

# **OMV Aktiengesellschaft (OMVJF) Q1 2024 Earnings Call Transcript**

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**Body**

OMV Aktiengesellschaft (OMVJF)

Q1 2024 Results Conference Call

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Company Participants

Florian Greger - IR

Alfred Stern - CEO

Reinhard Florey - CFO

Conference Call Participants

Josh Stone - UBS

Peter Low - Redburn

Henry Tarr - Berenberg

Bertrand Hodee - Kepler Cheuvreux

Ram Kamath - Barclays

Presentation

Operator

Welcome to the OMV Group First Quarter 2024 Results Conference Call and Webcast. [Operator Instructions] Please be advised that today's conference is being recorded.

At this time, I would like to refer you to the disclaimer, which includes our position on the forward-looking statements. These forward-looking statements are based on beliefs, estimates and assumptions currently held by, and information currently available to, OMV. By their nature, forward-looking statements are subject to risks and uncertainties that will or may occur in the future and are outside the control of OMV. Therefore, recipients are cautioned not to place undue reliance on these forward-looking statements.

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This presentation does not contain any recommendation or invitation to buy or sell securities in OMV.

I would now like to turn the conference over to Mr. Florian Greger, Head of Investor Relations. Please go ahead, Mr. Greger.

Florian Greger

Yes. Thank you. Good morning, ladies and gentlemen, and welcome to OMV's earnings call for the first quarter 2024. With me on the call are OMV's CEO, Alfred Stern; and our CFO, Reinhard Florey. As always, Alfred will walk you through the highlights of the quarter and will discuss OMV's financial performance.

Following his presentation, the two gentlemen are available to answer your question.

And without any further ado, I'll hand it over to Alfred.

Alfred Stern

Thank you, Florian. Ladies and gentlemen, good morning, and thank you for joining us.

Our business continued to perform well in the first quarter of 2024. We have made a robust start into the year. Our clean CCS operating result was €1.5 billion, and our operating cash flow stood at €1.8 billion, far exceeding the level of the previous quarter.

Let me speak briefly about the market environment, which showed a mixed picture in the first quarter. Brent crude oil prices remained broadly unchanged compared to the previous quarter, averaging $83 per barrel. A bullish sentiment on revised IEA demand expectations, the continuation of OPEC+ production cuts and the geopolitical risk premium amid the ongoing attacks in the Red Sea supported this.

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European gas prices dropped by around 30% compared to the previous quarter and by around 50% compared to the prior year quarter on the back of a warmer-than-expected winter in Europe, leading to reduced demand and high storage levels. At around $11 per barrel, the European refinery indicator margin remained very strong, slightly above the previous quarter but 27% lower year-on-year.

Gasoline crack spreads rose versus the previous quarter, driven by tighter supplies in the U.S. due to unplanned production outages amid the severe cold spell in the Gulf at the beginning of this year. Middle distillate crack spreads remained elevated, yet still lower compared to the previous quarter due to higher supply availability, unusually higher temperatures and weak European economic activity.

Naphtha crack spreads increased, supported by supply and logistics disruptions. European steam cracker run rates improved, driven by lower chemical imports into the region as logistics became more complicated amid Red Sea attacks. In the second half of the quarter, gasoline blending demand for naphtha started improving, supporting crack spreads further.

The olefin indicator margins in Europe declined compared to the previous quarter and prior year quarter as a result of overall weak underlying demand. Although demand improved compared to the fourth quarter of 2023, prices could not compensate for changes in feedstock prices, resulting in weaker indicator margins.

Polyolefin indicator margins rose compared to the previous quarter, supported by concerns about the security of supply, reduced imports into Europe from Asia and Middle East due to the Red Sea bottleneck and into North America following outages after the winter freeze, coupled with low inventory levels, led to a rise in orders from European producers. Compared to the prior year quarter, the polyethylene indicator margin was up 16%, while the polypropylene indicator margin was similar.

At around €1.5 billion, the clean CCS operating result improved by around 4% compared with the previous quarter but was below the exceptional level of the prior year quarter.

Our cash flow from operating activities increased compared with the fourth quarter of 2023 by almost 70%, but stood around 30% below the prior year quarter when it benefited from exceptionally high gas prices.

Looking at operations, polyolefin sales volumes were slightly higher year-on-year, while fuel sales volumes declined slightly. The utilization rate of our refineries was at 85% due to short outages and reduced middle distillate demand. The utilization rate of the steam crackers was at 87%, above the average European rates.

Oil and gas production was 6% lower year-on-year, primarily due to lower volumes in New Zealand, Romania and Norway. OMV was included in the Dow Jones Sustainability Index for the sixth consecutive year. The DJSI world represents the top 10% of the largest 2,500 companies in the S&P Global Broad Market Index.

Our latest rating reconfirms that we are on the right trajectory with our sustainability agenda. We continued to execute our strategy and made further progress with the transformation of our company. We closed the acquisition of Integra Plastics, a Bulgarian advanced mechanical recycling company, which adds more than 20,000 tons of recycling capacity per year.

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We also announced an investment in the olefins units in Finland, which will enable an increased share of renewable and recycled raw materials in our base chemicals production.

We also signed a long-term supply agreement with TOMRA. OMV will receive feedstock for its ReOil plants in Austria, while Borealis will process volumes at its mechanical recycling operations in Europe.

OMV Petrom signed financing contracts with the Romanian Ministry of Energy for the construction of two production facilities for green hydrogen. Total investment will be approximately €140 million, with a funding of up to €50 million. The projects consist of building two water electrolysis plants with a total capacity of 55 megawatts at the Petrobras refinery. The entire production process would be powered by renewable energy, therefore, carbon-free, allowing the hydrogen obtained to be classified as green hydrogen.

Furthermore, we acquired 30 additional retail sites in Austria and Slovakia to strengthen our integrated supply chain around our refineries. The new sites will also act as a catalyst for our mobility transformation strategy, which aims to help our customers reduce emissions through our second-generation biofuels offering and ultrafast charging e-mobility rollout.

Last but not least, I'm very happy to announce that OMV has joined the oil and gas methane partnership of the United Nations Environment program. OMV takes the topic of mitigating methane emissions very seriously and this program will strengthen our efforts to ensure accurate measurement and transparent reporting.

Let's turn now to the financial performance in the first quarter of 2024. Our clean CCS operating result was slightly higher than the previous quarter. However, compared to the strong prior year quarter, which was supported by very high gas prices and refining margins, the result decreased by around €600 million.

The performance of the Energy segment dropped by around €430 million and Fuels & Feedstock decreased by around €280 million. The Chemicals & Materials result improved by €35 million.

The clean CCS tax rate was stable at 39%. The clean CCS net income attributable to stockholders rose sequentially by around 5% to €696 million, while it declined by 32% compared with the strong prior year quarter. Clean CCS earnings per share amounted to €2.13. Let me now come to the performance of our business segments. Compared to the first quarter of 2023, the clean operating result of Chemicals & Materials rose by €35 million.

This was mainly driven by positive inventory effect on the back of increasing prices during the quarter and a higher result from Borouge.

The nitro business, which we divested in July last year, contributed €7 million in the first quarter of 2023.

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The ethylene indicator margin declined by 2%, and the propylene indicator margin went down by 9%, impacted by ample supply resulting from a higher refinery throughput in Europe. The polyethylene indicator margin increased by 16%, while the polypropylene indicator margin was flat. As a consequence, we recorded negative market effects of €9 million in our European olefin and polyolefin businesses compared to the first quarter of 2023.

We recognized positive inventory effects of around €40 million in the first quarter, primarily due to increasing feedstock prices. However, the improvement versus the first quarter of 2023 amounted to around €60 million as inventory effects were negative at that time.

Looking at operational performance. The olefin contribution of the OMV crackers decreased slightly due to weaker indicator margins, partially offset by higher benzene margins. The contribution of the Borealis olefin business increased due to positive inventory valuation effects and higher production volumes as the Kallo PDH plant had a planned turnaround in the first quarter of 2023.

The utilization rate of our steam crackers decreased mainly due to brief stoppages and minor operational issues. The feedstock flexibility of our crackers in the Nordic was once again advantageous. Shifting to lighter feedstocks led to a benefit of around €40 million in the first quarter of this year.

The polyolefin business performance declined slightly impacted by a less favorable product mix and higher fixed costs due to inflation, partially offset by positive inventory valuation effects. The polyolefin sales volumes increased slightly compared to the first quarter of 2023. While sales volumes in some market segments such as consumer products, mobility and health care showed an improvement, we have seen a volume decrease in the Energy segment. The contribution of the JVs increased from €1 million to €22 million, thanks to improved performance at Borouge, which was primarily due to increased sales volumes. In the first quarter of 2023, there was a planned turnaround at Borouge 2, which impacted polyethylene sales volumes.

In turn, in the first quarter of this year, polypropylene sales volumes declined due to reduced propylene supply from ADNOC Refining as a result of a turnaround at the RFCC unit, limiting production at Borouge. polyolefin pricing in Asia remained weak.

At Baystar, we have been able to substantially improve the operational performance. The cracker is now running stable at a high utilization, and we made significant progress in the ramp-up of the new polyethylene unit Bay 3. The utilization rate of the ethane cracker improved. However, the average utilization in the quarter was still low due to the outage in the first half of the quarter caused by the winter freeze.

Polyethylene volumes could also be slightly increased. However, due to the outage in the first half of the quarter, the Baystar results showed only a slight increase compared to the first quarter of last year. In addition, the start-up of the Bay 3 unit led to higher depreciation and interest expenses, which we started to record in the first quarter of this year.

The clean CCS operating result declined by 48% to €303 million compared with the very strong prior year quarter driven by lower refining indicator margin and utilization rate in the Fuels & Feedstock segment.

The retail and commercial business showed a good performance but decreased versus the strong first quarter of last year. At around $11 per barrel, the refining indicator margin was still very strong, but lower than the strong level of the prior year quarter, when it averaged almost $15 per barrel.

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Total sales volumes decreased slightly, mainly due to the divestment of the Slovenian retail business and slightly lower commercial volumes. Retail performed well. However, it declined compared with the strong prior year quarter. The main reasons for this were lower fuel unit margins, which benefited last year from the removal of price caps in Hungary at the end of 2022 and the missing contribution from the divested Slovenian retail stations. The nonfuel business performed well and delivered a higher contribution.

The performance of the commercial business declined mostly due to decreased margins as a result of lower term prices.

The contribution from ADNOC Refining & Trading decreased significantly to €48 million due to a lower utilization rate following a planned turnaround at the RFCC unit and the weaker market environment.

The clean operating result of the Energy segment decreased by 29% to €1,050 million from the strong prior year level, primarily due to substantially lower gas prices, decreased sales volumes and the reduced contribution from gas marketing and power. OMV's realized oil price increased by 2%, the same as the Brent price. The European gas hub prices dropped sharply, by almost 50%, while OMV's realized gas price declined less than the hub prices by 38%. As a result, we recorded negative market effects of €238 million versus the prior year quarter.

Compared with the first quarter of 2023, production volumes decreased by 24,000 to 350,000

BOE per day. The main reasons were lower production in New Zealand, natural decline in Norway and Romania as well as force majeure in Libya in January this year. Production increased in the UAE following revised OPEC quota restrictions.

The production cost rose slightly to $9.6 per barrel, mainly because of lower production, partially offset by cost improvement measures. Sales volumes decreased by 38,000 BOE per day, thus, to a greater extent than the production decline, as they were additionally impacted by underliftings in Libya. At almost €300 million, the result of Gas Marketing & Power was again very strong, but declined compared to the excellent first quarter of the previous year, mainly attributable to a lower contribution from Romania.

The Gas East result in the first quarter of 2023 was positively impacted by exceptional gas storage withdrawals and margins, which did not materialize again this quarter.

Gas Marketing West remained very strong. While the supply result was significantly higher than in the first quarter of 2023 when we were still experiencing Russian supply curtailments, the realized storage margins fell from the exceptional level of the first quarter of 2023.

Turning to cash flow. At €1.9 billion, the cash flow from operating activities, excluding

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net working capital effects, in the first quarter of 2024 almost reached the higher level of the prior year quarter. The impact of lower gas prices was partly compensated for by lower income tax payments.

Net working capital effects generated a small cash outflow of €36 million in the quarter, while in the first quarter of 2023, we had a significant cash inflow of €684 million. We received dividends from ADNOC Refining & Trading in the amount of €216 million in the first quarter of 2024.

The organic cash flow from investing activities was around €800 million. Besides ordinary ongoing business investments, this included the PDH plant in Belgium, the sorting facility in Germany, the ReOil and coprocessing plants in Austria and the aromatic unit in Petrobras. As a result, the organic free cash flow before dividends for the first quarter of 2024 came in at around €1 billion.

Our balance sheet remained very strong. Net debt at the end of March amounted to €1.2 billion, a reduction of around €900 million compared with the end of last year.

Our leverage ratio decreased further to 4%. OMV had a cash position of €7.9 billion and €5.3 billion in undrawn committed credit facilities at the end of March 2024. Let me conclude with the outlook for this year. We have increased our expectation for the Brent price to an average of around $85 per barrel for 2024. Due to warmer weather than expected in winter and high inventories, we have adjusted the forecast for the European gas price to slightly below €30 per megawatt hour.

The OMV average realized gas price is now expected to be between €20 and €25 per megawatt hour.

In Chemicals & Materials, we have seen a mixed picture in the first quarter of this year. In olefins, higher naphtha costs could not be fully passed on to the market, impacting margins, which were slightly below our full year guidance. In April, we were able to raise prices by around €40 per ton, while naphtha prices fell slightly, leading to improved margins. Our full year guidance for olefin indicator margins remains unchanged at €490 per ton for ethylene and €370 per ton for propylene.

In polyolefins, the start to the year was better than expected. We were able to increase margins because of less imports into Europe and due to concerns around the security of supply. In March, we recorded the highest values for more than a year, with polyethylene indicator margins of around €460 per ton and polypropylene indicator margins of around €440 per ton. In April, we were able to further increase polyolefin prices but did not fully capture the higher olefin cost.

We believe that demand in Europe has not fundamentally improved and we are wary that supply chain disruptions helped European producers in the last couple of months. The market environment remains volatile and will continue to be impacted by imports. Our visibility into the second half year is limited. However, given the better first quarter and still disruptions to global supply chains, we are upgrading our full year guidance for indicator margins to €350 to €400 per ton for both polyethylene and for polypropylene.

The Borealis polyolefin sales volumes, excluding JVs, are unchanged at 3.9 million ton. The Bay 3 polyethylene plant in the U.S. reached commercial production in the first quarter and is now ramping up. The cracker in Port Arthur restarted operations in the second half of February and is now running stable with a high utilization rate.

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There are no changes to the outlook for Fuels & Feedstocks.

In Energy, we are reconfirming the full year production guidance. In the second quarter, we will have planned maintenance in Norway. Please keep in mind that we had significantly lower oil sales in the first quarter due to underliftings in Libya. Consequently, as the cargoes will be sold this year, we will benefit from additional liftings in quarters to come. The divestment in Malaysia is process -- is progressing well, and we expect closing mid of this year.

But of course, this is subject to government and regulatory approvals.

With regards to cash flows, in April, we received dividends from Borouge as the second payment for the fiscal year 2023, which amounted to around €220 million. We would like to remind you that in the second quarter, we will be paying the solidarity contribution in Romania for the full year 2023 amounting to around €250 million. In addition, according to the regular Norwegian payment schedule, in the second quarter, we are bound to pay two tax installments.

The clean tax rate for the full year is expected to be around 49 -- excuse me, is expected to be around 45%.

Before we come to your questions, I would like to invite you all to our Capital Markets Day on June 13 in London. You will have the opportunity to meet the entire Executive Board in person as all of us will be attending. We look forward to seeing as many of you as possible face to face.

And now thank you for your attention. Reinhard and I will now be happy to take your questions.

Question-and-Answer Session

A - Florian Greger

Thank you, Alfred. Let's now come to your questions. [Operator Instructions]

We start the Q&A session with Josh Stone, UBS.

Josh Stone

Two questions, please. First one, I have to ask the Borouge Borealis transaction. Reports are that talks are stalling with ADNOC. What's your latest expectation for an agreement to be reached? Thank you for the invite to the CMD in June.

Do you think a conclusion can be reached by then? And if not, what in the strategy do you feel the market needs to be updated on in June this year? Second question, petrochemical market. Yes, thanks again for your helpful comments on this. Just like to unpick your outlook a bit further.

So you've highlighted polyethylene margins being supported by supply chain disruptions. Is that still the case today? When do you think this might unwind? And on demand, you've said quite cautious on Europe, but what about the rest of the world? Are you seeing any improvements in Asia or the U.S.?

And any reason you could be maybe a bit more positive on margins through the year?

Alfred Stern

Yes. Thank you for your questions, Josh. Let me start with Borouge Borealis, the potential combination of Borouge Borealis. We are still in ongoing negotiations with ADNOC on such a potential combination, with an open-ended outcome to those negotiations. We are negotiating in the best interest of OMV and all of the shareholders of OMV.

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The industrial logic of the deal is clear to everybody, but the main conditions, the key conditions for such an agreement needs to be accepted by both ADNOC and OMV. We remain that the framework for OMV for such a potential combination is that we have equal shares and an equal partnership in such a potential combination and can use this growth platform.

As you may imagine, of course, we are also interested to conclude this as soon as possible, and we will do the best possible to come to a conclusion in due time. Your second question around the petchem market. I would maybe want to comment a little bit on the polyolefin business there because that is, in the end, also more the customer demand side. And I think what we could see was that basically, January was more difficult still and through the quarter, we have seen an improvement in the business environment. So we ended up in March with indicator margins for both polyethylene and polypropylene that were significantly above the average of our -- of the average of the first quarter and actually, at a level that was better than what we have seen in the last 12 months.

We do think a key driver for this is the limitation of import of the supply chain, to make imports into Europe and -- but we did concede that this situation also continued in the beginning of April and we'll see how that evolves further.

It's maybe a little bit of a similar situation that we had during corona also in some of those areas. But it's too early to tell what that is. But I think our increase of the guidance for the indicator margin, €350 to €400, is showing that we do believe that the full year will look better than what we initially expected.

Now for the demand, we have seen increased demand on Europe -- from European producers, which, of course, we are. And what we also, of course, have seen is a bit of a mixed picture in some of the different segments. So for example, we have seen actually an improved demand picture in consumer products, that would be a broad range of different type of packaging applications, for example, then we have seen a growth and positive development in the mobility segment, which is driven mainly by the segments that we are in and increased sales of the OEMs in those segments. And we have also seen a healthy demand in the health care segment to drive this forward. So still a bit of a mixed picture with not a completely clear visibility towards the end of the year.

Maybe the last thing that I would want to mention here is that we have now also had confirmations, at least in the press, that some of our competitors are planning to take out capacity in Europe, namely that was Exxon in France and then SABIC also in Holland in Helen to shut some of these lower end kind of capacity.

Florian Greger

Thank you, Josh. The next questions come from Peter Low, Redburn.

Peter Low

Can I ask you just another question on your polyolefin margin assumptions? Because you've increased them to that €350 to €400 a ton level, but they were at the top end of that range in 1Q, and they've said -- you've said they continued to improve in 2Q. So you're effectively assuming a decrease from here. Can you perhaps explain kind of why you're assuming that trajectory?

And then the second question was just on the Gas Marketing & Power result. It was strong, but it is quite a volatile segment. So could you perhaps talk to the expected seasonality in that business and whether the 1Q result was a level you would expect to repeat in future years?

Alfred Stern

Okay, Peter, I'll start with the PO margins. The average indicator margins in Q1 were 475 for -- sorry, sorry, let me start here again -- were €403 for polyethylene and €395 for polypropylene. So that is on the upper end of that guidance that we adjusted here with €350 to €400. We have seen the second quarter also starting off in April with strong margins, also again on the upper end for this. So -- and the reason why we are going to the €350 to €400 is because we think we don't have enough visibility at this point what the second quarter is.

We did see here in the first quarter that there was also -- this destocking has come to an end and people started some restocking activities. As I explained before, we have seen in some segments, actually some good developments and higher sales for Borealis. So there's some mixed signs that we have, and we wanted to use that range to still wait for the second quarter to see how we will come in for the rest of the year. But like I said, second quarter, April started on a similar high level here.

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At this point, I would want to remind also that when we quote those margins, we are talking about industry indicator margins. And you will remember that a very significant part of our sales margin generation is from specialty products that are less affected from those indicator margins and that continue to perform at very high and good margin levels.

For the second question, I would like to pass on to Reinhard, please.

Reinhard Florey

Yes, sure. Peter, your question was actually on the expectations regarding the Power & Gas business. First of all, this is indeed a seasonal business where quarter 1 traditionally is by far the strongest quarter. We had in the first quarter 2024, a result of almost €300 million from our Gas West and Gas East or Gas & Power East business together.

Now in Gas West, the seasonality is very clear that most of the contracts that have been sold forward from storage come in Q1. Only a part of that is rolled over to Q2. We had a little bit of a lower storage outflow in Q1 compared to Q1 of the previous year because the winter was relatively mild. Now we have seen April partly being a little bit colder again, so a certain outflow we are expecting also still in April, but now it turns warm in Central Europe, and we are not expecting that to have then a major positive impact anymore. So therefore, expect, of course, for the quarters to come from Gas West a clearly lower result.

On the Gas East and Power East. First of all, Q1 still has been a little bit favored by the regulatory environment in Romania. This has been adjusted now in -- as of Q2. In fact, we are making steps towards deregulation also throughout 2024. And we are also seeing prices converging to the market prices also in Romania.

But of course, this will come at less results in second, third and fourth quarter.

On the power side, of course, it depends very much on the power demand that we see. Currently, this is profitable business that we see in Romania and that will, for that reason, also remain for the quarters to come.

Florian Greger

Thanks, Peter. Before we come to the next question as we have only one analyst in the queue right now, maybe the operator can repeat how you can raise questions and then we come to Henry Tarr, Berenberg.

Operator

[Operator Instructions]

Henry Tarr

Two questions. One, on M&A activity outside of the Borouge and Borealis. Are you planning for net disposals this year? And which direction might they come?

And then on upstream production, could you comment maybe on how you're looking into Q2 and the rest of the year with Libya and some of the other moving parts? That would be great?

And then maybe if there's time, a quick update on Neptun Deep and the outlook there?

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Reinhard Florey

Sure Henry. Let me give you a quick update when it comes to the topic of disposals. The disposal that dominates at the moment is clearly the sale of our Malaysian business. This deal has been signed, and we are expecting the deal to close either late Q2 or in Q3. We have also seen that there has been a conclusion of the second part of this field.

So we are expecting that to be relatively smooth and in a timely way.

We have announced the magnitude of that deal so that will more or less have a cash consideration regarding -- in the magnitude of some €900 million. With this deal, we will deconsolidate about €100 million of cash in the company. So that will be a net cash inflow of about €800 million. When it comes to the second deal that we have been talking about, the New Zealand transaction is currently on hold. We are not seeing that it is the right environment, right point of time to continue, but this is not off.

So we are expecting that to come again in the next 1 to 2 years, when we are seeing a positive environment and also, of course, positive development of these great fields that we have in New Zealand. So far, they are still in the portfolio and positively contributing to the result.

Other than that, we are not expecting that there are any kind of major disposals in this year. You'll always find some smaller roundations within the portfolio, but nothing at the moment to talk about.

Alfred Stern

Okay. And I will answer the second two questions around upstream production. I'll start with upstream production. Our guidance for this full year is 330,000 to 350,000 barrels per day. We maintain this as we have also announced it at the beginning of this year.

For the second quarter, I want to just highlight again that we have some maintenance planned in Norway that we'll do. And that also we still had significant underliftings in Libya because of the situation, in particular, this was in January, the situation with the protests that forced us to shut down production partially for about 20 days and then created that situation. This is finished now, and we are back in production and the situation has normalized, and we are also planning to lift those cargoes then through the next quarters and actually sell them so that the sales levels will catch up. Other than that, there's no special remarks that I have on the upstream production that we had. Maybe just one, you could see with $9.6 that we had good performance in the production cost, and we will continue to push, of course, that further.

On Neptun Deep, a very important project here, we are making very good progress in terms of signing all the different contracts, of which the majority has now been assigned. And there is actually the productions of first cutting of steel is starting in different places there in order to produce the equipment. We are also, in parallel, making all the necessary preparations in order to move forward and going through the environmental permitting that so far is still on track to meet our targets there.

Currently, the project is very slightly ahead of the project plan and making the intended progress there.

Florian Greger

Thanks, Henry. We now come to Bertrand Hodee, Kepler Cheuvreux.

Bertrand Hodee

Yes. Two very quick questions. On your comments on your underlifting position in Libya at the end of Q1, can you quantify it in terms of million barrels? I have an estimate of around 2 million to 3 million. But if you can confirm that.

And then on the tax payments in Norway. You mentioned you had 1 installment in Q1 and the usual 2 installments in Q2 expected. Can you quantify the installment?

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Alfred Stern

Sorry, sorry. So on the Libyan production, what is missing there approximate, so we have approximately, for the quarter there, a 20,000 barrel per day production rate and 20 days were out, right? So if you take that, you'll get to the approximate number there.

Reinhard Florey

And your question was about tax payments in Norway. You're right with the conclusion about the tax installments. So we normally have 6 installments per year, and the respective tax year starts with the third quarter. So 1 in the third quarter, 2 in the fourth quarter, then, again, 1 in the first quarter and 2 in the second quarter. And why I'm saying this is because this refers then to the gas prices that have been relevant for the respective year, which means that we are still paying, in the first and second quarter of 2024, on the basis of the 2023 gas prices.

And the magnitude that we are paying is say, roughly around €500 million in 1v installment. So you can see that as a cash difference between Q1 and Q2 when it comes to 2024.

Florian Greger

We now -- thank you, Bertrand. We now come to Ram Kamath from Barclays.

Ram Kamath

Congratulations on a strong set of numbers. I have a question on refining. As you have maintained your indicator margin of -- in Europe to $8, what is the perception on why middle listed -- middle listed cracks have come down? Is this simply a seasonal factor? Or you see a decline in demand over the rest of the year?

Alfred Stern

Yes, Ram. Thank you for the question. We had -- in the first quarter, we had a refining indicator margin of close to $11 per barrel, we have seen that coming together in a bit of mixed picture. We saw stronger gasoline demand. We saw good [indiscernible] demand.

We saw weaker demand in some of the middle distillate segments beyond that, right, in particular, heating oil because of the higher-than-usual temperatures, we believe that the demand was weaker there. And we have also seen some variability in the diesel demand. In April, we have seen a slightly weaker start for the refining indicator margins, and we'll see how that will continue. That's why we maintained our guidance for the full year of $8 per barrel.

Florian Greger

Thank you, Ram. So there are no further questions. That then concludes our conference call for today. Thank you very much for joining us, and we wish you a good day.

Alfred Stern

Thank you. Have a great day.

Reinhard Florey

Thank you. Bye-bye.

**Load-Date:** April 30, 2024

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