovoltaic plant in Austria, with a total capacity of 14.85 MWp expected to come fully on stream in 2021. The first phase was completed by the end of 2020 with a capacity of 11.4 MWp. Upon its completion, the photovoltaic plant will generate around 14.25 GWh in Austria and will save a total of 10,000 t of CO_2 per year.

Upstream targets to reinforce its portfolio competitiveness and resilience against market volatility and the rapidly changing demands of the oil and gas industry. The strong focus on operational excellence and digitalization, in addition to portfolio optimization, will ensure that the unit production cost will remain below USD 7/boe beyond 2025. Upstream's ambition is to further establish itself as one of the top digital players in the industry. Digital transformation will continue to be a key enabler for Upstream's business resilience and competitiveness. Digital technologies like real-time data and analytics as well as agile ways of working will be leveraged to improve efficiency, reliability, and safety and enhance decision-making. To unlock the full value potential from its digital transformation program, Upstream is also implementing an agile organizational structure. A new organizational set-up will emerge in the course of 2021 as a result of the UPfront initiative. This will be reflected in Upstream's business structure, leadership, workflows, and behaviors, with fully integrated, remote, digitally collaborative multi-disciplinary teams underpinning accelerated delivery and a value-oriented organization.

Upstream – 2025 strategic cornerstones

- Upstream portfolio will be run for generating value, optimizing the cash flow
- Maintain production corridor of approximately 450–500 kboe/d, with overweight on gas
- Manage production cost below USD 7/boe
- Drive digital transformation and agile organizational structure to reinforce resilient competitiveness
- Aim to lower carbon intensity by more than 60% by 2025 vs. 2010

Downstream – fuels and chemicals

The Downstream fuels and chemicals portfolio has undergone a major transformation since the strategy was introduced in 2018. The Company aimed to strengthen its competitive position in Europe, while exporting its successful business model to international growth markets by nearly doubling its refining capacity and expanding its chemicals position. In this respect, 2019 and 2020 represented milestone years for Downstream and chemicals. The Group established its Downstream presence outside Europe by becoming a partner in ADNOC Refining and ADNOC Global Trading. OMV holds a 15% stake in the fourth-largest refinery complex in the world, located on the doorstep of attractive growth markets in the Asia-Pacific and the Middle East regions. These international markets are served by ADNOC Global Trading, the marketing and trading arm for refined products from Ruwais, which went live in December 2020.

In 2020, OMV increased its share in Borealis from 36% to 75%. With full control of Borealis, Downstream increases its base chemicals production and extends its value chain to polyolefins and fertilizers. The business has gained a superior position: a truly international footprint with access to attractive customer segments and growth markets, as well as strong know-how, including proprietary multi-modal technology for the production of polyolefins. Innovation is at the core of Borealis, making the company a preferred partner for the manufacturing of chemical products globally. The geographical outreach of the OMV chemicals business expands considerably, as Borealis has a strong European presence and is active in the Middle East, Asia-Pacific as well as in North and South Americas. As a result of the Borealis acquisition, the OMV Group expects to realize substantial synergies totaling more than EUR 800 mn by 2025. The integration benefits will come from operational cost savings, combined purchasing, debottlenecking, increased capital efficiency, and tax benefits.

In its European operations, OMV continued to strengthen its competitive advantage. Following its target to shift to higher-value products, OMV successfully completed the construction of a new isobutene extraction plant at the Burghausen refinery in Germany in October 2020. The plant went on stream at end of 2020 and is producing up to 45,000 t of high-purity isobutene per year. The Group will also expand the naphtha cracker at the Burghausen refinery by around 50,000 t by 2022. Additionally, OMV decided to invest EUR 200 mn in the co-processing of 160,000 t of biofuels at the Schwechat refinery, and the production start is planned for 2023. In its Retail business, despite the COVID-19 crisis, the profitability per filling station improved to more than EUR 230,000 in 2020, significantly over-achieving the previously set target of EUR 180,000.

Downstream fuels and chemicals – 2020 strategic achievements

- Closed transformative transaction increasing share in Borealis to 75%
- Completed the new isobutene extraction plant at the Burghausen refinery in Germany
- Achieved refinery utilization rate of 86%, despite COVID-19 crisis
- Signed the divestment of the German manned retail network
- Delivered record Retail results in the COVID-19 year
- Went live with the ADNOC Global Trading organization

With this significantly transformed portfolio, OMV has a new key business – chemicals. OMV is set to become the largest producer of olefins in Europe and one of the largest polyolefin producers worldwide, ranking second in Europe and eighth globally. OMV will continue to build on this position, with Borealis as a platform for growth.The Group will therefore focus on bringing on stream its current organic growth projects. In Kallo, Belgium, the new propane dehydrogenation plant is anticipated to be in operation in 2023. Through Baystar JV (Borealis 50 %, Total 50 %) the new ethane steam cracker unit in Bayport, Texas is expected to start operations in 2021. The corresponding Borstar polyethylene unit is foreseen to start production in 2022. In the UAE, Borouge is currently building a fifth polypropylene unit to start up in 2021. Additional organic growth opportunities are progressing as well, such as Borouge 4, which is currently in the FEED phase.

Through the strategic extension of its value chain into high-value chemicals and plastics recycling, OMV is positioning for a low-carbon future. The Group is further integrating the Refining and Chemical's value chains. In order to ensure a sustainable chemical footprint, OMV together with Borealis aims to be a leader in the plastics recycling and circular economy. Going forward, more products will be designed for recyclability. By 2025, the Group will invest up to EUR 1 bn in the chemical and mechanical recycling of post-consumer plastic waste and sustainable fuels.

In the European Refining business, OMV will continue to be an industry leader, focusing on cost and operational efficiency. The three refining sites in

Schwechat, Burghausen, and Petrobrazi will continue to be operated as one integrated refinery system, optimizing asset utilization and maximizing margins through the exchange of intermediate products. OMV will modify its European refining assets to reflect expected demand changes and will shift to higher-value products. OMV is actively working on energy transition projects in the areas of conventional and advanced biofuels, synthetic fuels, hydrogen and energy efficiency. OMV is underway to further transform its Downstream oil business in the face of a low-carbon future, focusing on chemicals, alternative feedstocks, technologies, and fuels. Consequently, OMV no longer aims to further increase its refining capacity.

Downstream fuels and chemicals – 2025 strategic cornerstones

- Leverage Borealis as platform for growth: deliver organic growth portfolio
- Realize integration synergies with Borealis in the amount of more than EUR 800 mn
- Strive for leadership in plastics recycling and circular economy
- Optimize asset utilization and maximize margin generation across the integrated value chain
- Reduce operational carbon footprint
- Shape portfolio to focus on low- and zero-carbon products

Downstream gas

Since March 2018, the Downstream gas business made impressive progress in implementing its growth strategy, building a strong market presence from Northwest to Southeast Europe. Reliable equity gas production, sustainable supply partnerships and a structured and customer-centric market approach contributed to the competitive advantage.

Record-high OMV Group natural gas sales in 2020 will continue to grow until 2025 and beyond. OMV is well on track to reach its target to grow the sales portfolio to more than 250 TWh by 2025, achieving a 10% market share in Germany, one of the largest European markets. OMV will continue to maintain its market leadership in Austria and Romania as well as expand the market position in the Netherlands and Belgium. In 2020, the Central European Gas Hub in Austria reached a new all-time high nominated gas volume of more than 800 TWh. OMV's gas storage business again benefited in 2020 from high customer demand and a favorable market price development, reaching an all-time high storage result. The utilization of the Gate LNG regasification terminal improved substantially. Moreover, Downstream gas delivered its first cargo of LNG to China.

In September 2020, OMV signed an agreement to divest its entire 51% stake in Gas Connect Austria to VERBUND in order to exit the regulated gas transportation business in line with its strategy.

Downstream gas – 2020 strategic achievements

- Increased OMV natural gas sales by 20% year-on-year to 164 TWh
- Record Downstream gas results
- Reached 7% market share in Germany at the end of 2020, increased market share in the Netherlands to more than 4% and Belgium to almost 2%
- Record volume of more than 800 TWh traded at CEGH
- Divestment of 51% stake in Gas Connect Austria to VERBUND

In the longer term, European natural gas demand is expected to remain resilient while indigenous natural gas production in Europe will decline significantly. Larger volumes of natural gas will have to be imported. Therefore, OMV will continue to strengthen its equity gas volumes from Austria, Norway, and Romania as well as long-term supply contracts from Russia in the portfolio.

The contracts with Gazprom at the Western European delivery points are further complemented by LNG agreements.

Downstream gas – 2025 strategic cornerstones

- Become leading integrated supplier with strong market presence from Northwest to Southeast Europe
- Grow the value of gas in OMV portfolio and achieve sales levels of at least 250 TWh
- Achieve 10% market share in Germany
- Solidify market leadership in Austria and Romania

Finance

OMV's value-driven finance strategy aims to enable growth, drive performance, and reward shareholders. The strategy is supported by a solid financial framework focused on returns and cash flow. OMV aims to increase the clean CCS Operating Result, clean CCS net income attributable to stockholders as well as the operating cash flow, before net working capital effects. The Group strives for a ROACE of at least 12% while maintaining a strong balance sheet and a strong investment credit rating. OMV also continues to target attractive shareholder returns.

In 2020, OMV increased its shareholding in Borealis to 75%. The cash out for the transaction amounted to

EUR 3.9 bn. In an extremely challenging macroeconomic environment due to the COVID-19 pandemic, OMV managed to successfully access the financial markets and secure funding. This, together with stringent cost and capital expenditure reduction, enabled the Group to pay the entire amount in full at closing. OMV closed the year with a gearing ratio, excluding leases, of 41%.

Finance – 2020 strategic achievements

- Achieved a positive organic free cash flow after dividends of EUR 0.4 bn
- Continued to adhere to its dividend policy and left the dividend equal to the previous year's level, at EUR 1.75 per share
- Successfully accessed the financial markets to secure funding of EUR 4.5 bn, including senior and hybrid bonds, at attractive prices
- Swiftly reacted to the macroeconomic environment and reduced spending in 2020: reduced organic investments by around 30% to around EUR 1.7 bn excluding Borealis, cut costs by more than EUR 300 mn (including exploration expenditure reduction)

Capital and cost discipline remain a priority. Thus, the Group plans for an organic capital expenditure between EUR 2.5–3 bn per year, including Borealis. For 2021, OMV expects total CAPEX of EUR 2.7 bn. In the short term, OMV is focusing on deleveraging the balance sheet, to reach a gearing ratio, excluding leases, of around 30%, by the end of 2021. In this respect, the Group is successfully implementing a EUR 2 bn divestment program by the end of 2021. In addition, OMV re-affirms its progressive dividend policy, aiming to increase dividends every year, or to at least maintain dividends at the respective previous year's level.

OMV's capital allocation priorities are as follows:

1. Organic CAPEX
2. Debt reduction
3. Progressive dividend policy

Finance – 2025 strategic cornerstones

- ROACE target of at least 12%
- Positive free cash flow after dividends
- Grow clean CCS net income attributable to stockholders
- Increase clean CCS Operating Result to EUR ≥5 bn by 2025
- Increase operating cash flow excluding net working capital effects to EUR ≥5 bn by 2025
- Long-term gearing ratio, excluding leases, of ≤30%
- Competitive shareholder return with a progressive dividend policy
- Maintain a strong investment-grade credit rating

Sustainability

We are committed to building a sustainable world worth living in – for everyone. OMV aims to provide a secure supply of affordable energy for the sustainable development of society and the economy while respecting the environment.

OMV's responsible approach to business stipulates the prevention and mitigation of sustainability risks associated with OMV's activities. We also aim to seize the opportunities presented by taking a sustainable approach to business. Growing demand for energy and accelerating climate change pose immense challenges for the energy sector. OMV clearly recognizes that climate change is one of the most important global challenges today and acknowledges the goals set forth by the Paris Climate Change Agreement. We are aware of our responsibility and we will live up to our commitment to the Paris Agreement and the EU climate targets. We are therefore transforming our business model step by step with the aim of reducing the carbon footprint of the Company. (Read more in Carbon Efficiency).

The Sustainability Strategy 2025 constitutes an integral part of the Corporate Strategy 2025 and is the sustainable component of OMV's business ambitions. Sustainable business behavior is crucial for OMV to create and protect value in the long term, to build trust-based partnerships, and to attract customers as well as the best employees, investors, and suppliers. The Sustainability Strategy's targets relating to OMV's operations and products are aligned with the production, sales, and product portfolio plans set by the Corporate Strategy. In 2020, we updated our Sustainability Strategy to set new carbon targets, including an ambition to be carbon neutral in our operations by 2050.

OMV's sustainability targets and commitments

Health, Safety, Security, and Environment (HSSE)

- **Commitments:**
  - Health, safety, security, and protection of the environment have the highest priority in all activities.
  - Proactive risk management is essential for realizing OMV's HSSE vision of "ZERO harm – NO losses."
- **Targets:**
  - Achieve zero work-related fatalities
  - Stabilize Lost-Time Injury Rate[1] at below 0.30 (per 1 million hours worked)
  - Keep leading position for Process Safety Event Rate[2]

For more information, see the chapter Health, Safety, Security, and Environment.

Carbon efficiency

- **Commitments:**
  - OMV focuses on improving the carbon efficiency of its operations and product portfolio.
  - OMV is fully committed to acting on climate change mitigation and responsible resource management.
  - OMV aims for net-zero operations by 2050 or sooner.
- **Targets for operations (scope 1):**
  - Reduce the OMV Group's carbon intensity of operations by ≥30% by 2025 vs. 2010[3]
  - Lower the carbon intensity of OMV's Upstream operations by ≥60% vs. 2010[3]
  - Lower the carbon intensity of OMV's Refining operations by ≥20% vs. 2010[3]
  - ≥1 mn t CO_2 equivalent emissions reduction in operated assets[4]
  - Achieve zero routine flaring and venting of associated gas as soon as possible, no later than 2030
- **Targets for products (scope 3):**
  - Reduce carbon intensity of the product portfolio by >6%, which equates to low- or zero-carbon products accounting for ≥60% of total products by 2025[5]

[1] Lost-Time Injury Rate is the frequency of injuries leading to lost working days, relative to one million working hours of employees and contractors.
[2] See Abbreviations and Definitions for the definition of a Process Safety Event (PSE)
[3] CO_2 equivalent emissions produced to generate a certain business output using the following business-specific metric – Upstream: t CO_2 equivalent/toe produced; refineries: t CO_2 equivalent/t throughput (crude and semi-finished products without blended volumes); power: t CO_2 equivalent/MWh produced – consolidated into an OMV Group Carbon Intensity Operations Index, based on weighted average of the business segments' carbon intensity
[4] Including divestments. The reduction will be achieved in the 2020–2025 period.
[5] Low- or zero-carbon sales comprise oil and gas to non-energy, gas to energy, renewables, power, and petrochemicals third-party sales.

Innovation

- **Commitments:**
  - OMV's innovation efforts focus on optimizing production, exploring high-end petrochemical solutions, developing innovative energy solutions, and embracing digital technologies.
  - Innovation is supported by investment and partnerships in research and development.
- **Targets for ReOil®:**
  - Develop ReOil® into commercially viable industrial-scale process (unit size of around 200,000 t per year)
- **Targets for Co-Processing:**
  - Increase the share of sustainable feedstock co-processed in the refineries to around 200,000 t per year by 2025
- **Targets for Enhanced Oil Recovery (EOR):**
  - Increase the recovery factor in the CEE region in selected fields by 5–15 percentage points by 2025 through innovative Enhanced Oil Recovery (EOR) methods

For more information, see the chapters Upstream and Downstream.

Employees

- **Commitments:**
  - OMV is committed to building and retaining a talented team of experts for integrated and international growth.
  - OMV is committed to its diversity strategy with a focus on gender equality and internationality.
- **Targets:**
  - Increase share of women at management level[1] to 25% by 2025
  - Keep high share of executives with international experience[2] at 75%

For more information, see the chapter Employees.

Business principles and social responsibility

- **Commitments:**
  - OMV strives to uphold equally high ethical standards at all locations.
  - OMV is a signatory to the United Nations (UN) Global Compact, is fully committed to the UN Guiding Principles on Business and Human Rights, and aims to contribute to the UN's 2030 Agenda for Sustainable Development.
- **Targets:**
  - Promote awareness of ethical values and principles: conduct in-person or online business ethics trainings for all employees
  - Assess Community Grievance Mechanisms at all sites against UN Effectiveness Criteria[3] by 2025
  - Conduct human rights training courses for all employees exposed to human rights risks[4] by 2025
  - Increase the number of supplier audits covering sustainability elements to >20 per year by 2025[5]

In 2020, OMV acquired a majority stake in leading polyolefins producer Borealis. Together with Borealis, OMV is committed to playing a leading role in driving the circular economy.

Like OMV, Borealis has set concrete sustainability targets. Borealis' sustainability ambition is to create a world where there is no waste of resources, no emissions into the environment and no harm to society, while delivering prosperity for Borealis.

Borealis is committed to driving the transformation towards a circular plastics economy, to ensuring process and chemicals safety, and to reducing its carbon footprint by means of improving energy intensity, increasing the share of renewable energy and zero continuous flaring and driving innovation.

In 2021, we will update our Corporate Strategy and integrate Borealis' targets, including sustainability ambitions, into the overall OMV strategy. The strategic targets referred to above do not yet include Borealis.

OMV intends to allocate significant resources to the implementation of the Sustainability Strategy 2025. Up to EUR 1 bn will be invested by OMV and Borealis in innovative energy and circular economy solutions such as ReOil® and Co-Processing by 2025.

[1] Management level: executives and advanced career level
[2] Equal to or greater than three years of living and working abroad
[3] Legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, based on engagement and dialogue
[4] Employees in corporate functions managing human rights risks as well as the corresponding functions in countries with elevated human rights risks
[5] Suppliers in scope for this target are active suppliers (at least one purchase order in the past year) who meet certain criteria such as procurement spend and strategic fit.

Carbon efficiency performance

OMV recognizes climate change as one of the most important global challenges and fully supports the goals set forth by the Paris Climate Change Agreement. OMV integrates risks and opportunities related to climate change impacts into the development of the Company's business strategy and the planning of operational activities. In this regard, OMV aims to reduce its carbon footprint in an effort to mitigate the impact of its operations and product portfolio on climate change.

OMV implements measures aimed at optimizing its operational processes, increasing energy efficiency, reducing flaring and venting, and reducing methane emissions through leakage detection and improvement of asset integrity. For instance, four steam turbines generate 85% of the electricity needed to operate the Schwechat refinery. In the course of a planned inspection of one of these steam turbines, we implemented a technological advance: specially molded turbine blades that increase efficiency and reduce CO_2 emissions. By 2021, a total of three turbines will be modernized, decreasing CO_2 emissions by some 60,000 t per year. We will continue phasing out routine flaring and venting as soon as possible, but no later than 2030, as part of OMV's commitment to the World Bank's "Zero routine flaring by 2030" initiative. We are also increasingly turning to renewable sources of electricity to power our operations. OMV and electricity producer VERBUND joined forces to build Austria's largest photovoltaic plant. The east-west facing solar park, which started operating in December 2020, uses 34,600 PV modules to produce around 10.96 GWh of solar power in the first phase of construction. This reduces emissions by around 8,000 t of CO_2 per year in the first step. This number will increase to 10,000 t once the second construction phase is finalized.

A cornerstone of our climate strategy is increasing the share of low- and zero-carbon products in our product portfolio. Natural gas is the fossil fuel with the lowest carbon intensity and supports the integration of renewable energy into the energy grid. Based on our Upstream production project pipeline, we will increase the share of natural gas in our Upstream portfolio to around 60% by 2025. This reinforces OMV's strategy of placing the focus on natural gas production rather than oil.

Oil remains a valuable and important raw material which, however, will be refined in petrochemical processes rather than burned as a fuel. OMV focuses on high-quality refinery products such as low-emission premium fuels and feedstocks for the chemical industry. The acquisition of Borealis in 2020 was a key step to transforming our product portfolio with the goal of using our equity oil to produce petrochemicals.

In addition to increasing the share of natural gas and petrochemical products in our portfolio, we also focus on alternative fuels such as hydrogen and electromobility options.

For instance, OMV is currently developing a first-of-its-kind green hydrogen production system based on a 10 MW electrolysis plant at the Schwechat refinery as part of the UpHy project. The electrolysis will be powered by renewable electricity, producing true green, zero-carbon hydrogen. The initial plan is to use the green hydrogen in the refinery in Schwechat for the hydration of vegetable oil and fossil fuels, thereby reducing the CO_2 emitted by up to 15,000 t per year. The second step will be to use the green hydrogen for decarbonizing hard-to-electrify transportation segments like buses and trucks.

In 2020, OMV achieved an outstanding CDP Climate Change score of A– (Leadership) for the fifth time in a row. With its CDP Climate Change score, OMV is among 20 companies in the global oil and gas sector that achieved a leadership score and among the top 5 companies across all sectors in Austria. In addition, the Transition Pathway Initiative (TPI) has assigned OMV the highest level (Level 4: strategic assessment) rating for carbon management quality.

Business principles and social responsibility performance

Business ethics and compliance

OMV is a signatory to the UN Global Compact and has a Code of Business Ethics in place that applies to all employees. Although we are headquartered in Austria – a country with high business ethics standards – we operate in several countries in the Middle East, North Africa, Asia-Pacific, and Central and Eastern Europe that are defined as high risk by the Transparency International Corruption Perception Index. We strive to avoid the risks of bribery and corruption that are specific to our sector. We also highly value our reputation. Therefore, our highest priority is ensuring uniform compliance with our business ethics standards wherever we operate. Compliance with ethical standards is a non-negotiable value that supersedes any business interest. Absolute commitment to this objective is embedded at all levels at OMV from top management to every employee. Our business partners are also expected to share the same understanding of and commitment to ethical standards. Every activity of the Company, from planning business strategy to daily operations, is assessed for compliance with ethical standards, such as the Code of Conduct and Code of Business Ethics.

A dedicated cross-regional compliance organization consisting of 37 compliance experts ensures that OMV standards are consistently met across the Group. In 2020, face-to-face business ethics trainings were conducted with 496 employees. The Integrity Platform provides an anonymous whistleblower mechanism for OMV employees and external stakeholders, such as suppliers. They can use this platform to report issues of non-compliance with legal regulations, the Code of Business Ethics, or other internal guidelines of the OMV Group.

Supplier compliance

OMV has a Code of Conduct in place that ensures that suppliers support OMV's principles. Corporate and legal HSSE requirements are communicated to potential suppliers at the tender stage. In order to mitigate supply chain risks including forced labor, slavery, human trafficking, and corruption, OMV imposes the legal requirements and internal rules and standards applicable to OMV on its suppliers. Our suppliers are obligated to fully comply with the content of the Code of Conduct, and all supply chain partners are required to sign the Code of Conduct. OMV reserves the right to terminate relationships with suppliers if non-compliance with applicable policies is discovered or if non-compliance is not addressed in a timely manner. OMV has a process in place to ensure that parties sanctioned by the EU or international organizations, such as the United Nations, are not accepted as procurement partners.

OMV Procurement conducts assessments of its strategic suppliers with respect to Environment, Social, and Governance (ESG) issues in order to raise awareness of OMV's ESG commitments. In 2020, Procurement carried out ESG assessments of 16[1] strategic suppliers and performed 18 audits covering sustainability topics. In 2020, we paid considerable attention to our climate change and carbon management plans along the supply chain. We also shared our strategic approach and examples for improving carbon footprints with a view to 2021 and beyond.

Human rights

Human rights are universal values that guide our conduct in every aspect of our activities. We have been a signatory to the UN Global Compact since 2003 and are fully committed to the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the Universal Declaration of Human Rights. OMV considers human rights to be an important aspect of our risk management approach, which is integrated into our decision-making processes. OMV recognizes its responsibility to respect, fulfill, and support human rights in all business activities and to ensure that OMV does not become complicit in any human rights abuses as defined under current international law.

In 2020, we conducted 1 human rights risk assessment at country level to identify and assess on-going and emerging human rights impacts and resulting potential risks relevant to OMV business activities in the country, in order to prevent and mitigate human rights risks and impacts. A total of 2,304 employees received training on human rights topics through the e-learning tool and in-person training sessions (2019: 9,241). As professional training is essential to ensure compliance with our human rights commitment, we have set ourselves the goal of training, by 2025, all employees who are highly exposed to human rights topics, such as security, human resources, procurement, and community relations managers. By 2020, 79% of the target group was trained. In addition, an internal awareness campaign on human rights was implemented. In 2020, 0 incidents of human rights violations (child labor, harm to indigenous people, or discrimination) were reported (2019: 0).

[1] Data excluding Borealis

Community relations and development

OMV maintains an active partnership with local communities in all countries in which the Company does business and is committed to adding value to these societies. As part of OMV's stakeholder dialogue, we have implemented community grievance mechanisms at all operating sites. In 2020, OMV registered 812 grievances (2019: 1,196) from the community grievance mechanisms. All of the grievances were handled in accordance with OMV's localized Community Grievance Management (CGM) procedures, which stipulate a stringent approach to systematically receiving, documenting, addressing, and resolving grievances in all of the countries where we operate.

OMV's Sustainability Strategy 2025 has set the goal of aligning the CGM system at all sites with the Effectiveness Criteria of the United Nations Guiding Principles. We are implementing this target by conducting assessments that include reviews of management processes and consultations with internal and external stakeholders. The assessments result in recommendations and tailored action plans to improve grievance management at site level. The action plans are implemented by local management and monitored by headquarters. In 2020, we conducted an assessment in New Zealand and established a CGM in line with UN Effectiveness Criteria in Malaysia. The assessments are performed by an independent third-party consulting firm. The sites already assessed represent 98% of all registered grievances at OMV in 2020.

For more information about OMV's Environmental, Social, and Governance (ESG) ratings and the indices in which OMV is included, see the chapter OMV on the Capital Markets.

For management approaches and performance details for all material topics, see the stand-alone OMV Sustainability Report 2020. This report also serves as the separate consolidated non-financial report of OMV Aktiengesellschaft in accordance with section 267a of the Austrian Commercial Code (UGB).

Health, Safety, Security, and Environment

Health, safety, security, and protection of the environment are key values at OMV. The integrity of OMV's operating facilities, loss prevention, proactive risk management, and climate change mitigation are essential for attaining OMV's HSSE vision of "ZERO harm – NO losses."

HSSE Strategy

To achieve this vision, the OMV Group's HSSE Strategy 2025 was established as an integral part of the OMV Sustainability Strategy. The HSSE Strategy focuses on the cross-functional goals of strong HSSE commitment and leadership, increased efficiency and effectiveness of HSSE processes, management of HSSE risks, and skilled people, as well as subject matter goals in the areas of

- Health: improve the ability to work through integrated health management
- Safety: build on sustainable safety for people and plants
- Security: protect people and assets from emerging malicious intentional threats
- Environment: minimize the environmental footprint throughout the entire lifecycle of activities

Health, safety, and security

In 2020, the combined Lost-Time Injury Rate (LTIR) for OMV employees and contractors was 0.32 (2019: 0.34), and our combined Total Recordable Injury Rate (TRIR) was 0.60 (2019: 0.95). We had no work-related fatalities[1].

In Upstream, our combined efforts resulted in an LTIR of 0.22 (2019: 0.43). This was a significant improvement year-on-year. We had 12 High Potential Incidents (HiPos) which could have resulted in serious or even fatal injuries under slightly different circumstances. We continued our focus on the wellbeing of the workforce and our safety culture. We conducted five global contractor performance meetings, which all had a significant HSSE component. At Hub level, contractor and supplier management continued to offer opportunities for HSSE improvement through auditing and review.

Downstream's HSSE performance in 2020 was again very good and remained at competitive levels compared to international benchmarks in an overall challenging environment heavily impacted by the COVID-19 pandemic. Process safety assessments as well as improvement measures were always a high priority. The number of High Potential Incidents (HiPos) significantly dropped from 29 in 2019 to 21 in 2020. The LTIR in 2020 was 0.41 (2019: 0.22). Special emphasis during the year was placed on contractor management, training on various emergency and crisis management scenarios, and leadership engagement.

OMV Group safety performance

In mn hours worked

	2020	2019
Company		
Lost-Time Injury Rate	0.43	0.51
Total Recordable Injury Rate	0.83	1.26
Contractors		
Lost-Time Injury Rate	0.27	0.27
Total Recordable Injury Rate	0.48	0.81
Total (Company and contractors)		
Lost-Time Injury Rate	0.32	0.34
Total Recordable Injury Rate	0.60	0.95

Employee wellbeing and health are the foundation for successful company performance as they are core elements of ensuring the ability to work. The year 2020 was dominated by the worldwide COVID-19 pandemic. Our medical teams and service providers were challenged to support the emergency management teams in updating and implementing pandemic preparedness plans, guidelines, and health information and supporting COVID-19-infected employees at home and in hospitals. In addition, OMV continued its long tradition of offering healthcare and preventive health programs, such as cardiovascular disease prevention programs, voluntary health checks, vaccinations (mainly flu), and virtual health hours, which far exceed local statutory requirements.

[1] Borealis data are included as of the closing date.

During 2020, the COVID-19 pandemic also brought significant challenges to safety management. At operational level, we implemented protection measures such as strictly separated teams in key areas, hygiene measures, and constant awareness building. Despite travel limitations and thanks to digital communication and collaboration tools, we conducted a number of key safety-related activities:

- We rolled out a newly developed e-learning module about the Life Saving Rules to remind our employees about simple rules to prevent hazards that carry the greatest potential for serious injuries.
- The Safety Culture reassessments were completed as planned, some of them in virtual meetings.
- The coordinators of the safety culture program met quarterly in a virtual forum to exchange best practice across the OMV Group worldwide. The half-yearly meetings with the program owner were conducted online.
- Contractor HSSE management is key to the OMV Group's safety performance. We therefore trained beneficiaries and procurement staff on the updated internal regulations framework. We conducted strategic supplier meetings with the main contractors to share information, experience, and expectations.
- We introduced a harmonized set of KPIs for process safety. With the goal of developing a Group-wide process safety road map in mind, we worked out a concept and guidance for the ventures, assets, and refineries on how to compile local road maps for their facilities. In addition, we built the OMV Group's process safety network on an online collaboration platform and held virtual meetings with more than 150 participants, including senior management.
- The rollout of the new cloud-based HSSE reporting tool took place successfully.

Tensions in the geopolitical landscape remained at a consistent baseline at the close of 2020, with all threat and risk profiles confirming previously known trends and patterns. We continue to monitor these geopolitical situations, accelerating our understanding of strategic events to proactively identify any emergent threat and risk profiles that might intersect with our regional business planning. This included incidents of armed conflict, civil unrest, targeted activism, and criminality which have manifested at local, national, regional, and international levels. The Middle East continues to maintain a consistent geopolitical trajectory and therefore remains a crucial region for Corporate Security.

Our Crisis Management and Resilience procedures proved invaluable during the early containment phases of the 2020 COVID-19 pandemic. Local Emergency Management Teams were quick to take the initiative, working closely with their Corporate Management Team to execute the Executive Board's pandemic strategy. Our unique Integrated Travel Security Platform allowed us to immediately manage and, where required, restrict travel to specific countries as they became subject to heightened infection rates and international travel restrictions. Effective utilization of this platform was fundamental in the proactive relocation of employees and families from countries with critical infection rates.

Corporate Security continued to deliver global operational support, governance, and oversight throughout 2020, and will maintain a comparable and effective security strategy for 2021. OMV will thus be able to further operate in dynamic environments with converging asymmetric threats.

Environmental management

Due to the nature of its operations, OMV has an impact on the environment. The Group strives to minimize that impact at all times, particularly in terms of spills, energy efficiency, greenhouse gas (GHG) emissions, as well as water and waste management. OMV aims to optimize processes to use natural resources as efficiently as possible and to reduce emissions and discharges.

In 2020, there were two major hydrocarbon spills (level 3 out of five levels; 2019: one). The total volume of hydrocarbon spilled decreased compared to the previous year. OMV continued to improve its oil spill response preparedness and capabilities.

Key environmental actions and achievements in 2020:

- Water risk assessment related to the operations of Arpechim Terminal in Downstream and Muntenia Asset in Upstream: Both the river basin data and the industrial activity data were analyzed by using an methodology developed by the World Wide Fund for Nature.
- Significant improvement of water use efficiency: At Oltenia Asset, freshwater withdrawal intensity decreased by 70% in 2020 versus 2019 because new facilities in the Hurezani and Bustuchin gas processing and compressor stations now use air/glycol cooling instead of water cooling. Arpechim Terminal was able to reduce freshwater withdrawal by 35% compared to 2019 by optimizing the pretreated water distribution system and the fire water system.
- Rerouting of 2.5 km of the main oil pipeline from the Petromar offshore platform to the onshore terminal to mitigate the potential operational risk to an environmentally sensitive area of the Danube Delta Biosphere Reserve: The old pipeline segment was decommissioned, and the land returned to its original state. The protected habitat was not affected.
- Support of biodiversity projects in New Zealand: Further details can be found in the Sustainability Report.
- Update of the Group's Environmental Management Standard establishing minimum requirements for odor emissions

Employees

We know that it is our 25,000 employees (incl. Borealis) who turn our strategy into results and success. We are proud of the result we have achieved together. Trust and pride in the organization fuel our employees' energy and determination to tackle challenges and to focus on innovative solutions to make us even stronger.

OMV's People Strategy

In 2020, the COVID-19 situation required considerable additional focus from our organization's HR function. We continue to build on our strategic priorities to unlock our organization's full potential and to strengthen the foundation for growth and success:

- Implement a continuous listening strategy
- Increase organizational agility
- Increase focus on diversity and inclusion
- Ensure OMV remains a great place to work

Highlights of 2020

During the COVID-19 pandemic, many employment-related measures were newly implemented to not only protect the health, wellbeing, and economic situation of our employees, but also to ensure that we foster a supportive culture throughout the year. By closely monitoring the immense legislative output, we succeeded in maintaining full labor law compliance while also offering our staff new options for relief for their pandemic-induced personal situations and needs. Employees were offered various new solutions (depending on the local jurisdiction) to more flexibly combine work duties and care obligations. Work from home was made available to all staff where practically and technically feasible. The "Working From Home Guide" was created as a virtual guide with tips and tricks to improve virtual teams and the use of technology. Learning Collections were provided to enable employees to learn how to lead during crisis times, how to manage stress, and how to work virtually. Information and advice on all employee-relevant questions was provided on a permanent basis. Reliable internal processes to mirror new administrative rules were promptly implemented. Free psychological support was offered to all employees including talking to professionals to help cope with the COVID-19 situation. Due to the extensive organizational efforts and the outstanding flexibility of our employees, we were able to avoid measures like short-time work or redundancies.

Especially in 2020, we had to ensure increased communication with our employees. Part of this communication effort was a continuous listening strategy intended to improve how our organization listens to our employees to obtain their feedback as well as their input and ideas (through quick polls, Q&A and listening circles). The quick poll showed that employees feel well supported, and this resulted in an increased engagement rate. We continued to make "remaining a great place to work" our strategic priority: After all, 9 out of 10 employees recommend OMV as a workplace.

Continuing our Digital Journey, our focus last year was on stepping up global and virtual programs that are easily accessible and facilitated in-house. By switching to virtual and online training, we were able to continue these despite COVID-19 restrictions. At the end of 2020, we were proud to report that we were able to keep the participation rate as high as in 2019.

Number of training participants[1,2,3]

	2020	2019
Austria	3,662	3,579
Romania/rest of Europe	10,914	11,317
Middle East and Africa	769	715
Rest of the world	699	712
Total	**16,044**	**16,323**

Money spent on training per region[1,2,3]

In EUR

	2020	2019
Austria	1,512,514	2,722,418
Romania/rest of Europe	2,477,244	4,836,744
Middle East and Africa	134,197	381,065
Rest of the world	225,262	330,999
Total	**4,349,217**	**8,271,226**

[1] Excluding conferences and trainings for external employees
[2] Excluding Avanti GmbH, Borealis Group, DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft. Gas Connect Austria GmbH, and SapuraOMV Upstream
[3] Number of employees who received at least one training

OMV and Borealis have joined forces and will continue to grow stronger together. A larger business means that a broader range of professional development opportunities are available. We focus on strategic talent exchanges between both companies, secondments and international assignments for critical projects and/or personal growth, and cross-divisional transfers for continuous career development.

Our second strategic investment entails providing career opportunities with SapuraOMV. We are proud of our partnership with SapuraOMV and our ability to offer assignments for OMV employees into SapuraOMV and vice versa, which strengthens our employees' experience and skill sets.

Diversity

We have introduced several global initiatives as part of our ongoing commitment to gender diversity at OMV. The first highlight is the launch of a new women's leadership program, SHEnergy, focused on personal advancement and developing the leadership skills of current and future female leaders.

Secondly, we held Career Aspiration Talks to raise the visibility of women in our Company. In doing so, we aim to also strengthen our pipeline of future female leaders. These individual talks with a panel of senior managers and HR help us learn about our female employees' career aspirations so that we in turn can support them by providing development opportunities and job recommendations.

As a result, the percentage of women in the Group (including Borealis) is about 25% (2019: 26% excluding Borealis). 20.7% (excluding Borealis; 2019: 19.6%) of employees in advanced management and executive positions are female.

Employee key figures

At the end of 2020, OMV employed 25,291 persons (including Borealis). Compared with 2019, the number of employees increased by 27.4%.

Employees[1]

		2020	2019
Employees by region			
Austria		3,938	3,965
Romania/rest of Europe		12,539	14,219
Middle East and Africa		587	686
Rest of the world		974	975
Borealis Group		7,253	
Total number of employees		**25,291**	**19,845**
Diversity			
Female	in %	25	26
Male	in %	75	74
Female Senior Vice Presidents[2]	in %	15	16
Number of nationalities[3]		**101**	**77**

[1] Regional split available for the OMV Group excluding Borealis (based on legal entity)
[2] Excluding Avanti GmbH, Borealis Group, DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft. Gas Connect Austria GmbH, and SapuraOMV Upstream
[3] Excluding Avanti GmbH, DUNATÀR Köolajtermék Tároló és Kereskedelmi Kft. Gas Connect Austria GmbH, and SapuraOMV Upstream

OMV Group Business Year

In the year 2020, OMV recorded a clean CCS Operating Result of EUR 1.7 bn. The cash flow from operating activities amounted to EUR 3.1 bn. Despite the very challenging market environment, OMV delivered an organic free cash flow before dividends of EUR 1.3 bn, which was more than sufficient to cover the payment of dividends in the amount of EUR 879 mn. The inorganic cash flow from investing activities was EUR 4.1 bn, mainly reflecting the acquisition of the additional share in Borealis.

Business environment

After years of solid global economic growth, the world experienced a shock in 2020 from COVID-19. The global pandemic and related health crisis caused a strong global economic recession. Several lockdown periods in different countries on various continents during 2020 led to significant economic distortions along industrial production, trade, and supply chains and adversely affected all sectors reliant on contact-intensive interactions (tourism, travel, hospitality, culture, entertainment).

Global economic output fell by 3.5% in 2020, implying reduced economic activity across all sectors and elevated unemployment rates. In 2021, economic performance should rebound to somewhat above 2019 levels. However, the expected recovery will be heavily influenced by the great uncertainty as to the future course of the pandemic and the associated disruptions of domestic activity, the effects of government-implemented economic support policies in response, and global and regional economic spill-over effects. Global trade contracted by almost 10% in 2020 caused by substantial disruptions in global supply chains and trade restrictions (e.g., on medical supplies). A return of the economy to its pre-crisis framework and structure will depend on the successful global penetration of a vaccination and treatments.

The varying regional speed of pandemic waves has led to huge disparities in economic performance on different continents. The eurozone's gross domestic product (GDP) fell by 7.2% in 2020. In the emerging and developing Asian countries, this figure decreased by only 1% due to rigorous quarantine and contract tracing measures, especially in China, which enabled a return to growth in late 2020.

The economic environment in Central and Eastern European countries kept pace with the EU average, with GDP declining by between –2% (Serbia) and –9.4% (Croatia). The difference depended on the regional duration and scale of lockdowns, and the GDP sector composition. Massive government spending in all countries aimed to support economic recovery, but increased national debt to record levels.

Germany's GDP declined by 5.4% in 2020 as a result of domestic COVID-19 restrictions as well as negative effects in the country's main export markets. The industrial and service sectors continued to suffer, while other sectors were able to rebound as soon as lockdown restrictions eased. In Austria, GDP fell by 7.4% in 2020 due to stronger lockdown restrictions and the affected tourism/service sector accounting for a larger share of the economy. Romania's economy contracted by 5.5% (greater than the Eurozone average) due to its GDP's reduced reliance on services and the buoyancy of the construction sector.

Global oil demand declined by 8.8 mn bbl/d in 2020 after a new record high level of 100.0 mn bbl/d in 2019. The spread of COVID-19 from Asia to Europe and the United States (and other continents) in the first and second quarter 2020 led to various global containment measures. As a result, nearly all major oil products were impacted negatively. Road transportation fuels, including gasoline and gasoil/diesel declined by around 5 mn bbl/d globally. However as soon as lockdown restrictions eased, consumption slowly returned to pre-crisis levels by the end of 2020. Jet fuel/kerosene witnessed an exceptional decline due to air travel and mobility restrictions, falling 3.2 mn bbl/d. It will take a multi-year recovery to return to 2019 levels when global tourism revives.

Regionally, European oil product demand felt a greater impact (–13%) than Asia (–5%), where lockdown measures were eased in the second half of 2020 and economic growth recovered.

Global oil demand disruptions led to sudden significant disparities in global oil production – especially in the second quarter 2020. In March, the OPEC+ alliance and additional oil producing countries agreed to a significant immediate oil production cut and a stepwise return by 2021, which was implemented with a high production compliance rate. The oil price drop dried up US crude oil production (–0.9 mn bbl/d vs. 2019) and ushered in an exceptional wave of bankruptcies, lagging investments, and consolidation. Libya, Venezuela, and Iran, all exempt from the OPEC+ cuts, managed to raise output. Most of this came from Libya, which rapidly increased production from approximately 100 kbbl/d to around 1 mn bbl/d after a cease-fire agreement was signed in September. Iran and

Venezuela remained affected by US sanctions and infrastructure constraints, which left their production at comparatively low levels.

The price of Brent crude started with peaks around USD 65–70/bbl before a dramatic collapse to about USD 13/bbl during the second quarter 2020, when the full impact of COVID-19 lockdowns hit the United States and Europe. Effective OPEC+ supply management and the gradual recovery of economic activity, particularly in Asia, led to a surge in oil prices to around USD 50/bbl at the end of 2020. This was also fueled by the positive mood around the start of vaccination programs and economic stimulus measures. Overall, the average Brent crude price was approximately USD 42/bbl in 2020, its lowest level since 2004.

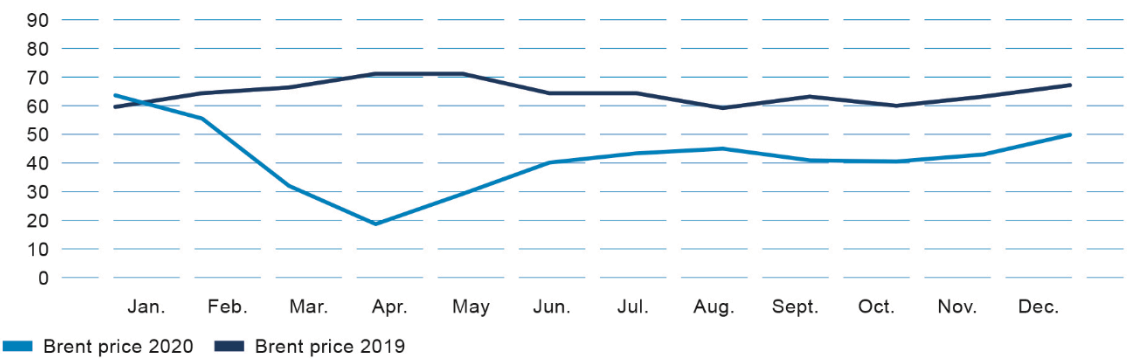
Low commodity prices and an unstable financial and liquidity environment caused an approximately 18% decline in energy investments by energy companies in 2020. Oil and gas investments declined by nearly 40% in 2020 (vs. 2019). This will have to be compensated for in the coming years to ensure the required oil and gas production for covering future global oil demand.

Oil product demand in the Central and Southeast European countries relevant to OMV followed the global decline trend. Transportation fuel demand fell by around 8% for gasoline and diesel and by more than 50% for jet fuel in the relevant markets in 2020. Austria's market volume reached 9,6 mn t (–16% compared to 2019), with demand for fuels down and demand for heating oil increasing due to a favorable cost situation. In total, Austrian energy demand likely fell by –8% in 2020. The Romanian oil product market seemed less exposed to the impact of COVID-19, only declining by –3% compared to 2019.

Global gas demand declined by only around –4% in 2020 due to a milder COVID-19 impact on gas fundamentals than was the case for oil. However, the global gas supply (mainly LNG exports) continued to rise significantly, triggered by an investment cycle in recent years. The greater cyclical oversupply led to extraordinarily low gas prices in Europe (around EUR 7/MWh during the summer months) and Asia. In Austria, gas demand fell by some –4% in 2020, while natural gas imports and domestic production dropped by –12% and –18%, respectively. This was compensated for by higher storage withdrawal rates after last year's record-high storage level of 90 TWh.

Crude price (Brent) – monthly average

In USD/bbl



Financial review of the year

Key financials

in EUR mn (unless otherwise stated)

		2020	2019	Δ
Sales revenues[1]	in EUR mn	16,550	23,461	(29)%
Clean CCS Operating Result[2]	in EUR mn	**1,686**	**3,536**	**(52)%**
Clean Operating Result Upstream[2]	in EUR mn	145	1,951	(93)%
Clean CCS Operating Result Downstream[2]	in EUR mn	1,514	1,677	(10)%
Clean Operating Result Corporate and Other[2]	in EUR mn	(47)	(67)	30%
Consolidation: Elimination of inter-segmental profits	in EUR mn	74	(25)	n.m.
Clean CCS Group tax rate	in %	32	38	(6)
Clean CCS net income[2]	in EUR mn	1,026	2,121	(52)%
Clean CCS net income attributable to stockholders[2,3]	in EUR mn	**679**	**1,624**	**(58)%**
Clean CCS EPS[2]	in EUR	2.08	4.97	(58)%
Special items[4]	in EUR mn	**(220)**	**(64)**	**n.m.**
thereof Upstream	in EUR mn	(1,282)	(71)	n.m.
thereof Downstream	in EUR mn	1,071	31	n.m.
thereof Corporate and Other	in EUR mn	(9)	(24)	n.m.
CCS effects: inventory holding gains/(losses)	in EUR mn	(416)	110	n.m.
Operating Result Group	in EUR mn	**1,050**	**3,582**	**(71)%**
Operating Result Upstream	in EUR mn	(1,137)	1,879	n.m.
Operating Result Downstream	in EUR mn	2,160	1,847	17%
Operating Result Corporate and Other	in EUR mn	(56)	(91)	38%
Consolidation: Elimination of inter-segmental profits	in EUR mn	83	(54)	n.m.
Net financial result	in EUR mn	(175)	(129)	(35)%
Group tax rate	in %	(69)	38	n.m.
Net income	in EUR mn	1,478	2,147	(31)%
Net income attributable to stockholders[3]	in EUR mn	**1,258**	**1,678**	**(25)%**
Earnings Per Share (EPS)	in EUR	3.85	5.14	(25)%
Cash flow from operating activities	in EUR mn	3,137	4,056	(23)%
Free cash flow before dividends	in EUR mn	(2,811)	(583)	n.m.
Free cash flow after dividends	in EUR mn	(3,690)	(1,441)	(156)%
Organic Free cash flow before dividends[5]	in EUR mn	1,273	2,119	(40)%
Organic Free cash flow after dividends	in EUR mn	394	1,261	(69)%
Gearing ratio exluding leases	in %	41	22	19
Leverage ratio	in %	32	22	10
Capital expenditure[6]	in EUR mn	6,048	4,916	23%
Organic capital expenditure[7]	in EUR mn	1,884	2,251	(16)%
Clean CCS ROACE	in %	5	11	(6)
ROACE	in %	**8**	**11**	**(4)**

[1] Sales revenues excluding petroleum excise tax

[2] Adjusted for special items and CCS effects; further information can be found in Note 4 – Segment Reporting – of the Consolidated Financial Statements

[3] After deducting net income attributable to hybrid capital owners and net income attributable to non-controlling interests

[4] The disclosure of special items is considered appropriate in order to facilitate the analysis of the ordinary business performance. To reflect comparable figures, certain items affecting the result are added back or deducted. Special items from equity-accounted companies and temporary hedging effects for material transactions are included.

[5] Organic free cash flow before dividends is cash flow from operating activities less cash flow from investing activities excluding disposals and material inorganic cash flow components (e.g., acquisitions)

[6] Capital expenditure including acquisitions

[7] Organic capital expenditure is defined as capital expenditure including capitalized Exploration and Appraisal expenditure and excluding acquisitions and contingent considerations.

Notes to Key Financials

Clean CCS Operating Result

Special items and CCS effect

In EUR mn

	2020	2019	Δ
Clean CCS Operating Result[1]	**1,686**	**3,536**	**(52)%**
Special items	**(220)**	**(64)**	**n.m.**
thereof: Personnel restructuring	(39)	(34)	(16)%
thereof: Unscheduled depreciation / write-ups	(1,084)	(39)	n.m.
thereof: Asset disposal	19	5	n.m.
thereof: Other	885	4	n.m.
CCS effects: inventory holding gains/(losses)	**(416)**	**110**	**n.m.**
Operating Result Group	**1,050**	**3,582**	**(71)%**

[1] Adjusted for special items and CCS effects

Sales revenues decreased by 29% to EUR 16,550 mn, driven by the overall lower global commodity price environment and fallen sales volumes for most products, mainly caused by the effects of the COVID-19 pandemic and partially compensated by higher natural gas sales volumes in the Downstream segment. The **clean CCS Operating Result** declined considerably from EUR 3,536 mn in 2019 to EUR 1,686 mn. The contribution from Upstream amounted to EUR 145 mn (2019: EUR 1,951 mn). In Downstream, the clean CCS Operating Result stood at EUR 1,514 mn (2019: EUR 1,677 mn). The **clean CCS Group tax rate** in 2020 was 32% (2019: 38%), reflecting the lower contribution from Upstream, in particular from countries with high tax regimes. The **clean CCS net income** went down to EUR 1,026 mn (2019: EUR 2,121 mn). The **clean CCS net income attributable to stockholders** amounted to EUR 679 mn (2019: EUR 1,624 mn). **Clean CCS Earnings Per Share were** EUR 2.08 (2019: EUR 4.97).

Net special items of EUR (220) mn were recorded in 2020 (2019: EUR (64) mn). In Upstream, net special items in 2020 amounted to EUR (1,282) mn (2019: EUR (71) mn) and were mainly related to the impairments triggered by OMV's revision of its long-term price assumptions for Brent crude oil. The Downstream net special items amounting to EUR 1,071 mn in 2020 (2019: EUR 31 mn) mainly included a step-up in the valuation of the previously owned 36% share in Borealis. In Corporate and Other, net special items amounted to EUR (9) mn in 2020 (2019: EUR (24) mn). **CCS effects** of EUR (416) mn (2019: EUR 110 mn) were recognized in 2020.

The OMV Group's **reported Operating Result** decreased substantially to EUR 1,050 mn (2019: EUR 3,582 mn). The **net financial result** decreased to EUR (175) mn (2019: EUR (129) mn). The **Group tax rate** was significantly affected by income coming from tax synergies from the acquisition of additional shares in Borealis that led to a write-up of deferred tax assets in the Austrian tax group (among other effects). **Net income** thus amounted to EUR 1,478 mn (2019: EUR 2,147 mn). The **net income attributable to stockholders** was EUR 1,258 mn compared to EUR 1,678 mn in 2019. **Earnings Per Share** decreased to EUR 3.85 compared to EUR 5.14 in 2019.

More details on special items and CCS effects can be found in Note 4 – Segment Reporting – of the Consolidated Financial Statements.

Gearing ratio excluding leases and Leverage ratio

Gearing ratio excluding leases

In EUR mn (unless otherwise stated)

	2020	2019	Δ
Bonds	8,869	5,802	53%
Other interest-bearing debts[1]	2,130	769	177%
Debt excluding leases	**10,999**	**6,570**	**67%**
Cash and cash equivalents[2]	2,869	2,938	(2)%
Net debt excluding leases	**8,130**	**3,632**	**124%**
Equity	**19,899**	**16,863**	**18%**
Gearing ratio excluding leases in %	**41%**	**22%**	**19**

[1] Including other interest-bearing debts that were reclassified to liabilities associated with assets held for sale
[2] Including cash and cash equivalents that were reclassified to assets held for sale

Leverage ratio[1]

In EUR mn (unless otherwise stated)

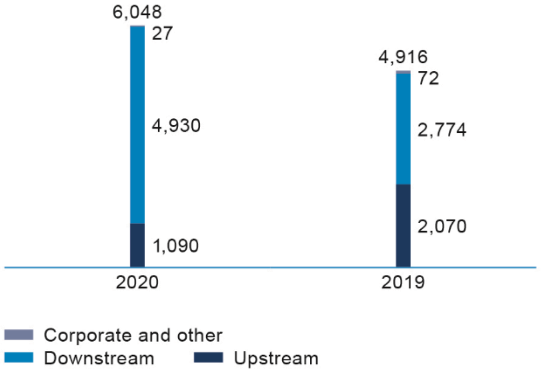
	2020	2019	Δ
Net debt excluding leases	**8,130**	**3,632**	**124%**
Lease Liabilities[2]	1,217	1,054	15%
Net debt including leases	**9,347**	**4,686**	**99%**
Capital employed[3]	**29,246**	**21,549**	**36%**
Leverage ratio in %	**32%**	**22%**	**10**

[1] Defined as net debt including leases-to-capital employed
[2] Including lease liabilities that were reclassified to liabilities associated with assets held for sale
[3] Equity plus net debt including leases

Capital Expenditure (CAPEX)

Total CAPEX

In EUR mn



Upstream CAPEX decreased mainly as a result of a cut-back of capitalized E&A following a widespread effort to reduce spending in 2020. 2019 was impacted by the acquisition of a 50% interest in SapuraOMV in Malaysia.

Downstream CAPEX increase was mainly related to the acquisition of an additional 39% share in Borealis AG.

The **reconciliation** of total expenditure to the **investments as shown in the cash flow statement** is depicted in the following table:

Capital expenditure[1]

In EUR mn

	2020	2019	Δ
Total capital expenditure	**6,048**	**4,916**	**23%**
+/– Changes in the consolidated Group and other adjustments	(3,954)	(411)	n.m.
– Investments in financial assets	(156)	(2,155)	93%
Additions according to statement of non-current assets (intangible and tangible assets)	**1,938**	**2,351**	**(18)%**
+/– Non-cash changes	21	(193)	n.m.
Cash outflow from investments in intangible assets and property, plant and equipment	**1,960**	**2,158**	**(9)%**
+ Cash outflow from investments, loans and other financial assets	194	2,265	(91)%
+ Acquisitions of subsidiaries and businesses net of cash acquired	3,880	460	n.m.
Investments as shown in the cash flow statement	**6,034**	**4,883**	**24%**

[1] Includes acquisitions as well as equity-accounted investments and other interests; adjusted for capitalized decommissioning costs, exploration wells that have not found proved reserves, borrowing costs and other additions that by definition are not considered capital expenditure

Notes to the cash flow statement

Summarized cash flow statement

In EUR mn

	2020	2019	Δ
Sources of funds	2,786	4,264	(35)%
Cash flow from operating activities	3,137	4,056	(23)%
Cash flow from investing activities	(5,948)	(4,638)	28%
Free cash flow	(2,811)	(583)	n.m.
Cash flow from financing activities	2,808	(484)	n.m.
Effect of exchange rate changes on cash and cash equivalents	(66)	(22)	n.m.
Net (decrease)/increase in cash and cash equivalents	(69)	(1,088)	(94)%
Cash and cash equivalents at beginning of period	2,938	4,026	(27)%
Cash and cash equivalents at end of period	**2,869**	**2,938**	**(2)%**
thereof cash disclosed within Assets held for sale	15	7	116%
Cash and cash equivalents presented in the consolidated statement of financial position	**2,854**	**2,931**	**(3)%**
Free cash flow after dividends	**(3,690)**	**(1,441)**	**156%**

Cash flow from operating activities amounted to EUR 3,137 mn, down by EUR 919 mn compared to 2019, significantly impacted by a worsened market environment, mainly caused by the effects of the COVID-19 pandemic.

Cash flow from investing activities showed an outflow of EUR 5,948 mn in 2020, compared to EUR 4,638 mn in 2019. 2020 included a net cash outflow of EUR 3,870 mn related to the acquisition of an additional 39% stake in Borealis AG while 2019 contained a cash outflow of EUR 460 mn related to the acquisition of a 50% interest in SapuraOMV and a cash outflow of EUR 2,095 mn related to the acquisition of a 15% stake in the ADNOC Refining business. Cash flow from investing activities in 2020 included a cash outflow of EUR 18 mn related to the financing agreements for the Nord Stream 2 pipeline project (2019: EUR 113 mn).

Cash flow from financing activities showed an inflow of EUR 2,808 mn compared to an outflow of EUR 484 mn in 2019 mainly attributable to the issuance of bonds of EUR 3.25 bn and hybrid bonds of EUR 1.25 bn in 2020, while 2019 included new bonds of EUR 1.3 bn.

Notes to the income statement

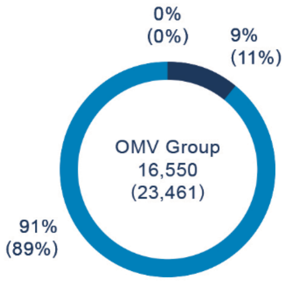
Summarized income statement

In EUR mn

	2020	2019	Δ
Sales revenues	16,550	23,461	(29)%
Other operating income and net income from equity-accounted investments	1,915	665	188%
Total revenues and other income	**18,465**	**24,127**	**(23)%**
Purchases (net of inventory variation)	(9,598)	(13,608)	(29)%
Production and operating expenses incl. production and similar taxes	(2,217)	(2,191)	1%
Depreciation, amortization, impairments and write-ups	(2,418)	(2,302)	5%
Selling, distribution and administrative expenses	(1,896)	(1,892)	n.m.
Exploration expenses	(896)	(229)	n.m.
Other operating expenses	(389)	(322)	21%
Operating Result	**1,050**	**3,582**	**(71)%**
Net financial result	**(175)**	**(129)**	**35%**
Profit before tax	**875**	**3,453**	**(75)%**
Taxes on income and profit	603	(1,306)	n.m.
Net income for the year	**1,478**	**2,147**	**(31)%**
thereof attributable to hybrid capital owners	84	75	11%
thereof attributable to non-controlling interests	136	393	(65)%
Net income attributable to stockholders of the parent	**1,258**	**1,678**	**(25)%**
Effective tax rate (%)	(69)	38	(107)

Sales to third parties 2020 (2019)

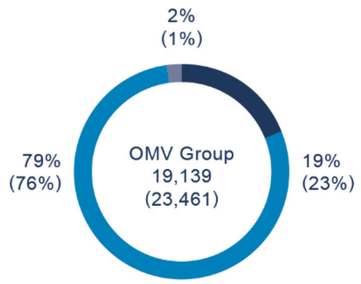
In EUR mn if not otherwise stated (prior year)



Upstream	1,527	(2,583)
Downstream	15,019	(20,874)
Corporate and Other	4	(4)

Total not consolidated sales 2020 (2019)

In EUR mn if not otherwise stated (prior year)



Upstream	3,705	(6,239)
Downstream	15,082	(20,958)
Corporate and Other	352	(345)

Sales revenues decreased mainly due to overall lower global commodity price environment and reduced sales volumes for most products, predominantly caused by the effects of the COVID-19 pandemic. The sales split by geographical areas can be found in the Notes to the Consolidated Financial Statements (Note 4 – Segment Reporting).

Other operating income increased from EUR 280 mn in 2019 to EUR 1,877 mn in 2020 and was mainly impacted by EUR 1,284 mn gains from revaluation and recycling effects related to the previously held at-equity share of 36% in Borealis. Further details on the Borealis acquisition can be found in the Notes to the Consolidated Financial Statements (Note 3 – Changes in group structure).

Net income from equity-accounted investments decreased from EUR 386 mn to EUR 38 mn mainly due to the negative contribution of Abu Dhabi Oil Refining Company, driven by negative inventory effects due to prolonged turnaround and negative market environment. Also, there was a lower contribution from Borealis as it was consolidated at-equity only until October 2020 and additionally the result was negatively impacted by a drop in petrochemical margins following COVID-19 impact on polyolefin business and negative inventory effects in the first half of 2020.

In Q3/20, OMV updated its mid-term plan and revised its long-term planning assumptions which lead to significant impairments, impacting the lines "**Depreciation, amortization, impairments and write-ups**" as well as "**Exploration expenses**". Details can be found in the Notes to the Consolidated Financial Statements (Note 7– Depreciation, amortization, impairments and write-ups).

Net financial result decreased mainly due to negative FX result which was only partly offset by lower interest expenses. For further details refer to the Notes to the Consolidated Financial Statements (Note 11 – Net financial result).

The **effective tax rate** was significantly affected by income from tax synergies from the acquisition of additional shares in Borealis that led to write-up of deferred tax assets in the Austrian tax group (among other effects). For further details on the group's effective tax rate, please refer to Note 12 – Taxes on income and profit – of the Consolidated Financial Statements.

Notes to statement of financial position

Summarized statement of financial position (condensed)

In EUR mn

	2020	2019	Δ
Assets			
Non-current assets	35,695	28,950	23%
Current assets	12,112	11,248	8%
Assets held for sale	1,464	177	n.m.
Equity and liabilities			
Equity	19,899	16,863	18%
Non-current liabilities	18,020	13,961	29%
Current liabilities	10,616	9,395	13%
Liabilities associated with assets held for sale	736	156	n.m.
Total assets/equity and liabilities	**49,271**	**40,375**	**22%**

The statement of financial position in 2020 was overall significantly impacted by the acquisition of 39% additional shares in Borealis AG leading to obtaining control and discontinuation of the equity method. For further details refer to Note 3 – Changes in group structure – of the Consolidated Financial Statements.

Non-current assets: Intangible assets and property**,** plant and equipment increased by EUR 2,004 mn compared to 2019 following the full consolidation of Borealis, partly offset by impairments and held for sale classifications. Equity- accounted investments increased by EUR 3,170 mn to EUR 8,321 mn mainly due to the inclusion of Abu Dhabi Polymers Company Limited (Borouge) following the Borealis acquisition, partly offset by the derecognition of the previously held 36% share in Borealis.

Assets held for sale and liabilities associated with assets held for sale increased significantly mainly due to the reclassification of the Gas Connect Group and the OMV retail network in Germany to held for sale. For further details please refer to Note 20 – Assets and liabilities held for sale – of the Consolidated Financial Statements.

Equity (including non-controlling interest) increased mainly due to the issuance of two new hybrid bonds on September 1, 2020 with a total size of EUR 1.25 bn. Furthermore, non-controlling interests rose following the Borealis acquisition, reflecting the 25% retained interest of Mubadala Investment Company (Abu Dhabi).

Non-current liabilities were impacted mainly by the issuance of senior bonds with a total volume of EUR 3.25 bn in 2020. For further details please refer to Note 24 – Liabilities – of the Consolidated Financial Statements.

Upstream

In the Upstream Business Segment, OMV delivered a resilient performance despite an overall challenging environment. Despite COVID 19-related restrictions, production reached 463 kboe/d, with production cost at USD 6.6/boe in line with last year and the one-year Reserve Replacement Rate slightly above 100%.

At a glance

		2020	2019	Δ
Clean Operating Result	in EUR mn	145	1,951	(93)%
Special items	in EUR mn	(1,282)	(71)	n.m.
Operating Result	in EUR mn	(1,137)	1,879	n.m.
Capital expenditure[1]	in EUR mn	1,090	2,070	(47)%
Exploration expenditure	in EUR mn	227	360	(37)%
Exploration expenses	in EUR mn	896	229	n.m.
Production cost	in USD/boe	6.58	6.61	(0)%
Total hydrocarbon production	in kboe/d	463	487	(5)%
Total hydrocarbon sales volumes	in kboe/d	439	463.8	(5)%
Proved reserves as of December 31	in mn boe	1,337	1,332	0%
Average Brent price	in USD/bbl	41.84	64.21	(35)%
Average realized crude price[2]	in USD/bbl	37.97	61.66	(38)%
Average realized gas price[2]	in USD/1,000 cf	3.12	4.08	(23)%

[1] Capital expenditure including acquisitions, notably the acquisition of a 50% interest in the newly formed company SapuraOMV in 2019 for USD 540 mn
[2] Average realized prices include hedging effects.

Financial performance

The **clean Operating Result** dropped sharply from EUR 1,951 mn to EUR 145 mn in 2020. Net market effects had a negative impact of EUR (1,846) mn as a consequence of materially lower average realized oil and gas prices. A reduced operational performance lowered returns by EUR (245) mn and was mainly a consequence of the force majeure situation and the ensuing liftings shortfall in Libya during most of the year. Significantly higher sales volumes in Malaysia had a strong balancing effect. Depreciation decreased by EUR (286) mn due to reduced production, impairments, and reserve revisions. In 2020, OMV Petrom contributed EUR 1 mn to the clean Operating Result compared to EUR 599 mn in 2019.

Net **special items** amounted to EUR (1,282) mn in 2020 (2019: EUR (71) mn) and were mainly related to the impairments triggered by OMV's revision of its long-term price assumptions for Brent crude oil. The **Operating Result** contracted sharply to EUR (1,137) mn (2019: EUR 1,879 mn).

Production cost excluding royalties was at the same level on average in 2020 as in 2019, at USD 6.6/boe. Further cost saving initiatives and reduced activity during the COVID-19 lockdown were able to offset the incremental effect stemming from lower production. At OMV Petrom, production cost also remained stable at USD 10.9/boe.

The **total hydrocarbon production** volume decreased by 24 kboe/d to 463 kboe/d, primarily due to lower production in Libya as a result of the force majeure situation. Production in Malaysia rose substantially and was able to offset some of the reduced production in Romania, New Zealand, and Russia. OMV Petrom's total production was down by 7 kboe/d to 145 kboe/d mainly due to natural decline. Total sales volumes fell to 439 kboe/d (2019: 464 kboe/d) in line with production volumes.

In 2020, the **average Brent price** reached USD 41.8/bbl, a substantial decrease by 35%. The Group's **average realized crude price** dropped by 38%. The **average realized gas price** in USD/1,000 cf receded by 23%.

Capital expenditure including capitalized E&A was cut back to EUR 1,090 mn in 2020 (2019: EUR 2,070 mn) following a widespread effort to reduce spending. Capital expenditure in 2019 included the purchase of a 50% interest in SapuraOMV for USD 540 mn. Organic capital expenditure was primarily directed at projects in Romania, Norway, the United Arab Emirates, and New Zealand. **Exploration expenditure** was EUR 227 mn in 2020, and could thus be reduced by 37% compared to 2019. It was mainly related to activities in Norway, New Zealand, Romania, and Malaysia.

Production

	2020				2019			
	Oil and NGL	Natural gas[1]		**Total**	Oil and NGL	Natural gas[1]		Total
	in mn bbl	in bcf	in mn boe	in mn boe	in mn bbl	in bcf	in mn boe	in mn boe
Romania[2]	23.4	146.5	27.1	50.5	24.1	156.2	28.9	53.0
Austria	3.8	24.9	4.2	8.0	4.0	29.2	4.9	8.9
Kazakhstan[2]	2.1	2.0	0.3	2.5	2.1	1.8	0.3	2.4
Norway	15.1	97.5	16.2	31.3	16.6	90.0	15.0	31.6
Libya	2.4	–	–	2.4	11.1	–	–	11.1
Tunisia	0.6	7.0	1.2	1.7	0.8	3.2	0.5	1.4
Yemen	1.3	–	–	1.3	1.8	–	–	1.8
Kurdistan Region of Iraq	1.0	14.6	2.4	3.4	0.9	14.2	2.4	3.3
United Arab Emirates	8.4	–	–	8.4	8.1	–	–	8.1
New Zealand	3.8	57.7	9.6	13.4	4.6	65.2	10.9	15.5
Malaysia[2]	2.7	53.3	8.9	11.6	2.1	15.5	2.6	4.7
Russia	–	208.4	34.7	34.7	–	218.0	36.3	36.3
Total	**64.7**	**612.0**	**104.7**	**169.4**	**76.1**	**593.1**	**101.7**	**177.9**

[1] To convert natural gas from cf to boe, the following conversion factor was applied in all countries: 1 boe = 6,000 cf; except for Romania, where the following factor was used: 1 boe = 5,400 cf.
[2] The figures above include 100% of all fully consolidated companies.

Portfolio developments

Despite COVID 19-related restrictions, OMV made good progress in the implementation of the OMV Strategy 2025. Nawara was successfully started up in Tunisia, and in Malaysia the GoLaBa (Gorek, Larak and Bakong) fields were commissioned. In the United Arab Emirates, the Umm Lulu Super Complex was brought into full field mode. Additionally, the portfolio was streamlined by the sale of OMV Petrom's operations in Kazakhstan, and progress was made toward divesting an asset in New Zealand. Furthermore, OMV embarked on the divestment of its oil assets in Malaysia, which are now classified as held for sale. The transaction is expected to close in 2021.

Central and Eastern Europe

In 2020, we continued to optimize the portfolio in Romania. OMV Petrom signed an agreement to sell 40 onshore oil and gas fields in Southern Romania, together producing around 1,100 boe/d. In addition, OMV Petrom signed the transaction for the sale of its operations in Kazakhstan consisting of production licenses for four onshore fields. The closing of the transaction is subject to certain conditions precedent (including authority approval) and is expected for the first half of 2021. Following a successful bidding process, negotiations began on a production-sharing contract for Offshore Exploration Block II in the Republic of Georgia and are estimated to be finalized in the first quarter of 2021.

The global outbreak of the COVID-19 pandemic made 2020 an extremely challenging year from an operational point of view. Nevertheless, OMV Petrom managed to maintain uninterrupted production, construction, workover, and turnaround operations. Due to the difficult market environment ushered in by the pandemic, fewer new wells and sidetracks were drilled in 2020 compared to the previous year (63 vs. 100). In September, planned maintenance activities took place in the Hurezani production area.

In Austria, the largest ground-mounted photovoltaic plant was constructed in Schönkirchen-Reyersdorf in partnership with VERBUND. This will reduce OMV's CO_2 emissions by around 10,000 t per year.

Middle East and Africa

For the Middle East and Africa region, 2020 was a challenging year marked by the effects of the COVID-19 pandemic, the tense security situation in Libya and Yemen, social unrest in Tunisia, and the impact of the OPEC+ quota in the United Arab Emirates. Operations continued safely nevertheless, HSSE performance was outstanding, projects went ahead, and production was maintained at levels permitted by the prevailing conditions.

In Libya, production came to a halt for the larger part of the year due to the political instability on the ground, which resulted in the shut-down of oil export terminals between January and October. Production resumed and steadily ramped up in the last two months of the year, almost returning to previous levels.

The most significant effects of the COVID-19 pandemic on projects and activities in the region were delays of the Ghasha concession development in the United Arab Emirates and the Khor Mor development in the Kurdistan Region of Iraq (KRI). Workover activities in Yemen also had to be discontinued and thus depressed production levels. However, despite these challenges, OMV successfully managed to continue its operations in Yemen and Tunisia, and began commercial natural gas production at Nawara in March.

In line with the strategy to pursue further growth options in the region, OMV signed a Memorandum of Understanding with Sonatrach, the national state-owned company of Algeria, in July. The MoU covers the identification of potential upstream opportunities where the two parties could jointly invest in exploration or development and production projects in Algeria. The MoU underscores the interest of both companies in investigating collaboration options following the passing of a new Algerian Hydrocarbon Law.

North Sea

In 2020, the Norwegian authorities approved the plan for development and operation of the Hywind project, which will contribute to reducing emissions from the Snorre and Gullfaks oil and gas fields. They also introduced a tax incentive scheme allowing immediate expensing of CAPEX, including a 24% uplift for the special petroleum tax in 2020 and 2021. The Wisting and Iris/Hades projects will both benefit from this rule.

Russia

In March 2020, OMV signed an amendment to the basic sale agreement on the potential acquisition of a 24.98% interest in the Achimov 4A/5A phase development. This foresees an extension of the negotiation phase for the final transaction documents on a non-exclusive basis until June 2022. In these negotiations, material developments and changes in circumstances up to signing (including the planned start of production of Achimov 4A/5A) are to be taken into account by the parties in good faith. This relates in particular to the economic effective date and the purchase price.

Asia-Pacific

SapuraOMV, the strategic partnership formed with Sapura Energy Berhad ("Sapura Energy"), delivered substantial incremental production from the Phase 1 development (Gorek, Larak, and Bakong fields) of the SK408 Production Sharing Contract (PSC) in 2020. This increased SapuraOMV's production to over 30 kboe/d.

SapuraOMV made progress on the development of its other discovered resources, which include SK408's Jerun and Teja fields and SK310's B14 field. This effort culminated in the final investment decision by SapuraOMV's Board of Directors for the Jerun project in December 2020.

SapuraOMV secured several new exploration permits in Australia to maintain a robust exploration portfolio for future growth of the business in the region.

In 2020, OMV embarked on the divestment of its oil assets in Malaysia, which were reclassified as held for sale. The transaction is expected to close in 2021.

OMV New Zealand is prioritizing the redevelopment and optimization of the existing Maui and Pohokura natural gas assets. Major infill drilling campaigns on both assets also advanced during 2020, and drilling started in Maui. OMV New Zealand will invest around NZD 500 mn (EUR 270 mn) over the next two years to rejuvenate production in the Maui and Pohokura natural gas fields.

A new hydrocarbon discovery in the Taranaki Basin in 2020 that needs to be appraised and confirmed in 2022, could potentially bring new hydrocarbon volumes to market in the 2025–2027 timeframe.

Divestment by OMV New Zealand of its 69% share of the Maari field to Jadestone Energy is expected to be completed in early 2021. Average production from the asset in 2020 was 4 kboe/d net to OMV (in 2019: 5 kboe/d).

Key projects

Neptun (Romania, OMV 50%)

In cooperation with ExxonMobil as the operator, OMV Petrom continued assessing the commercial and economic viability of the Neptun Deep project in the Romanian Black Sea. Cumulative production from Neptun Deep was estimated at 125–250 mn boe (net to OMV). OMV Petrom remains interested in seeing the Black Sea resources developed. However, the final investment decision depends on a range of factors including a stable and competitive fiscal framework and a liberalized natural gas market. Regarding the former, mainly in reference to the Offshore Law, amendments are scheduled to be made by means of a parliamentary process according to public statements. This process will be initiated by the new Parliament elected in December 2020. On the liberalized natural gas market front, some progress was made through replacement of the central market obligation with a natural gas release program.

Other major projects (Romania, OMV 100%)

Despite the difficult environment, some major milestones were achieved in other projects. At the Petromar asset, the rerouting of a section of 2.7 km of the 12" onshore pipeline that connects the offshore Central Platform to the onshore Midia Terminal was successfully completed. In addition, a pilot project for Enhanced Oil Recovery (EOR) was initiated in the Independenta field, at the Moldova asset. This project aims to increase the recovery factors from our mature fields by injecting a mixture of viscous water into the reservoir. So far, encouraging results were achieved, and OMV Petrom is currently analyzing the possibility of extending this technology to other fields in the coming years.

Nawara (Tunisia, OMV 50%)

In Q1/20, OMV managed to successfully start up operations at the onshore Nawara natural gas and condensate field development, thereby achieving commercial natural gas flows despite COVID 19-related restrictions. This meant that the final phase of commissioning and startup of the gas treatment plant and central processing facility had to be performed remotely. Despite the peak production level of 9 kboe/d (OMV share) already having been achievedin 2020, production had to be shut down for three months due to social unrest in the country, which also affected project close-out activities. The project unlocks South Tunisia's natural gas resources and supplies urgently needed natural gas, LPG, and condensate to the Tunisian market.

Umm Lulu and SARB (United Arab Emirates, OMV 20%)

Umm Lulu and Satah Al Razboot (SARB) are two offshore oil fields situated in the shallow waters of Abu Dhabi. Pipelines connect both fields to dedicated processing, storage, and loading facilities on Zirku Island. In 2020, the Umm Lulu Super Complex started up in full field mode in April, while the commissioning of the natural gas treatment plant, the wellhead towers, brownfield modification works, and Super Complex performance testing are still in progress, following delays caused by COVID-19. Development drilling is planned to continue until 2023. Production started up at the Umm Lulu and SARB fields in September 2018 and reached an average level of 23 kboe/d (OMV share) in 2020. This was affected by production limitations in connection with the OPEC+ quota. Production from the concession area is expected to increase to 215 kboe/d (43 kboe/d net to OMV) by 2023.

Khor Mor (KRI, OMV 10%)

The Pearl consortium develops, produces, processes, and transports natural gas from Khor Mor, a major gas condensate field located in the Kurdistan Region of Iraq (KRI). The consortium plans to increase production by drilling additional wells and by expanding the capacity of the facilities by another 42 kboe/d (thereof 4.2 kboe/d net to OMV). The resulting additional natural gas production will be introduced into the existing Pearl-operated natural gas pipeline to support increasing domestic natural gas demand. In 2020, the engineering, procurement, and construction contract for Khor Mor Train 1 was awarded, but project progress was impacted by contractor force majeure related to the COVID-19 pandemic, resulting in a delay of one year.

Gullfaks (Norway, OMV 19%)

In 2020, the Equinor-operated Gullfaks field delivered strong production volumes thanks to robust natural gas exports. The planned revision stop at Gullfaks A was finalized early in November. The Norwegian authorities approved the plan for development and operation of the Hywind project in April 2020. The wind farm is a pioneering project and a contribution to reducing emissions from the Snorre and Gullfaks oil and gas fields. The offshore wind farm will consist of 11 floating wind turbines with a total capacity of 88 MW and will meet about 35% of the annual power demand of the platforms. Construction on the wind farm started in Q4/20.

Gudrun (Norway, OMV 24%)

The Equinor-operated Gudrun field continued to produce at a high efficiency level and was only slightly affected by COVID-19 and the OPEC production cuts. Phase 2 of the Gudrun field redevelopment is planned to enable water injection in Q4/21, with ongoing batch drilling and topside modifications to the existing platform. During 2020, two additional infill production wells were also drilled. The first started production in April 2020; the second is scheduled to start in early 2021.

Edvard Grieg (Norway, OMV 20%)

The Edvard Grieg offshore oil field operated by Lundin Petroleum continued to produce above expectations in 2020, due to high production efficiency and increased capacity in Ivar Aasen. Planned maintenance revision stops were completed on time. The Edvard Grieg infill drilling campaign is on track to start in Q1/21.

Aasta Hansteen (Norway, OMV 15%)

Aasta Hansteen continued steady production in 2020, with no major impact from COVID-19. Since September 2020, Aasta Hansteen has reached close to 100% production efficiency on its increased export capacity of around 160 kboe/d gross.

Wisting (Norway, OMV 25%)

In 2020, the Wisting license partners awarded several contracts for concept studies to further move the project toward a final concept. Operator Equinor and its partners have considered various concepts to determine potential solutions for cost-effective field development and will further develop a floating production unit based on a circular FPSO solution. An important objective for the Wisting project is reducing the carbon footprint of production. The project will study a power-from-shore solution for a circular FPSO. The Wisting project is on track to deliver the plan for development and operation by year-end 2022 to take advantage of the tax incentives introduced in spring 2020.

Hades/Iris (Norway, OMV 30%)

OMV made the Hades and Iris discoveries in 2018. The exploration well found natural gas and condensate in both Hades and Iris. The objective of the 2020 Hades appraisal well was to delineate the 2018 discovery, reduce the uncertainty of the resource estimate, and perform a formation test. The appraisal well phase was concluded as planned in Q3/20. The Hades/Iris project is on track to deliver a plan for development and operation by year-end 2022 to take advantage of the tax incentives introduced in spring 2020.

Yuzhno-Russkoye (Russia, OMV 24.99%)

The second phase of the Turonian development project has been completed at Yuzhno-Russkoye. A total of 45 wells were drilled, and 24 new wells in the Turonian formation started producing. A plateau production extension until 2023 was confirmed.

SK408 (Malaysia, OMV 40%)

In Malaysia, Phase 1 development of the SK408 Gorek, Larak, and Bakong fields was completed by June 2020, increasing production in Malaysia to more than 30 kboe/d in 2020. The development of the Jerun field as Phase 2 of the SK408 development achieved a key milestone, obtaining the final investment decision in December 2020 with first gas planned in 2024. The project is currently pending joint venture partner approval. This development is expected to contribute an additional initial production rate of over 30 kboe/d.

Maui A Crestal Infill (New Zealand, OMV 100%)

Drilling operations on the Maui A offshore platform commenced in October, following an interruption to rig installation and integration due to COVID-19 restrictions. First gas production was achieved late 2020 and drilling operations are continuing for the subsequent wells in the campaign.

Maui B IRF Phase 3 (New Zealand, OMV 100%)

The Maui B IRF Phase 3 infill drilling opportunity targets by-passed natural gas in the Maui reservoir sands, by sidetracking shut-in wells on the Maui B offshore platform. Up to six sidetracks are currently under consideration with a final decision yet to be made.

Pohokura Depletion Compression (New Zealand, OMV 74%)

This project increases well deliverability and reserves recovery thanks to the installation of an electric single-stage centrifugal compressor. First gas was achieved from the Pohokura Depletion Compression project in September. The innovative application of remote working technologies also made it possible to recover time lost during construction due to COVID-19 restrictions.

Toutouwai Appraisal (New Zealand, OMV 40%, SapuraOMV 30%)

Hydrocarbons were discovered in the Toutouwai-1 exploration well during the New Zealand exploration campaign in April 2020.The campaign was curtailed before a full logging and testing program could be executed due to COVID-19 restrictions. An appraisal well is planned for early 2022 to evaluate the commercial viability of the discovery and coordinate further development planning.

Exploration and appraisal highlights

In 2020, OMV completed the drilling of seven exploration and appraisal wells in five different countries, two of which were successful.

In Austria, OMV finalized one exploration well started in 2019.

OMV Petrom drilled one exploration well in Romania, and two deep exploration wells were tested in the second half of 2020. One test concluded that reservoirs seem unlikely to produce, whereas the second evaluation is still ongoing.

In Norway, the Hades appraisal well was successful.

OMV finalized two exploration wells in New Zealand in 2020. While Tawhaki-1 in the Great South Basin proved dry, Toutouwai-1 in the Taranaki Basin is a likely commercial discovery. An appraisal well is planned for 2022.

In Malaysia, SapuraOMV completed two exploration wells on block SK408 with non-commercial natural gas volumes in Remayong.

OMV participated in three 3D seismic surveys completed in 2020, one in Romania (Hunt/OMV Petrom), one in Australia (SapuraOMV), and one in Bulgaria (Total/OMV). In Romania, Hunt/OMV Petrom completed the 1,583 km² 3D seismic survey (within the VIII – Urziceni Est license) in February 2020. In March, SapuraOMV completed a 3D offshore seismic survey (GEM 3D) covering an area of 420 km² offshore from Australia in the Vulcan sub-basin. In May, Total/OMV completed a 3D offshore survey (Han Asparuh 3D) covering an area of 5,614 km² offshore from Bulgaria.

Due to the current environment (COVID-19, oil price, budget restrictions), drilling of several exploration wells was shifted to 2021 or later. Exploration and appraisal expenditures decreased to EUR 227 mn in 2020 (2019: EUR 360 mn).

Reserves development

Proved reserves (1P) as of December 31, 2020, increased to 1,337 mn boe (thereof OMV Petrom[1]: 473 mn boe). With a one-year Reserve Replacement Rate (RRR) of 102% (2019: 135%), a value of over 100% has now been achieved five years in a row. The three-year RRR reached 138% (2019: 166%). Proved reserves remained stable despite the challenging market environment. Major contributions came from successful drilling and development activities in the United Arab Emirates, Russia and Norway, and the positive production performance in Russia, Norway and New Zealand.

Proved and probable reserves (2P) increased to 2,365 mn boe (thereof OMV Petrom[1]: 761 mn boe), remaining broadly stable as well, mostly as a result of successful development activities in Malaysia and New Zealand.

Innovation and new technologies

OMV's Upstream strategy is to apply state-of-the art technologies developed in-house to well-maintained assets, to pilot these technologies, and to promote rapid global implementation. The current focus of research and development is on improving recovery rates and extending the lifetimes of mature fields.

OMV applies various enhanced oil recovery methods which are part of the Smart Oil Recovery 3.0 (SOR 3.0) program. This enables OMV to increase ultimate oil recovery by up to 15 percentage points in selected fields and thus extend the field life. Thanks to further progress with the rollout of SOR projects, more than 440 kboe of incremental oil was produced by OMV Austria by the end of 2020. In Austria, the program continues with eight additional highly slanted wells scheduled to be drilled in Q1/21.

The two Upstream laboratories OMV Tech Center & Lab and OMV Petrom Upstream Laboratories (ICPT) continue to strengthen their partnership for working on the SOR projects in Romania. The exchange aims to use the knowledge and experience gained from the Austrian SOR projects by the Tech Center & Lab in recent years.

[1] OMV Petrom covers Romania and Kazakhstan.

Increasingly complex reservoir fluid conditions are resulting in faster degradation of pipelines and processing equipment. To address this, OMV Upstream is growing its expertise in the application of nanotechnology products. A first pilot application in sucker rod pumping systems of wear- and corrosion-reducing nanocoatings uncovered the benefits of the technology. Promising results have also been achieved in laboratory studies using nanofluids for enhanced oil recovery by stabilizing emulsions and altering the wettability of reservoir rocks.

Significant progress has been made with the launch of the OMV Innovation & Technology Center (ITC) in Austria. More than 100 guided tours and events were held between June 2020 and the end of the year, all in compliance with COVID-19 measures.

Supplementing existing partnerships with leading international universities, OMV continues to run joint initiatives with Gubkin Russian State University of Oil and Gas in Moscow.

Digitalization

Over two years ago, we launched our global Upstream digital initiative called DigitUP to bring digital transformation to all value-added areas and regions where OMV is active. DigitUP's goal is to bring innovations from a wide range of industries into OMV's everyday work, thus making our work safer, more sustainable, and more profitable.

In 2020, we further strengthened our partnerships with companies such as Aker BP, Schlumberger, Aucerna, Microsoft, and Cognite. The aim is to share experiences and ideas on the digital journey that give us firsthand access to the latest digital developments.

In 2020, one key area in Subsurface focused on improving the efficiency of exploration and development projects by connecting our subsurface assets with surface information and production facilities in 3D models.

In New Zealand, condensate optimization for the Pohokura natural gas field was put into operation, resulting in a revenue increase while freeing up engineering time. During the COVID-19 lockdowns, we used remote certification and virtual site visits to continue with our offshore production in New Zealand while complying with restrictions. This avoided production deferments. Reducing long-distance travel further resulted in lower risk exposure, lower external costs, and a CO_2 footprint reduction overall.

The newly constructed "Drilling Cockpit" now provides a location-independent, cross-disciplinary collaboration environment for critical well-engineering decisions. Drilling activities are monitored in real time, backed by historic simulations, and supported by Group-wide subject matter experts. This makes drilling safer by reducing potential incidents and keeping losses to a minimum.

The GeoCloud rollout at all locations enables 540 employees secure access to more than 140 petrotechnical applications and 1 petabyte of data. This ensures that we can fully utilize our people's capabilities while they are working remotely during COVID-19 from any location with any device.

In December 2020, OMV and Schlumberger announced a five-year strategic partnership to work on an enterprise-wide deployment of artificial intelligence and digital solutions. One aspect of the partnership will focus on improving data search capabilities and ways to store and access data. In Subsurface, the pilots have proven that state-of-the-art applications will shape the future landscape of subsurface technologies for exploration and development. The goal is to optimize the hydrocarbon life cycle in exploration and field development and to utilize artificial intelligence to identify prospects and automatically update our reservoir models. This will contribute to shorter field development times and improved plan development economics.

Downstream

OMV's Downstream business refines and markets fuels, chemicals, and gas. It operates three inland refineries in Europe and holds a strong market position within the areas of its refineries, serving a strong branded retail network and commercial customers. In the Middle East, it owns 15% of ADNOC Refining and ADNOC Global Trading. In 2020, OMV increased its share in Borealis to 75%, strengthening its chemical business and extending the value chain into polymers. In gas, OMV is active along the entire gas value chain.

At a glance

		2020	2019	Δ
Clean CCS Operating Result[1]	in EUR mn	1,514	1,677	(10)%
thereof petrochemicals	in EUR mn	224	241	(7)%
thereof Borealis[2]	in EUR mn	300	314	(5)%
thereof ADNOC Refining & Trading	in EUR mn	(107)	8	n.m.
thereof gas	in EUR mn	337	194	73%
Special items	in EUR mn	1,071	31	n.m.
CCS effects: Inventory holding gains/(losses)	in EUR mn	(425)	139	n.m.
Operating Result	in EUR mn	2,160	1,847	17%
Capital expenditure[3]	in EUR mn	4,930	2,774	78%
OMV refining indicator margin[4]	in USD/bbl	2.44	4.44	(45)%
Ethylene/propylene net margin[4,5]	in EUR/t	400	433	(8)%
Utilization rate refineries		86%	97%	(11)
Total refined product sales	in mn t	17.81	20.94	(15)%
thereof retail sales volumes	in mn t	5.88	6.53	(10)%
thereof petrochemicals	in mn t	2.36	2.34	1%
Natural gas sales volumes	in TWh	164.01	136.71	20%

Note: As of Q1/20, the reporting structure of the Downstream Business Segment was restructured to comprehensively reflect the operations of the Downstream business. For comparison only, figures of previous periods are presented in the same structure.

[1] Adjusted for special items and CCS effects; further information can be found in Note 4 – Segment Reporting – of the Consolidated Financial Statements

[2] Borealis was fully consolidated in OMV's financials following the closing of the acquisition of the additional 39% stake on October 29, 2020.

[3] Capital expenditure including acquisitions; notably the acquisition of an additional 39% stake in Borealis in Q4/20 for USD 4.68 bn and the purchase of a 15% stake in ADNOC Refining and Trading joint venture for USD 2.43 bn in Q3/19

[4] Actual refining and petrochemical margins realized by OMV may vary from the OMV indicator refining margin, the ethylene/propylene net margin, and the market margins due to factors including different crude oil slate, product yield, operating conditions, or feedstock.

[5] Calculated based on West European Contract Prices (WECP) with naphtha as feedstock

Financial performance

At EUR 1,514 mn, the **clean CCS Operating Result** declined by 10% compared to the same period of the previous year (2019: EUR 1,677 mn). Negative effects of COVID-19 on demand as well as on refining margins could not be fully offset by a strong natural gas and retail business and a significant positive contribution of margin hedges. OMV Petrom's input to the clean CCS Operating Result of Downstream amounted to EUR 448 mn (2019: EUR 387 mn).

The **OMV refining indicator margin** declined by 45% to USD 2.4/bbl (2019: USD 4.4/bbl), primarily due to the negative effects of the COVID-19 pandemic. Substantially lower middle distillate and lower gasoline cracks following a weak macro environment put considerable pressure on refining margins. Lower feedstock costs, a result of lower crude oil prices, and improved heavy fuel oil and naphtha margins could not offset these effects. In 2020, the **utilization rate of the refineries** reached a resilient level of 86% (2019: 97%) despite the imposed lockdown measures related to COVID-19. At 17.8 mn t, **total refined product sales volumes** were down by 15%, following lower demand as a result of imposed travel restrictions. The commercial business experienced lower sales volumes, in particular demand for jet fuel dropped sharply, while margins in the commercial business remained stable. The result in the retail business increased despite a reduction of 10% in retail sales volumes, following higher margins and a larger share of premium fuels.

The contribution of the **petrochemicals business** declined by 7% to EUR 224 mn (2019: EUR 241 mn) mainly as a consequence of lower petrochemical margins, which were partially offset by slightly higher petrochemical sales volumes. The **ethylene/propylene net margin** contracted by 8%. While the butadiene net margin weakened considerably, benzene net margin decreased to a lesser extent.

The contribution of **Borealis** slightly decreased to EUR 300 mn (2019: EUR 314 mn). Following the acquisition of an additional 39% stake on October 29, 2020, the Borealis result was fully consolidated for the last two months of 2020. The effect from the full consolidation was offset by a weaker market environment, sizeable negative inventory effects as a consequence of this, and unplanned outages at the Stenungsund and Porvoo crackers. While polyolefin margins remained at a healthy level, polyolefin sales volumes slightly increased due to higher sales in the packaging sector, partially offset by lower sales in the automotive sector. The fertilizer business declined following a solid performance in 2019, mainly as a result of weaker margins and operational issues in Q4/20. The contribution from Borouge was down slightly mainly due to weak market conditions in Asia in the first half of the year.

In 2020, the contribution of **ADNOC Refining & Trading** came in at EUR (107) mn (2019: EUR 8 mn). As of Q1/20, the ADNOC Refining & Trading result is calculated based on Current Cost of Supply (CCS) and excludes inventory holding gains/losses. The adverse market environment in 2020 weighed on the result. In addition, the result was negatively impacted by an extensive turnaround of the Ruwais refinery complex, which started at the beginning of February and lasted into Q2/20. Despite challenging market circumstances, ADNOC Global Trading was successfully launched at the beginning of December.

The contribution of the **gas business** grew by 73% to EUR 337 mn (2019: EUR 194 mn) mainly as a consequence of the substantially improved power business in Romania as well as the greatly improved performance of the storage business and lower depreciation. Gas Connect Austria is reclassified as an asset held for sale. The power business in Romania provided strong support thanks to favorable forward contracts, increased revenues from the electricity balancing market, and a one-off revenue recovery stemming from a 2019 power price regulation. **Natural gas sales volumes** rose significantly from 136.7 TWh to 164.0 TWh, driven by higher sales volumes in Germany, the Netherlands, Belgium, and Austria.

Net **special items** amounted to EUR 1,071 mn (2019: EUR 31 mn). With the closing of the Borealis transaction, OMV realized a step-up in the valuation of the previous 36% share in Borealis and booked a special item of around EUR 1.3 bn. CCS effects of EUR (425) mn were caused by the sharp drop in crude oil prices in the first half of 2020. As a result, the Operating Result of Downstream increased by EUR 313 mn to EUR 2,160 mn (2019: EUR 1,847 mn).

Capital expenditure in Downstream amounted to EUR 4,930 mn (2019: EUR 2,774 mn) and was mainly related to the acquisition of an additional 39% stake in Borealis for USD 4.68 bn. In 2019, capital expenditure included the acquisition of a 15% stake in ADNOC Refining and Trading Joint Venture for USD 2.43 bn. Organic capital expenditure in 2020 was predominantly related to investments in the European refineries and in Borealis.

Business overview

Downstream refines and markets fuel products in Central and Eastern Europe as well as in the Middle East through OMV's 15% interest in ADNOC Refining and ADNOC Global Trading. OMV is strongly forward integrated into chemicals and recently expanded its value chain into polymers by acquiring a controlling interest in Borealis, one of the world's leading polyolefin producers. Borealis has a strong European footprint and is active in the Middle East and Asia-Pacific through Borouge, a joint venture with ADNOC, and in North America where Borealis and Total are partners in the Baystar joint venture.

OMV's European Downstream business model is characterized by a high degree of physical integration along the value chain from crude supply to refining, retail, and commercial sales. Total refined product sales amounted to 17.8 mn t. Commercial fuel customers are mainly from industrial transportation and construction sectors and account for more than 50% of the sales volume. Petrochemicals customers comprise around 13%. The strongly branded retail network comprises 2,085 filling stations and accounts for approximately 33% of the total marketed volume.

The gas business operates across the entire gas value chain from the wellhead to the burner tip. It includes the Group's power business activities with one gas-fired power plant in Romania. Natural gas sales volumes amounted to 164.0 TWh.

Refining including product supply and sales

Throughout 2020, refining margins came under significant pressure. From the second quarter onward, demand for oil products dropped to unforeseen levels because of the mobility restrictions associated with the COVID-19 pandemic. At the peak of the crisis, during the second quarter of 2020, global demand has fallen by 16% compared with 2019.

The biggest contributor to the drop in oil demand was the transportation sector, particularly jet fuel, because air traffic was almost entirely halted as a result of international lockdowns. Refineries quickly adapted their processes to the new supply requirements by way of yield shifts and run cuts, but product inventories filled up quickly. Demand for middle distillates, primarily diesel, partly supported by a particularly strong economic recovery in Asia, did not compensate for this development, and pressure on the supply-demand balance remained in place.

Many refiners blended surplus jet fuel into diesel and delivered this to the market, resulting in inflated stocks. Naphtha gradually came under pressure due to increasing competition from less expensive LPG. Gasoline and middle distillates suffered due to difficult market conditions, while heavy products gained an advantage from continuous sour oil strength as OPEC+ cut supply by record high volumes. Rising crude prices toward the end of the year added more pressure, leading to lower-than-average refining margins.

Although demand was significantly lower, the sales unit's commercial margin remained close to its 2019 level. Inland premia for the spot market came under severe pressure in 2020, due to a lack of spot demand and the excess supply caused by COVID-19. Reduced local demand was balanced out by increased sales in out-trading markets, which supported refinery utilization. The heating oil business was a significant contributor to the overall result, since heating oil demand was relatively strong due to favorable prices. This was a result of weaker crude oil prices.

At OMV's Schwechat and Burghausen refineries, production was partly shifted toward the production of petrochemicals to adjust to the drop in jet fuel demand. Despite the challenging COVID-19 market situation, the utilization rate of OMV's European refineries still reached 86%.

ADNOC Refining and Trading

Alongside majority shareholder ADNOC (65%) and Eni (20%), OMV became a strategic partner in ADNOC Refining by acquiring 15% of the company's shares at the end of July 2019. ADNOC Refining owns a total capacity of 922 kbbl/d comprising its Abu Dhabi refinery (85 kbbl/d) and its two major refineries in Ruwais. Together these constitute the world's fourth largest refining complex with integrated petrochemicals.

ADNOC Refining's business performance in 2020 was impacted by a major planned turnaround at both Ruwais refineries in the first half of the year. This was compounded by the significant ripples on the refining market caused by the global COVID-19 pandemic.

The turnaround allowed ADNOC Refining to implement a series of technical improvements in the major plants in the Ruwais refineries. These were put in place in the hydroskimming and conversion sections such as the Residue Fluid Catalytic Cracking (RFCC) plant, which is the key unit for upgrading bottom-of-the-barrel components. This in turn lifts the refining margin.

With the same ownership structure as ADNOC Refining, ADNOC Global Trading (AGT) has the mission to trade the majority of ADNOC Refining's export volumes of products as well as supplying non-domestic crudes, condensates, and other liquids for processing.

AGT extends the successful Downstream business model into key geographies and to strategic partners. By continuously optimizing trade flows, it allows ADNOC Refining to access attractive non-domestic feedstock sources, maximize netback for products on global markets (e.g., Asia-Pacific), and implement best practices such as risk management.

Despite unprecedented market circumstances, AGT went live on December 8, 2020, and executed its first trades before the end of the year.

Annual refining capacities

In kbbl/d

Schwechat (Austria)	204
Burghausen (Germany)	79
Petrobrazi (Romania)	86
ADNOC Refining (United Arab Emirates)[1]	138
Total	**507**

[1] Equivalent to OMV's 15% share in ADNOC Refining

Petrochemicals

Petrochemical margins fell below the 2019 average, reflecting lower global GDP growth rates and new production capacities going online mainly in Asia. After a strong first quarter, driven by a sharp decline in naphtha prices, average ethylene and propylene margins decreased. Overall, they came in below the previous year's level. Butadiene margins were impacted by collapsing demand in the automotive industry. This was because the primary use for butadiene is the production of Styrene Butadiene Rubber (SBR), which is mainly used in the manufacture of automobile tires. The benzene oversupply and an ever-weaker demand environment put heavy pressure on margins, which gradually recovered from July 2020 onward. Increased petrochemical sales volumes helped mitigate the negative margin impact from the COVID-19 crisis.

Due to the excellent flexibility of the production plants in the Schwechat and Burghausen refineries, some production was successfully shifted to petrochemicals to adjust to the new market requirements caused by COVID-19.

Borealis

Borealis is a leading provider of base chemicals, polyolefins, and fertilizers. Its drive towards "Value Creation through Innovation" is a cornerstone of its successful business. The company is the second-largest polyolefin producer in Europe and among the top ten producers globally, with a total capacity of 5.7 mn t of polyolefins.

Key projects

In January 2020, Borealis and NOVA Chemicals announced an agreement whereby Borealis would buy NOVA Chemicals' 50% ownership interest in Novealis Holdings. The acquisition was completed in April 2020. The two companies had established the holding company in 2018. Subsequently, they formed a 50:50 joint venture with Total Petrochemicals & Refining USA to create a new Houston-based company – Bayport Polymers (also known as Baystar). The Baystar project involves the construction of an ethane-based steam cracker in Port Arthur, which will supply approximately 1 mn t/y of ethylene. The facility's ethylene will be used to feed both the existing 400 kt per year polyethylene unit and the new 625 kt per year Borstar polyethylene unit being built. Both Baystar projects have moved ahead, despite disruptions to supply chains around the world, due to the COVID-19 pandemic.

In June, a propylene splitter, one of the largest single pieces of equipment ever shipped, arrived safely at the construction site of the new world-scale propane dehydrogenation (PDH) plant at the existing Borealis production site in Kallo, Belgium. Borealis' new PDH plant is Borealis' most significant investment in Europe, amounting to approximately EUR 1 bn. The plant will have a targeted annual production capacity of 750 kt per year, making it one of the largest and most efficient facilities in the world.

Borealis announced that its new naphtha cavern in Porvoo, Finland has been safely commissioned as of October 2020. After investing around EUR 25 mn in the construction of this innovative 80,000 m^3 facility, Borealis has become more independent and flexible. The company can now source naphtha for its Porvoo operations from the global market and store it in a more versatile, cost-efficient, and secure way. The cavern can also accommodate renewable naphtha, making it possible for Borealis customers to draw on certified renewable polypropylene and polyethylene, as well as renewable base chemicals (ethylene, propylene, and phenol) in the future.

In August 2020, Borealis announced the successful acquisition of a controlling stake in South Korean compounder DYM Solution Co. Ltd. The acquisition solidifies Borealis' position as a partner of choice for global wire and cable customers, helping to meet the growing needs and requirements of the wire and cable industry today and in the future.

At the Borouge 3 complex in Ruwais, UAE, the construction of another major growth project, the fifth Borstar polypropylene plant (PP5), is nearing completion. The Borouge 4 project is also moving ahead towards successful completion of the FEED (Front-End Engineering and Design) phase.

Circular economy

Borealis continues to invest in its recycling technologies and facilities. One example of recycling innovation is the ReOil® cooperation with OMV. The patented OMV ReOil® technology is used to chemically recycle post-consumer plastics into raw materials, which are then used by Borealis to produce polyolefins. Leading European multinational Nestlé has become the first Borealis customer to use the ISCC PLUS-compliant polyolefins in consumer goods packaging.

In September, Borealis announced the launch of the Bornewables™ portfolio. These premium polyolefin products are manufactured with renewable feedstock, derived entirely from waste and residue streams. Bornewables boast the same material performance as virgin polyolefins, with a smaller carbon footprint.

Borcycle™ is a proprietary state-of-the-art technology launched in 2019. It transforms plastic waste streams into value-adding, versatile recycled polyolefins. These serve as the foundation for an increasing number of more sustainable products and applications in the rigid packaging segment. In September, Borealis and MENSHEN, a leading specialist for plastic closures, launched a series of new packaging closures for laundry and homecare applications based on Borcycle™ UG522MO, a PP compound containing 50% post-consumer-recycled content.

R&D

In June 2020, the Austrian business magazine trend and ÖGVS, the Austrian society for consumer studies, organized the inaugural Innovation Award 2020/2021 for Austria's most imaginative companies. Borealis is proud to have achieved second place with 12 awards and 649 patents.

One important step-change innovation launched by Borealis in 2014 is now powering the Energiewende – or energy transition – in Germany. Crosslinked polyethylene (XLPE) power cables made with Borealis extruded high-voltage direct current (HVDC) technology are being used for the majority of the so-called German corridor projects. This is the first time that Borlink™ XLPE HVDC technology is being used at extra-high levels of 525 kilovolts (kV). The Borlink cables will be implemented in the northern part of the SuedOstLink and along the entire SuedLink corridor, thereby enabling the transmission of renewable energy from north to south with minimal loss.

Retail

Despite a challenging environment due to the COVID-19 pandemic, the retail business exceeded the 2019 Operating Result. The COVID-19-driven decline in fuel sales was more than offset by higher fuel margins, an increased share of premium fuels, and cost reductions. As a result, the retail business again proved to be a stable outlet for refinery products and a strong cash generator. Total sales declined by 10% to 5.9 mn t, equivalent to approximately 7.2 bn l. At the end of the year, the network comprised 2,085 filling stations (2019: 2,075). OMV continues to focus on its successful multi-brand strategy. The OMV brand is positioned as a premium brand, with VIVA representing a strong shop, gastronomy, and service offering. The Avanti brand of unmanned filling stations represents the discount segment, while the Petrom brand represents value for money. This strategy has continued to deliver great results, and profitability per site has increased. Sales of OMV's premium MaxxMotion-brand fuels have reached an all-time high at approximately 843 mn l, proving the premium-quality advantage, even during the COVID-19 crisis. The non-fuel business, including the VIVA convenience stores and car washes, continued to perform well, although this segment experienced a 13% decline due to the COVID-19 pandemic. The focus on high-quality products and services in the premium filling station network remains one of OMV's key differentiators. Our new VIVA private-label products, such as VIVA iced coffee and snacks, contributed to an improved retail result as well.

In December 2020, a divestment agreement was signed with EG Group for 285 filling stations in the OMV network in Germany. This will turn OMV's strategic focus toward sustainable and profitable growth in petrochemicals.

Gas supply, marketing, and trading

OMV markets and trades natural gas in nine European countries and Turkey. In 2020, natural gas sales volumes amounted to 164.0 TWh (2019: 136.7 TWh), an increase of 20%. The foundation for gas sales growth is a diverse supply portfolio, which consists of equity gas and a variety of international suppliers. In addition to mid- and long-term activities, short-term activities at the main international hubs (VTP, NCG, GASPOOL, TTF, PSV) complement OMV's dynamic supply portfolio.

OMV Gas Marketing & Trading GmbH's (OMV Gas) sales activities are focused on a diverse and resilient customer portfolio in the large-scale industry and municipality segments. OMV Gas conducts sales activities in Austria, Germany, Hungary, the Netherlands, and Belgium, where 2020 sales amounted to 114.8 TWh, up 30% over 2019. Italy, Slovenia, and France are covered by origination activities. Increased sales are a substantial achievement given the challenging market environment. Margins remained under pressure due to a competitive and increasingly volatile European gas market, a situation expected to continue.

In Germany, OMV Gas is well on track to reach its goal of a 10% market share by 2025. In 2020, sales reached 52.4 TWh, an increase of 31% over 2019. Its market share was 7% at year-end.

In Romania, OMV Petrom gas and power activities delivered an excellent operating result, reflecting strong power business performance and the optimization of both product and customer portfolios. Natural gas sales volumes to third parties reached 47.7 TWh in 2020, a slight increase compared to 47.2 TWh in 2019. Starting in July 2020, ANRE initiated a gas release program in Romania, whereby gas producers are obligated to offer 30% of their production volume to the centralized markets.

In Romania, net electrical output increased to 4.2 TWh in 2020 (2019: 3.4 TWh), with the Brazi power plant contributing approximately 7% of Romania's electricity production. It is also an important player on the power balancing market.

In 2020, OMV Gas again substantially improved the capacity utilization of the Gate regasification terminal. Furthermore, the LNG business provides an additional gas source to meet OMV's ambitious sales growth targets in Northwest Europe, while enhancing supply security for OMV's geographically diverse supply portfolio. The LNG business also supports portfolio integration of the supply, marketing, and trading businesses.

Gas logistics

OMV operates gas storage facilities in Austria and Germany with a storage capacity of 30 TWh. Additionally, OMV holds a 65% stake in the Central European Gas Hub (CEGH), the leading gas trading hub in Central and Eastern Europe. OMV's subsidiary Gas Connect Austria operates an approximately 900 km-long high-pressure natural gas pipeline network in Austria. On September 23, 2020, OMV signed an agreement to divest its entire 51% stake in Gas Connect Austria to VERBUND. Closing of the transaction is subject to regulatory approvals and is expected in the first half of 2021.

In 2020, the storage market was again characterized by strong customer demand and higher market prices due to large summer/winter spreads and volatility. At the European hubs, summer/winter spreads for winter 2020/21 reached levels significantly above previous years. After a relatively high filling level at the end of last winter, strong customer demand meant that Austrian storage facilities were utilized at more than 90% capacity.

At around 510 TWh, actual entry/exit transportation volumes in Eastern Austria (Regelzone Ost) were lower than in 2019 mainly due to generally high storage levels at the beginning of the year and reduced consumption as a consequence of COVID-19. Utilization of the entries from Germany into Austria was particularly low. The exit point to Hungary maintained the high activity level of 2019, and the nominations at the Baumgarten exit point into Slovakia were surprisingly positive.

At the Central European Gas Hub, 827 TWh of natural gas was nominated at the Virtual Trading Point (VTP) in 2020, an increase of 10% compared with 2019 and a new all-time high. This volume corresponds to approximately nine times Austria's annual gas consumption. The EEX CEGH Gas Market was successfully transferred from the PEGAS platform to EEX Gas as of January 2020. Traded volumes totaled 165 TWh in Austria and 13 TWh in the Czech Republic in 2020.

OMV is a financing partner of the Nord Stream 2 project. In the second quarter 2020, OMV provided funds of EUR 17.5 mn, bringing OMV's total payments under the financing agreements for Nord Stream 2 to EUR 729.3 mn.

Innovation and new technologies

OMV actively explores alternative feedstock, technologies, and fuels with the aim of developing a well-diversified, competitive future portfolio. Efforts and resources focus on chemical recycling for post-consumer plastic waste. Additional attention is given to the production of conventional and advanced biofuels, synthetic fuels, and green hydrogen as future fuels for the hard-to-electrify transportation segment, and as precursors for sustainable chemicals.

OMV's ReOil® proprietary thermal cracking technology was developed to meet the European Commission's targets for the circular economy and to fulfill future packaging recycling quotas. The ReOil® plant with a capacity of 100 kg/h at the Schwechat refinery is already recycling post-consumer and post-industrial plastics into synthetic crude oil in a pyrolysis process. This synthetic crude is then processed mainly into monomers and other hydrocarbons in the Schwechat refinery. OMV and Borealis are pursuing the clear ambition of becoming a leading player in chemical and mechanical recycling technologies.

Furthermore, OMV has taken steps to implement the Co-Processing technology in the Schwechat refinery. This technology enables OMV to process biogenic feedstocks (e.g., domestic rapeseed oil) together with fossil-based materials in an existing refinery hydrotreating plant during the fuel refining process. The final investment decision of around EUR 200 mn for converting a refinery plant to produce 160,000 t of biofuels per year was made in 2020. This will reduce OMV's carbon footprint by up to 360,000 t by substituting fossil diesel. Operations are scheduled to begin by 2023.

OMV signed a supply contract with AustroCell Hallein to supply OMV with advanced bioethanol totaling up to 1.5 mn l per month starting in January 2021. This will reduce emissions by around 45,000 t of CO_2 per year.

Unlike conventional biofuels, advanced fuels do not compete with food production. The amount that can be blended into the fuel pool is not capped, as is the case with waste-based fuels. The principal sources of advanced fuels include biomass fraction from mixed municipal or industrial waste, straw, animal manure, or residues from forestry and wood processing as well as waste streams. OMV is developing its own proprietary technology to convert one of these biomasses into advanced fuel. The next step is a pilot plant at the Schwechat refinery. OMV also collaborates with technology providers, industry partners, and academic institutions to produce advanced biofuels at scale.

Synthetic fuels, which are made of CO_2 and hydrogen, are a key technology for decarbonizing the aviation industry. OMV is working on two development projects, C2PAT and E-Fuels, to convert CO_2 from industry off-gases into e-fuels with the goal of reaching industry scale by the end of the decade.

OMV and its partners working on the UpHy project, intend to produce green hydrogen for use in both the mobility sector and the refining process. OMV is developing an electrolysis plant at the Schwechat refinery for this purpose, to be powered with renewable electricity, to produce zero-carbon hydrogen. The green hydrogen will initially be used for fuel hydrogenation. However, the ultimate goal is to develop commercial hydrogen fuel cells for transportation applications such as commercial buses and trucks. As a pioneer in hydrogen mobility, OMV operates five hydrogen filling stations in Austria. In 2020, OMV together with Daimler Trucks AG, IVECO, Shell, and the Volvo Group launched the H2Accelerate program. These partners committed to creating the conditions necessary for a mass-market roll-out of hydrogen trucks in Europe. Fleets are expected to operate first in regional clusters and along European high-capacity corridors. Over time, the clusters are going to be interconnected into a pan-European network.

OMV is actively involved in the development of alternative energy sources for major mobility applications in line with market developments for emission reductions.

OMV holds 40% of SMATRICS, Austria's largest e-mobility provider, and works together with IONITY on high-power charging solutions in the CEE region. With the OMV e-mobility card, ROUTEX customers can seamlessly use their energy source of choice at a range of roaming partners all over Europe.

Compressed natural gas (CNG) and liquefied natural gas (LNG) can reduce CO_2 and particulate emissions from vehicles by 20% and 90%, respectively. OMV will unlock this potential by opening its first LNG station in Austria in 2021. The station will offer LNG as an alternative fuel for heavy-duty vehicles.

During 2020, OMV began installing photovoltaic panels on more than 90 stations in multiple countries with the aim of continuing this expansion in 2021. This will reduce the stations' carbon footprint and improve the economic efficiency of operations.

Digitalization

In 2020, OMV anchored digitization in its business strategy. The focus was on immediate value creation, delivered by teams from the business units. Digitalization projects have fostered customer retention, excellence in optimizing processes and assets, and a collaborative and empowered internal culture. Our spend on digital growth and transformation initiatives has increased to two-thirds of our digital expenditure, making us a cross-industry digital leader.

Customer retention efforts have resulted in loyalty growth across both segments and geographies. In 2020, nearly 50% of fuel customers regularly placed online orders, which demonstrates our ability to scale digital platforms through a crisis.

Another COVID-19 adaptation involved our refineries using complex computing power to switch almost instantly from jet fuel production to manufacturing petrochemical raw materials. This compensated for the diminished demand for kerosene and secured 10 percentage points of refinery utilization during the lockdown.

A focus on data for decision-making has enabled us to know our customers better. By combining data with smart analysis and machine learning algorithms, the retail business has begun identifying buying patterns at our filling stations and making sure they never run out of fuel or supplies. Data insights helped us reshape the pricing framework and deliver predictable returns from fuels and petrochemical customers.

Gas trading is using an automated tool with 15 different algorithms to execute non-stop automated deals in milliseconds to secure reliable gas supplies for all of OMV's customers.

The installation of GPS trackers in 3,000 rail tank cars along with new software is enabling active fleet management, fleet optimization, and reduced production losses. This activity is forecast to bring a financial benefit of more than EUR 2 mn within four years.

Across tank farms and refineries, 9 out of 22 terminal automation roll-outs are complete. This will result in 70% (DE) and 60% (RO) reductions in equivalent operating costs in 2021. Over five years, the savings will be around EUR 7 mn.

Both routine work and projects have benefited from a drive to increase automation. More than 50,000 robotics process automation hours have been logged, resulting in better workload management and enabling employees to give attention to activities that require their cognitive skills.

These digitalization achievements are the result of strong cross-disciplinary collaboration with operations, sales, and IT teams who contribute complementary expertise. Digital*Motion* is our Downstream-wide digitalization umbrella. It has become a collaboration hub where tools, methodologies, and ideas are shared. A digital enthusiast community of nearly 400 employees has been established. The community is sharing learning and experiences about digitalization across disciplines and business units, including Borealis. The Digital Bootcamp has been a development gateway for employees who are adopting customer-oriented design thinking and agile scrum techniques, which speed up the implementation of ideas.

Outlook

Following the reorganization of the OMV Group, starting with Q1/21 OMV will change its reporting structure. The business segments will be reported as follows: Exploration & Production, Refining & Marketing, and Chemicals & Materials.

Market environment

For 2021, OMV expects the average Brent crude oil price to be in the range between USD 50/bbl and USD 55/bbl (2020: USD 42/bbl). In 2021, the average realized gas price is anticipated to be higher than EUR 10/MWh (2020: EUR 8.9/MWh).

Group

In 2021, organic CAPEX is projected to come in at around EUR 2.7 bn, including non-cash effective CAPEX related to leases of around EUR 0.2 bn.

Exploration & Production

OMV expects total production to be at around 480 kboe/d in 2021 (2020: 463 kboe/d), depending on the security situation in Libya and production cuts imposed by governments.

Organic CAPEX for Exploration & Production is anticipated to come in at EUR 1.1 bn in 2021.

In 2021, Exploration and Appraisal (E&A) expenditure is expected to be at around EUR 230 mn (2020: EUR 227 mn).

Refining & Marketing

The OMV refining indicator margin is expected above the previous year's level (2020: USD 2.4/bbl).

Total refined product sales in 2021 are projected to be higher compared to 2020 (2020: 17.8 mn t). In OMV's markets, retail margins are forecast to be lower than in 2020 and commercial margins are predicted to be higher than the prior-year level.

The utilization rate of the European refineries is expected to remain at the prior-year level (2020: 86%). In 2021, there is no major turnaround planned for our refineries in Europe.

Natural gas sales volumes in 2021 are projected to be above those in 2020 (2020: 164 TWh).

Organic CAPEX in Refining & Marketing and Corporate are forecast at around EUR 0.7 bn.

Chemicals & Materials

The European ethylene indicator margin is expected to be at the prior year's level (2020: EUR 435/t). The European propylene indicator margin is projected to be at the prior year's level as well (2020: EUR 364/t).

The polyethylene sales volume of Borealis AG in 2021 is projected to be slightly above the prior-year level (2020: 1.76 mn t). The polypropylene sales volume of Borealis AG is expected to be in line with the prior-year level (2020: 2.12 mn t).

The European polyethylene indicator margin in 2021 is forecast to be above the previous year's level (2020: EUR 350/t). The European polypropylene indicator margin is expected to be above the previous year's level. (2020: EUR 413/t).

Organic CAPEX related to Chemicals & Materials amount to around EUR 0.9 bn.

For information about the longer-term outlook, see Strategy.

Risk Management

Like the oil, gas and petrochemical industry as a whole, OMV is exposed to a variety of risks – including market and financial risks, operational risks, and strategic risks. The Group's risk management processes focus on identification, assessment, and evaluation of such risks and their impact on the Group's financial stability and profitability. The objective of these activities is to actively manage risks in the context of the Group's risk appetite and defined risk tolerance levels in order to achieve OMV's long-term strategy.

It is OMV's view that the Group's overall risk is significantly lower than the sum of the individual risks due to its integrated nature and the fact that various risks partially offset each other. The balancing effects of industry risks, however, can often lag or weaken. OMV's risk management activities therefore focus on the net risk exposure of the Group's existing and future portfolio. The interdependencies and correlations between different risks are also reflected in the Company's consolidated risk profile. Risk management and insurance activities are centrally coordinated at the corporate level by the Treasury and Risk Management department. This department ensures that well-defined and consistent risk management processes, tools, and techniques are applied across the entire organization. Risk ownership is assigned to the managers who are best suited to oversee and manage the respective risk.

The overall objective of the risk policy is to safeguard the cash flows required by the Group and to maintain a strong, investment-grade credit rating in line with the Group's risk appetite.

OMV is closely monitoring the development of the consequences of the COVID-19 pandemic and regularly evaluating the impact on the Group's cash flow and liquidity position. OMV is responding to the situation with targeted measures to safeguard the Company's economic stability and the secure supply of energy. The health and wellbeing of every employee is our top priority. At the same time, OMV is implementing targeted measures to preserve the Company's financial strength, namely reduction of investments, cost cutting, and postponing acquisition projects.

Enterprise-Wide Risk Management

Non-financial and financial risks are regularly identified, assessed, and reported through the Group-wide Enterprise-Wide Risk Management (EWRM) process.

The main purpose of the OMV Group's EWRM process is to deliver value through risk-based management and decision-making, which is ensured by applying a "three lines of defense model" (1. business management, 2. risk management and oversight functions, 3. internal audit). The assessment of financial, operational, and strategic risks helps the Group leverage business opportunities in a systematic manner. This ensures that OMV's value grows sustainably. Since 2003, the EWRM system has helped enhance risk awareness and improve risk management skills across the entire organization, including at subsidiaries in more than 20 countries. The OMV Group is constantly enhancing the EWRM process based on internal and external requirements.

A cross-functional committee chaired by the OMV Group's CFO with senior management members of the OMV Group – the Risk Committee – ensures that the EWRM process effectively captures and manages material risks across the OMV Group.

The process is facilitated by a Group-wide IT system supporting the established individual process steps: risk identification, risk analysis, risk evaluation, risk treatment, reporting, and risk review through continuous monitoring of changes to the risk profile. The overall risk resulting from the bottom-up risk management process is computed using Monte Carlo simulations and compared against planning data. This is further combined with a top-down approach from the senior management view to capture the risks inherent in the strategy. The process also includes companies that are not fully consolidated. Twice a year, the results from this process are consolidated and presented to the Executive Board and the Audit Committee. In compliance with the Austrian Code of Corporate Governance, the effectiveness of the EWRM system is evaluated by the external auditor on an annual basis. The key non-financial and financial risks identified with respect to OMV's medium-term plan are:

- Financial risks including market price risks and foreign exchange risks
- Operational risks including all risks related to physical assets, production risks, project risks, personnel risks, IT risks, HSSE, and regulatory/ compliance risks
- Strategic risks arising, for example, from changes in climate change, technology, risks to reputation, or political uncertainties, including sanctions

Financial risk management

Market price and financial risks arise from volatility in the prices of commodities including the market price risks from European Emission Allowances, foreign exchange (FX) rates, and interest rates. Also of importance are credit risks, which arise from the inability of a counterparty to meet a payment or delivery commitment. As an oil, gas and petrochemical company, OMV has a significant exposure to oil and gas prices. Substantial FX exposures include the USD, RON, NOK, NZD, SEK and RUB. The Group has a net USD long position mainly resulting from oil production sales. The comparatively less significant short positions in RON, NOK, NZD, SEK and RUB originate from expenses in local currencies in the respective countries.

Management of market price risk, FX risk, European Emission Allowances

The analysis and management of financial risks arising from foreign currencies, interest rates, commodity prices, European Emission Allowances, counterparties, liquidity, and insurable risks are consolidated at the corporate level. Market price risk is monitored and analyzed centrally in respect of its potential cash flow impact using a specific risk analysis model that considers portfolio effects. The impact of financial risks (e.g., market prices, currencies) on the OMV Group's cash flow and liquidity are reviewed quarterly by the Risk Committee, which is chaired by the CFO and comprises the senior management of the business segments and corporate functions.

In the context of market price risk and FX risk, the OMV Executive Board decides on hedging strategies to mitigate such risks whenever deemed necessary. OMV uses financial instruments for hedging purposes to protect the Group's cash flow from the potential negative impact of falling oil and gas prices in the Upstream business.

In the Downstream business, OMV is especially exposed to volatile refining and petrochemical margins and natural gas prices, as well as inventory risks. Corresponding optimization and hedging activities are undertaken in order to mitigate those risks. Those include margin hedges as well as stock hedges. An optimization, trading and hedging risk control governance system defines clear mandates including risk thresholds for such activities. In addition, Emission Compliance Management ensures a balanced position of emission allowances by selling the surplus or covering the gap.

Management of interest rate risk

To balance the Group's interest rate portfolio, loans can be converted from fixed to floating rates and vice versa according to predefined rules. OMV regularly analyzes the impact of interest rate changes on interest income and expense from floating rate deposits and borrowings. Currently the effects of changes in interest rates are not considered to be a material risk.

Management of credit risk

Significant counterparty credit risks are assessed, monitored, and controlled at the Group and segment level using predetermined credit limits for all counterparties, banks, and security providers. The procedures are governed by guidelines at the OMV Group and OMV Petrom level. Based on the high economic uncertainty resulting from the COVID-19 pandemic, special attention is paid to early warning signals like changes in payment behavior.

Operational risks

The nature of OMV's business operations exposes the Group to various health, safety, security, and environmental (HSSE) risks. Such risks include the potential impact of natural disasters as well as process safety and personal security events. Other operational risks comprise risks related to the delivery of capital projects or legal/regulatory non-compliance. All operational risks are identified, analyzed, monitored, and mitigated following the Group's defined risk management process.

Control and mitigation of assessed risks takes place at all organizational levels using clearly defined risk policies and responsibilities. The key Group risks are governed centrally to ensure the Group's ability to meet planning objectives through corporate directives, including those relating to health, safety, security, environment, legal matters, compliance, human resources, and sustainability.

OMV puts a special emphasis on five Sustainability Strategy areas: HSSE; Carbon Efficiency; Innovation; Employees; Business Principles and Social Responsibility. OMV Executive Board members regularly (at least quarterly) discuss current and upcoming environmental, climate, and energy-related policies and regulations; related developments in the fuels and gas market; the financial implications of carbon emissions trading obligations; the status of innovation project implementation; and progress on achieving sustainability-related targets. OMV focuses on assessing the potential vulnerabilities of the Company to climate change (e.g., water deficiency, droughts, floods, landslides), the impact of the Company on the environment, and the mitigation actions that will ensure a successful transition to a low-carbon environment (e.g., carbon emission reduction, compliance with new regulatory requirements).

As OMV's activities rely on information technology systems, the Group may experience disruption due to major cyber events. Security controls are therefore implemented across the Group to protect information and cyber assets that store and process information. IT-related risks are assessed, monitored regularly, and managed actively with dedicated information and security programs across the organization.

Strategic risks

In order to identify strategic risks which might have potential long-term effects on the Company's objectives OMV continuously monitors its internal and external environment.

OMV operates and has financial investments in countries that are subject to political uncertainties, in particular Libya, Kazakhstan, Yemen, Russia, Brazil, and Tunisia. Possible political changes may lead to disruptions and limitations in production or an increased tax burden, restrictions on foreign ownership, or even nationalization of property. However, OMV has extensive experience in dealing with the political environment in emerging economies. Political developments in all markets where OMV operates are observed continually. Country-specific risks are assessed before entering new countries.

OMV also evaluates the risk of potential US or EU sanctions and their impact on planned or existing operations. The aim here is to stay in full compliance with all applicable sanctions. In particular, risks due to political and regulatory developments both inside and outside of Europe with potential unfavorable effects on the Nord Stream 2 project and on OMV's activities in Russia are regularly assessed and monitored.

OMV consistently evaluates the Group's exposure to risks related to climate change in addition to the market price risk from European Emission Allowances. Such risks comprise the potential impact of acute or chronic events like more frequent extreme weather events, or systemic changes to our business model due to a changing legal framework, or substitution of OMV's products due to changing consumer behavior. OMV recognizes climate change as a key global challenge. We thus integrate the related risks and opportunities into the development of the Company's business strategy. Measures that we implement to manage or mitigate such risks are set out in the relevant sections of this report, particularly in Sustainability and Strategy.

Through systematic employee succession and development planning, Corporate Human Resources targets suitable managerial employees to meet future growth requirements in order to mitigate personnel risks.

For further details on risk management and the use of financial instruments, please refer to Note 28 of the Consolidated Financial Statements.

For further details on climate-change-related risks and their management, see the OMV's Sustainability Report.

For further details on health, safety, security, and environmental risks, please refer to the chapter Health, Safety, Security, and Environment in the Directors' Report.

Other Information

Information required by section 243a of the Unternehmensgesetzbuch (Austrian Commercial Code)

1. The capital stock amounts to EUR 327,272,727 and is divided into 327,272,727 bearer shares of no par value. There is only one class of shares.
2. There is a consortium agreement in place between the two core shareholders, Österreichische Beteiligungs AG (ÖBAG) and Mubadala Petroleum and Petrochemicals Holding Company L.L.C (MPPH), which provides for coordinated behavior and certain limitations on transfers of shareholdings.
3. ÖBAG holds 31.5% and MPPH holds 24.9% of the capital stock.
4. All shares have the same control rights.
5. Employees who are shareholders directly exercise their voting rights at the Annual General Meeting.
6. The Company's Executive Board must consist of two to six members. The Company's Supervisory Board must consist of at least six members elected by the Annual General Meeting and of the members nominated under section 110 (1) of the Arbeitsverfassungsgesetz (Austrian Labor Constitution Act). Resolutions concerning the dismissal of members of the Supervisory Board pursuant to section 87 (8) of the Aktiengesetz (Austrian Stock Corporation Act) require a simple majority of the votes cast. To approve capital increases pursuant to section 149 of the Austrian Stock Corporation Act and alterations of the Articles of Association (except those concerning the Company's objects), simple majorities of the votes and capital represented in adopting the resolution are sufficient.
7.

7.a) As the authorized capital granted by the Annual General Meeting on May 14, 2014 expired on May 14, 2019, the Annual General Meeting decided upon a new authorized capital on September 29, 2020. Specifically, it authorized the Executive Board until September 29, 2025 to increase the share capital of OMV with the consent of the Supervisory Board – at once or in several tranches – by an amount of up to EUR 32,727,272 by issuing up to 32,727,272 new no-par value common voting shares in bearer form in return for contributions in cash. The capital increase can also be implemented by way of indirect offer for subscription after taking over by one or several credit institutions according to Section 153 Paragraph 6 Austrian Stock Corporation Act. The issue price and the conditions of issuance can be determined by the Executive Board with the consent of the Supervisory Board. The Annual General Meeting also authorized the Executive Board, subject to the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the capital increase serves to

(i) adjust fractional amounts or

(ii) satisfy stock transfer programs, in particular long term incentive plans, equity deferrals or other participation programs for employees, senior employees and members of the Executive Board/management boards of the Company or one of its affiliates), or other employees' stock ownership plans.

In addition, the Supervisory Board was authorized to adopt amendments to the Articles of Association resulting from the issuance of shares according to the authorized capital.

7.b) On May 18, 2016, the Annual General Meeting authorized the Executive Board for a period of five years from the adoption of the resolution, therefore, until including) May 17, 2021, upon approval of the Supervisory Board, to dispose of or utilize stock repurchased or already held by the Company to grant treasury shares to employees, senior employees and/or members of the Executive Board/management boards of the Company or one of its affiliates, including for purposes of share transfer programs – in particular, long-term incentive plans including matching share plans or other stock ownership plans – under exclusion of the general purchasing possibility of shareholders (exclusion of subscription rights). The authorization can be exercised as a whole or in parts or even in several tranches by the Company, by a subsidiary (section 189a, number 7, of the Austrian Commercial Code) or by third parties for the account of the Company.

7.c) On May 14, 2019 the Annual General Meeting authorized the Executive Board to repurchase bearer shares of no par value of the Company up to a maximum of 5% of the Company's nominal capital in accordance with section 65 (1) (8) Austrian Stock Corporation Act, over a period of 15 months from the date of adoption of the resolution by the General Meeting, for a minimum consideration per share being at the utmost 30% lower than the average, unweighted stock exchange closing price over the preceding ten trading days and a maximum consideration per share being at the utmost 20% higher than the average, unweighted stock exchange closing price over the preceding ten trading days, whereby any repurchases have to be exercised in such a way that the Company does not hold more than 1,300,000 treasury shares at any time. Such repurchases may take place via the stock exchange or a public offering or by other legal means and for the purpose of share transfer programs, in particular Long Term Incentive Plans including Matching Share Plans, Equity Deferrals or other stock ownership plans. The Executive Board was further authorized to cancel stock repurchased or already held by the Company without further resolution of the Annual General Meeting and the Supervisory Board was authorized to adopt amendments to the Articles of Association resulting from the cancellation of shares. The authorization can be exercised as a whole or in parts and also in several tranches by the Company, by a subsidiary (Section 189a Number 7 Commercial Code) or by third parties for the account of the Company and shall be exercised always in such a manner that it is to the benefit and in the best interest of the Company.

8. OMV has issued perpetual hybrid notes in the amount of EUR 3,250 mn which are subordinated to all other creditors. According to IFRS, the net proceeds of the hybrid notes in the amount of EUR 3,228 mn are fully treated as equity because the repayment of the principal and the payments of interest are solely at the discretion of OMV.

On December 7, 2015, OMV issued hybrid notes with an aggregate principal amount of EUR 1,500 mn, in two tranches of EUR 750 mn each with the following interest payable:

(i) The hybrid notes of tranche 1 bear a fixed interest rate of 5.250% per annum until, but excluding, December 9, 2021, which is the first call date of tranche 1. From December 9, 2021 (including), until, but excluding, December 9, 2025, the hybrid notes of tranche 1 will bear interest per annum according to a reset interest rate to be determined according to the relevant five-year swap rate plus a specified margin. From December 9, 2025 (including), the notes will bear an interest rate per annum at the relevant five-year swap rate for the relevant interest period plus a specified margin and a step-up of 100 basis points.

(ii) The hybrid notes of tranche 2 bear a fixed interest rate of 6.250% per annum until, but excluding, December 9, 2025, which is the first call date of tranche 2. From December 9, 2025 (including), tranche 2 will bear an interest rate per annum at the relevant five-year swap rate for the relevant interest period plus a specified margin and a step-up of 100 basis points.

Interest is due and payable annually in arrears on December 9 of each year, unless OMV elects to defer the relevant interest payments. The outstanding deferred interest must be paid under certain circumstances, in particular, if the Annual General Meeting of OMV resolves upon a dividend payment on OMV shares.

On June 19, 2018 OMV issued a hybrid bond with a principal amount of EUR 500 mn. The hybrid bond bears a fixed interest rate of 2.875% per annum until, but excluding, June 19, 2024. From June 19, 2024 (including), until, but excluding, June 19, 2028 the hybrid notes will bear interest at a rate corresponding to the relevant five-year swap rate plus a specified margin. From June 19, 2028 (including), the notes will bear an interest rate per annum at the relevant five-year swap rate for the relevant interest period plus a specified margin and a step-up of 100 basis points. Interest is due and payable annually in arrears on June 19 of each year, unless OMV elects to defer the relevant interest payments. The outstanding deferred interest must be paid under certain circumstances, in particular, if the Annual General Meeting of OMV resolves upon a dividend payment on OMV shares.

On September 1, 2020, OMV issued hybrid notes with an aggregate principal amount of EUR 1,250 mn, in two tranches (Tranche 1: EUR 750 mn; Tranche 2: EUR 500 mn) with the following interest payable:

(iii) The hybrid notes of tranche 1 bear a fixed interest rate of 2.500% per annum until, but excluding September 1, 2026, which is the first reset date of tranche 1. From the first reset date (including), until, but excluding, September 1, 2030, the hybrid notes of tranche 1 will bear interest per annum at a reset interest rate which is determined according to the relevant five-year swap rate plus a specified margin. From September 1, 2030 (including), the notes will bear an interest rate per annum at the relevant five-year swap rate for each interest period thereafter plus a specified margin and a step-up of 100 basis points.

(iv) The hybrid notes of tranche 2 bear a fixed interest rate of 2.875% per annum until, but excluding September 1, 2029, which is the first reset date of tranche 2. From the first reset date (including), until, but excluding, September 1, 2030, the hybrid notes of tranche 2 will bear interest per annum at a reset interest rate which is determined according to the relevant five-year swap rate plus a specified margin. From September 1, 2030 (including), the notes will bear an interest rate per annum at the relevant five-year swap rate for each interest period thereafter plus a specified margin and a step-up of 100 basis points.

Interest is due and payable annually in arrears on September 1 of each year, unless OMV elects to defer the relevant interest payments. The outstanding deferred interest must be paid under certain circumstances, in particular, if the Annual General Meeting of OMV resolves upon a dividend payment on OMV shares.

The hybrid notes outstanding as of December 31, 2020 do not have a scheduled maturity date and they may be redeemed at the option of OMV under certain circumstances. OMV has, in particular, the right to repay the hybrid notes at certain call dates. Any accrued unpaid interest becomes payable when the notes are redeemed. In the case of a change of control, for example, OMV may call the hybrid notes for re-demption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid notes.

9. The material financing agreements to which OMV is a party and bonds issued by OMV contain typical change of control clauses.

10. There are no agreements between the Company and members of the Executive Board and Supervisory Board or employees regarding the payment of compensation in the event of a public takeover bid.

11. The most important elements of the internal control and risk management system regarding the accounting process are the following: Governance for the internal control system is defined by internal corporate regulations (ICS Directive and its Annexes). Corporate Internal Audit controls the compliance with these principles and requirements through regular audits, based on the annual audit plan approved by the Audit Committee of the Supervisory Board, or through ad hoc audits.

    The results of those audits are presented to the Audit Committee of the Supervisory Board. For the main "end-to-end" processes (e.g. purchase-to-pay, order-to-cash), Group-wide Minimum Control Requirements are defined. Based on a defined time plan, the implementation and the effectiveness are being monitored. The establishment of Group-wide standards for the preparation of annual and interim financial statements by means of the corporate IFRS Accounting Manual is also regulated by an internal corporate regulation. The Group uses a comprehensive risk management system. The essential processes of the financial reporting system have been identified and analyzed. In addition, the effectiveness of the risk management system is regularly evaluated by external auditors. The results of the evaluation are reported to the Audit Committee of the Supervisory Board.

12. In accordance with section 267a (6) of the Commercial Code, a separate consolidated non-financial report will be issued.

Subsequent events

Please refer to Note 37 in the Consolidated Financial Statements.

Vienna, March 10, 2021

The Executive Board

Rainer Seele m.p.
Chairman of the Executive Board
and Chief Executive Officer

Johann Pleininger m.p.
Deputy Chairman of the Executive Board
and Chief Upstream Operations Officer

Reinhard Florey m.p.
Chief Financial Officer

Thomas Gangl m.p.
Chief Downstream Operations Officer

Elena Skvortsova m.p.
Chief Commercial Officer