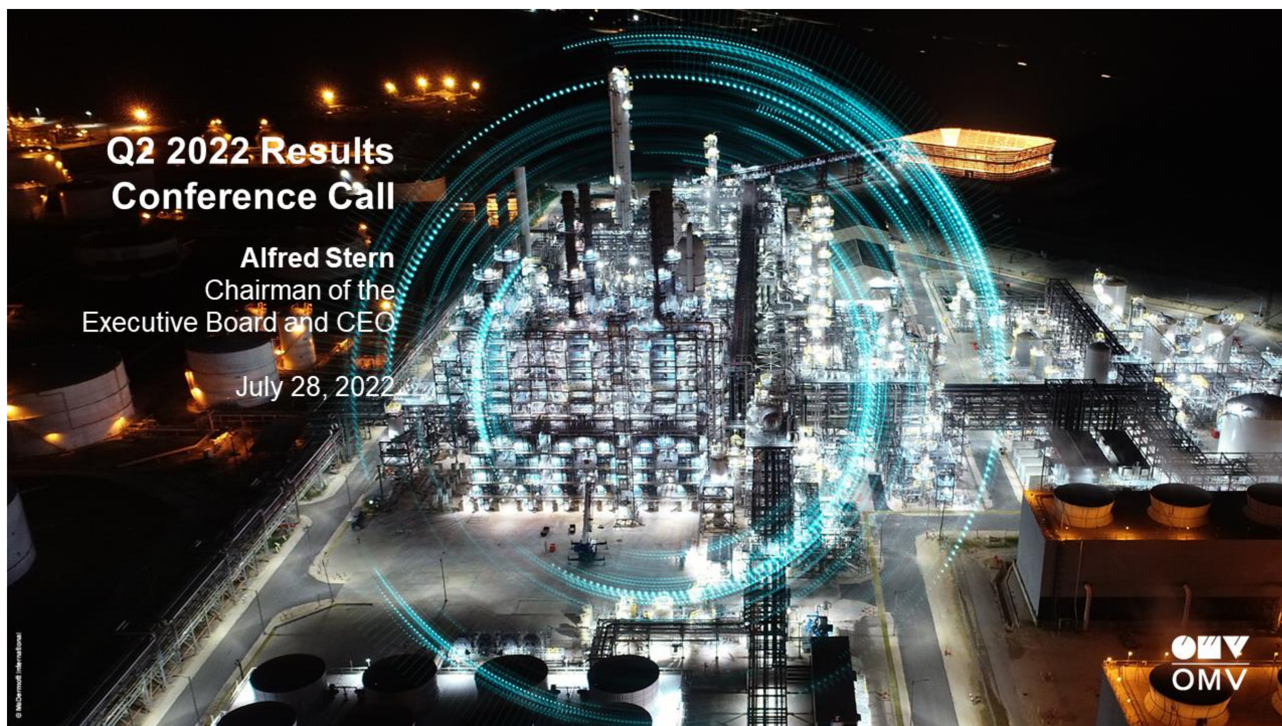
OMV Q2 2022 Results Conference Call

July 28, 2022



Alfred Stern

Chairman of the Executive Board and CEO

The spoken word applies

Q2 2022 Results conference call

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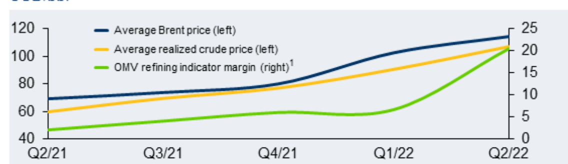
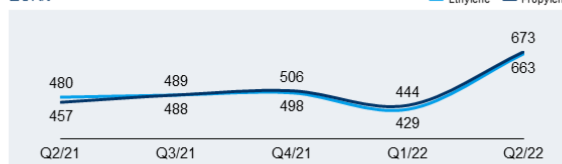
Macro environment

Stronger oil and gas prices, rising refining margins, and healthy chemical margins

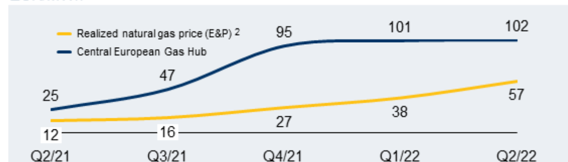
Oil prices and refining indicator margin Europe
USD/bbl



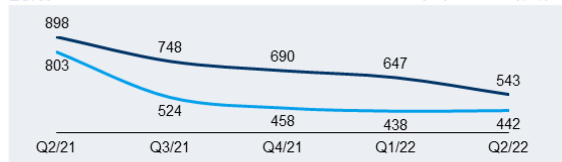
Olefin indicator margins Europe[3]
EUR/t



Gas prices
EUR/MWh



Polyolefin indicator margins Europe
EUR/t



Note: All figures are quarterly averages.
[1] Refining indicator margin recalculated based on Brent, due to the change of transfer price at OMV Petrom from Urals to Brent
[2] Converted to MWh using a standardized calorific value across the portfolio
[3] Spread between market prices of ethylene/propylene and naphtha including standard processing consumption of 18%

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Slide 3: Macro environment – stronger oil and gas prices, rising refining margins, and healthy chemical margins

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

The markets in the second quarter of 2022 experienced a lot of pressure and unprecedented uncertainty. Oil and gas prices continued to rise, the refining margins reached all-time record highs, and daily headlines on the sharp decline of Russian gas supply to Europe dominated news feeds. At OMV, we were confronted with the incident at our Austrian refinery at the beginning of June. Since then, a large team of specialists has been working tirelessly to mitigate the impact. We are continuously optimizing our supply system and have been in constant contact with our customers to minimize the impact on their operations. Despite these headwinds, the second quarter of 2022 proved to be an exceptional one for OMV in terms of earnings.

Let me start with a brief review of the market environment.

Brent prices continued to rally in the second quarter, averaging 114 dollars per barrel, which is 65 percent higher year-on-year. The development was highly volatile during the quarter, with concerns over demand, most notably in China, and Russian supply risks. Prices exceeded 130 dollars per barrel in June – the highest levels since 2008. So far this year global demand has been strong, but supply has been extraordinarily tight on the back of the Russia-Ukraine crisis and disruptions in various OPEC+ member states such as Libya and Nigeria.

At 102 euros per megawatt hour, Central European gas prices were more than four times higher compared to the previous year's quarter. Prices eased in April and May compared to the first quarter of this year, thanks to milder weather, healthy LNG inflows into Europe, and lower demand in China due to the lockdowns. June saw prices rallying again, driven by further reductions of Russian natural gas supplies to Europe.

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Before I comment on the refining indicator margin, I want to make you aware that starting with the second quarter, as Urals is no longer a relevant reference for OMV refining margins, OMV Petrom changed the crude oil transfer price from Urals to Brent. As a consequence, our Group refining indicator margin calculation is now entirely based on Brent. The change triggered a profit shift between R&M and E&P, with a neutral impact at Group level. Historical financial results of the segments have not been adjusted, but the refining indicator margins for previous periods have been recalculated and our comments will refer to those going forward.

The European refining indicator margin soared from 2.2 in the second quarter of 2021 to 20.5 dollars per barrel in the second quarter of this year. This was primarily triggered by surging middle distillate and gasoline cracks, which offset the increase in Brent price. Following the announcement of the EU ban on Russian oil imports by the end of this year, the diesel cracks surged to a record high. The gasoline cracks also rose to a record high at the beginning of June as demand had been ramping up ahead of the summer peak driving season in the US and Europe, further supported by growing US import requirements from Europe.

The European olefin indicator margins increased substantially year-on-year, with ethylene up 38 percent and propylene up 47 percent. Strong European demand, supply shortages and logistical constraints led to higher olefin prices, which were able to more than offset increases in naphtha prices.

The European polyolefin indicator margins normalized from the record-high level of the prior-year quarter, when the global supply chain experienced severe bottlenecks, caused by the winter storm on the US Gulf Coast, the blockage of the Suez Canal, and shortages of container ships. Year-on-year, the European polyethylene indicator margin decreased by 45 percent and the polypropylene indicator margin by 39 percent, impacted by rising feedstock prices, softer demand, and increased imports from the Middle East and the US. I would like to point out that despite this decline, indicator margins for polyolefins were substantially above historical averages from the last five years. In addition, 40 percent of our polyolefin sales are specialty products, which have more stable and higher margins, not directly linked to the market indicators.

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Key messages

FINANCIAL PERFORMANCE Q2/22

Clean CCS Operating Result of **EUR 2.9 bn** 2.3x y-o-y

Quarterly cash flow from operating activities excluding NWC of **EUR 2.4 bn** 1.4x y-o-y

OPERATIONS Q2/22

Polyolefin sales incl. JVs **+2% y-o-y**

Total fuel sales **(5)% y-o-y**

Cracker utilization rate Europe **56%**

Refinery utilization rate Europe **58%**

Oil and gas production **(30)% y-o-y**

DELIVERING THE STRATEGY

Successful listing of 10% of Borouge on ADX

Start-up of **Baystar 1 mn t ethane cracker**

Setup **JV with Reclay** to speed up circularity

Received binding offer for **Borealis' nitrogen business** from AGROFERT

Closed the sale of **OMV retail network in Germany**

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Slide 4: Key messages

In the second quarter of this year, our clean CCS Operating Result rose sharply to 2.9 billion euros and the cash flow from operating activities – excluding net working capital effects – soared to around 2.4 billion euros.

Looking at operations year-on-year, total polyolefin sales volumes slightly increased, while fuel sales were slightly lower, impacted by the incident at the Schwechat refinery. The utilization rate of our European crackers and refineries decreased due to planned turnarounds and the incident at the refinery. Oil and gas production was lower, primarily due to the exclusion of the Russian volumes following a change in the consolidation method.

Following a successful IPO, Borouge was listed on the Abu Dhabi stock exchange on June 3rd with a market capitalization of 20 billion dollars at the time of listing. The IPO raised gross proceeds of 2 billion dollars for 10 percent of the company's total issued share capital. The IPO facilitates the expansion of the company and the ongoing efforts in providing innovative and differentiated polyolefin solutions. Upon listing, ADNOC owns a majority 54 percent stake and Borealis a 36 percent stake in Borouge plc. The Borouge 4 project was carved out of Borouge plc. OMV still holds a 40 percent stake in Borouge 4 LLC.

An important milestone in our growth strategy in Chemicals & Materials was reached a week ago. Baystar started commercial operations at the new ethane cracker with an annual production capacity of one million tons of ethylene. The ethylene will be used as feedstock to supply Baystar's existing polyethylene units, as well as the new 625,000-ton Borstar® polyethylene unit scheduled to start operations in Bayport, Texas until end of this year. Baystar will run a world-scale one million-ton ethane-to-polyethylene integrated production complex. We are pleased to bring Borealis' proprietary Borstar® technology to North America for the first time, allowing Baystar to produce enhanced polyethylene products for the most demanding applications, such as for wires and cables.

Executing on our strategic direction to become a leader in circular economy solutions, in May we agreed to form a new joint venture with Reclay Group, the international experts in waste management, with the aim of designing a smart systems-thinking approach to ensure more post-consumer lightweight packaging is sorted and recycled into high-quality materials.

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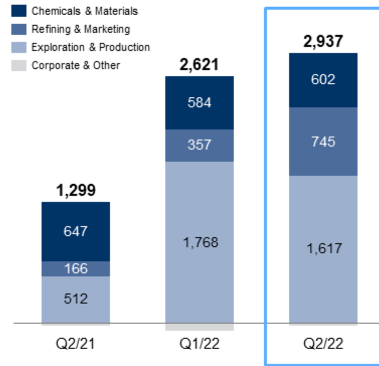
This complements the cooperation we signed with Alba Recycling in the first quarter to jointly build and operate an innovative sorting plant in Germany with a capacity of 200 thousand tons of post-consumer mixed waste per year.

Looking at divestments, in May we closed the sale of 285 retail stations located in southern Germany to EG Group with a purchase price of 485 million euros. At the beginning of June, we received a binding offer from Czech-based group AGROFERT for the acquisition of Borealis' nitrogen business. The offer values the business on an enterprise value basis at 810 million euros. We expect to close the deal in the second half of this year.

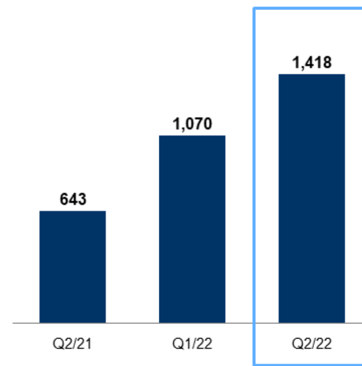
Clean CCS Operating Result

Strong earnings in all three segments

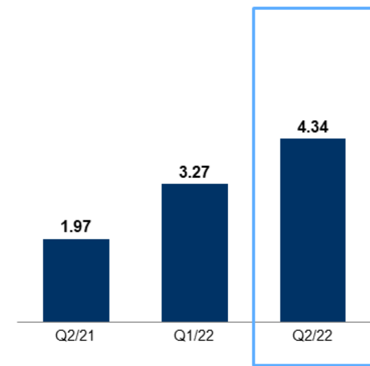
Clean CCS Operating Result
EUR mn



Clean CCS net income attributable to stockholders
EUR mn



Clean CCS Earnings Per Share
EUR



Note. Starting January 1, 2022 Gas Marketing Western Europe was transferred from R&M to E&P

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Slide 5: Clean CCS Operating Result – strong earnings in all three segments

Let's now turn to our financial performance in the second quarter of this year.

Our clean CCS Operating Result rose sharply to 2.9 billion euros, an increase of more than 1.6 billion euros compared with the second quarter of 2021, which was significantly impacted by the COVID-19 pandemic. All three business segments contributed to this strong performance, with the largest contribution coming from Exploration & Production.

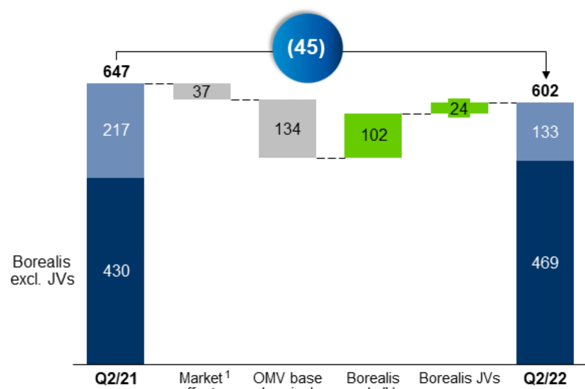
The clean CCS tax rate increased to 37 percent, which was 4 percentage points higher than in the same quarter last year. This was due to a significantly larger earnings contribution from Exploration & Production, especially from high-tax regime countries, partly offset by a higher contribution from Refining & Marketing and from at-equity accounted investments.

Clean CCS net income attributable to stockholders more than doubled to 1.4 billion euros. Clean CCS Earnings Per Share surged to 4 euros and 34 cents.

Chemicals & Materials

Continued strong performance supported by the nitrogen business and Borouge

Clean Operating Result
EUR mn



[1] Based on externally published quotations and volumes for the main product categories for OMV base chemicals and Borealis excl. JVs; excluding inventory effects; not adjusted to account for effect of intercompany profit elimination

- Market environment
  - Higher European ethylene and propylene indicator margins (+38%, +47%)
  - Significantly lower European PE and PP indicator margins (-45%, -39%)
- Lower steam cracker utilization rate Europe (56% vs. 93%) due to planned Stenungsund cracker turnaround and Schwechat refinery incident
- Significantly lower OMV base chemicals contribution due to decreased production in Schwechat, higher customer discounts in line with rising prices, increased feedstock costs, lower benzene contribution
- Borealis excluding JVs
  - Hydrocarbons & Energy: Higher olefin indicator margins were more than offset by the planned Stenungsund cracker turnaround, negative inventory valuation effects, higher customer discounts
  - Polyolefins: Lower performance due to significantly lower margins and slightly lower sales volumes, partially offset by positive inventory effects and lower feedstock costs
  - Nitrogen: Exceptional performance due to substantially higher fertilizer prices, more than offsetting the natural gas prices and negative inventory effects
- Borealis JVs
  - Stronger performance, driven by increased sales volumes and realized margins at Borouge, and stronger USD/EUR

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Slide 6: Chemicals & Materials – Continued strong performance supported by the nitrogen business and Borouge

Let's now discuss the performance of our business segments.

The clean Operating Result of Chemicals & Materials decreased by 7 percent to 602 million euros. Considering that the second quarter in 2021 was a peak at unseen levels, the results of this year's quarter were very strong. While European polyolefin margins normalized from the record highs of last year, the contribution from the nitrogen business and from Borealis JVs increased considerably.

The performance of OMV's base chemicals business was slightly higher. The stronger market environment was to a large extent offset by reduced production at Schwechat, higher costs of the feedstock mix, and higher customer discounts resulting from the rising olefin prices. The negative impact of the customer discounts was largely recovered in our polyolefin business, as the majority of the olefins are sold to Borealis. In addition, lower benzene margins had an impact on the result.

The contribution of Borealis, excluding the Joint Ventures, decreased slightly by 4 percent to 412 million euros. Normalized polyolefin margins and a lower contribution from the base chemicals business were almost compensated for by the exceptional performance of the nitrogen business and higher positive inventory effects.

In Borealis' base chemicals business, strong increases in olefin indicator margins were outweighed by the planned Stenungsund cracker turnaround, negative inventory valuation effects, and higher discounts to the polyolefin business.

The performance of polyolefins declined due to substantially lower polyolefin indicator margins, partially offset by higher inventory effects and lower feedstock costs. The high share of specialty products in our portfolio enables higher and more stable realized margins due to the higher performance they provide. Sales volumes excluding JVs declined by 7 percent, compared to the exceptionally strong prior-year quarter, mainly in the Consumer Products and Infrastructure segments, while volumes in the Energy segment saw slight increases.

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The contribution of the JVs rose by 18 percent to 159 million euros due to the improved performance of Borouge and a stronger dollar. Sales volumes of the JVs increased by 23 percent.

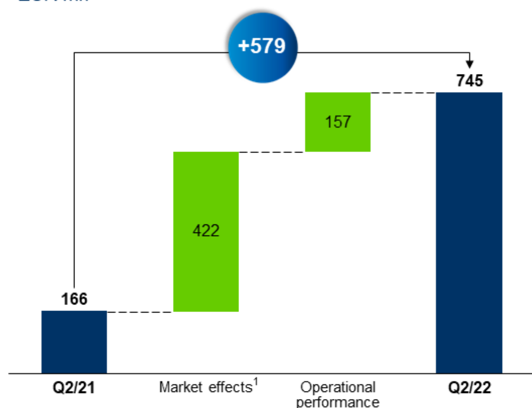
While in the previous year Borouge sales volumes were impacted negatively by the implementation of an ERP system and logistical constraints, in the second quarter of 2022 Borouge benefited from the start-up of the new polypropylene plant. Realized premia to benchmark prices improved, reflecting the differentiated product mix and the ability to capture regional price opportunities.

Baystar experienced a softer market environment as increased ethane prices weighed on margins, while sales volumes remained at similar levels.

Refining & Marketing

Substantially stronger refining margins, improved contribution from Gas & Power Eastern Europe and from ADNOC Refining

Clean CCS Operating Result
EUR mn



- Significantly higher refining indicator margin Europe (USD 20.5/bbl[2] vs. 2.2/bbl[3])
- Operational performance
  - Substantially lower refinery utilization rate Europe due to Schwechat refinery turnaround and incident (58% vs. 85%)
  - Reduced retail contribution due to considerably lower retail margins, higher costs and sale of retail network in Germany
  - Slightly lower commercial performance driven by lower margins, partially offset by higher jet demand
  - Lower contribution from refining margin hedges
  - Significantly higher ADNOC Refining and Trading contribution due to outstanding refining margins and improved contribution from Trading
  - Significantly higher contribution from the Gas & Power business in Romania due to higher gas and power margins

[1] Market effects based on refining indicator margin Europe of USD 2.2/bbl in Q2/21 and USD 20.5/bbl in Q2/22

Note: As of January 1, 2022 Gas Marketing Western Europe was transferred from R&M to E&P. Results were restated for previous periods.

[2] As of Q2/22, the refining indicator margin reflects the change in crude oil reference price from Urals to Brent at OMV Petrom.
[3] Refining indicator margin not recalculated; based on Brent and Urals

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Slide 7: Refining & Marketing – substantially stronger refining margins, improved contribution from Gas & Power Eastern Europe and from ADNOC Refining

The clean CCS Operating Result in Refining & Marketing increased by 579 million euros year-on-year to 745 million euros, mainly due to substantially higher refining indicator margins, an exceptionally strong result in Gas & Power Eastern Europe, and a significantly higher contribution from ADNOC Refining & Trading. These effects were partially offset by the costs for the refinery turnaround, the impact of the incident in Schwechat of around 90 million euros, and significantly lower retail results.

Total sales volumes were down 5 percent, primarily as a consequence of lower supply availability in Schwechat. The retail result decreased due to substantially lower margins, higher costs for utilities, and slightly lower volumes, impacted as well by the divestment of the German OMV retail network in May. Retail margins came under pressure due to price caps in some countries and substantially increased product quotations. This was partly offset by improved non-fuel business performance driven by rebounded customer frequency. The commercial business showed a slightly lower contribution mainly due to price caps on gasoline and diesel in Hungary and Slovenia, partially compensated for by higher jet fuel demand.

The contribution from ADNOC Refining and Trading improved from minus 5 million to plus 112 million euros, driven by higher refining margins, further efficiency improvements, and the stronger performance of ADNOC Trading.

The result of the Gas & Power business in Romania rose substantially to 167 million euros, mainly due to higher gas margins, as well as a better power result. The result of the power business was driven by higher selling prices and production volumes, partly offset by the newly introduced power over taxation regulation in Romania.

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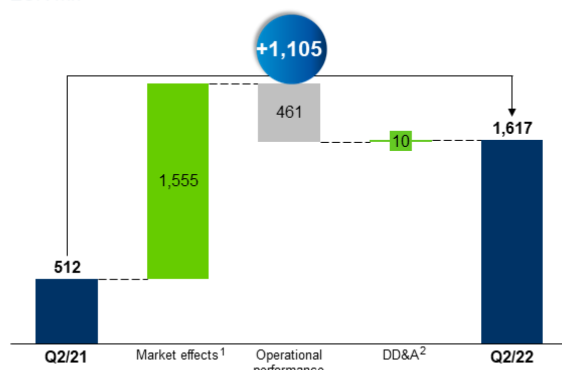
Exploration & Production

Substantially higher oil and gas prices, partly offset by lower volumes and a significantly weaker gas business result

Clean Operating Result
EUR mn



[1] Market effects defined as oil and gas prices, foreign exchange impact, price effect on royalties, and hedging

[2] Depreciation, Depletion, and Amortization, including write-ups

Note: As of January 1, 2022, Gas Marketing Western Europe was transferred from R&M to E&P. Results were restated for previous periods.

- Significantly stronger market environment
  - Average realized crude oil price increased by 78%
  - Average realized natural gas price increased by 360%
  - Realized hedging loss of EUR (72) mn in Q2/21
  - Positive FX impact due to stronger USD/EUR
- Production of 345 kboe/d (-145 kboe/d)
  - UAE (+13 kboe/d)
  - Russia (-92 kboe/d), following change of consolidation method
  - Malaysia (-15 kboe/d)
  - Norway (-12 kboe/d)
  - Libya (-13 kboe/d)
  - Romania (-11 kboe/d)
  - New Zealand (-9 kboe/d)
- Sales volumes decreased to 314 kboe/d following production decline and fewer liftings in Libya
- Production costs increased to USD 8.3/boe (+22%) mainly following the change of consolidation method for Russian operations
- Negative results in Gas Marketing Western Europe business, mainly due to supply curtailments, customary half-year impairments of receivables, and market-to-market valuation adjustments.

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Slide 8: Exploration & Production – substantially higher oil and gas prices, partly offset by lower volumes and a significantly weaker gas business result

The clean Operating Result of Exploration & Production rose considerably to 1.6 billion euros from 512 million euros in the second quarter of 2021. The driving factors were significantly higher realized oil and natural gas prices and a stronger dollar with a total effect of more than 1.5 billion euros. Lower sales volumes and a negative result in the gas business partly offset the positive contribution.

Compared with the second quarter of 2021, OMV's realized oil price increased by 78 percent, and thus more than Brent, supported by the change in the transfer price from Urals to Brent at OMV Petrom. The realized gas price rose nearly fourfold compared with the prior-year quarter, mainly driven by the exclusion of Russian volumes from the Group production and the termination of gas hedges.

Production volumes decreased by 145 thousand to 345 thousand boe per day, primarily due to the change in the consolidation method of Russian operations and the force majeure in Libya. Planned maintenance works in Malaysia and New Zealand, an unplanned outage in Norway, and natural decline in Romania contributed to the decline. Production increased in the United Arab Emirates after a revision of OPEC restrictions. Production cost rose to 8.3 dollars per barrel, impacted by the exclusion of the low-cost Russian barrels.

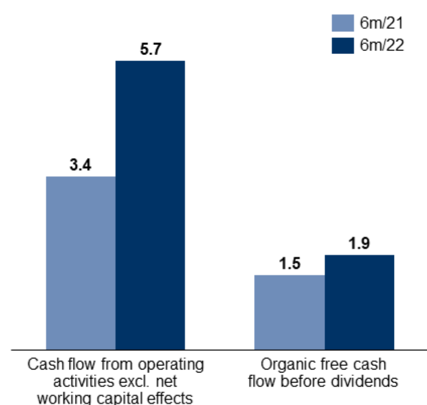
Sales volumes were lower following the production decline and fewer liftings in Libya.

The Gas Marketing business in Western Europe recorded a significant loss of 117 million euros. In addition to the impact of supply curtailments of around 50 million euros, which we announced at our Trading Update, we recorded customary half-year impairments of receivables, triggered by high gas prices and changes in customer credit ratings, and valuation adjustments.

Cash Flow

Cash flow from operating activities excluding net working capital effects in 6m/22 increased to EUR 5.7 bn

Cash flow 6m/22 vs. 6m/21
EUR bn



- Increase of ~ **EUR 2.3 bn** in cash flow from operating activities excluding net working capital effects
- Net working capital effects of EUR (2.6) bn (6m/21: EUR (810) mn)
- **Cash flow from operating activities of EUR 3.1 bn** (6m/21: EUR 2.6 bn)
- Organic cash flow from investing activities[1] at EUR (1,265) mn (6m/21: EUR (1,147) mn)
- **Organic free cash flow before dividends[2] of EUR 1.9 bn** (6m/21: EUR 1.5 bn)
- Dividends paid of EUR (1,130) mn, thereof:
  - OMV stockholders: EUR (752) mn (6m/21: EUR (605) mn)
  - OMV Petrom minority shareholders: EUR (187) mn (6m/21: EUR (171) mn)
  - Borealis minority shareholders: EUR (175) mn (6m/21: EUR (38) mn)
  - Hybrid owners: EUR (14) mn (6m/21: EUR (14) mn)
- **Inorganic cash flow from investing activities of EUR 1.1 bn**

[1] Organic cash flow from investing activities is cash flow from investing activities excluding divestments and material inorganic cash flow components (e.g. acquisitions).
[2] Organic free cash flow before dividends is cash flow from operating activities less organic cash flow from investing activities.

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Slide 9: Cash flow from operating activities excluding net working capital effects in 6m/22 increased to EUR 5.7 bn

Turning to cash flow, our second-quarter operating cash flow – excluding net working capital effects – amounted to almost 2.4 billion euros, 37 percent higher than the previous year's quarter, primarily driven by high commodity prices. This includes dividends from Borouge for the second quarter in the amount of 256 million euros and tax payments in Norway of around 600 million euros. Net working capital effects generated a tremendously high cash outflow in the amount of 1.9 billion euros, predominantly due to the sharp increase in gas prices. As a result, cash flow from operating activities for the quarter declined to around half a billion euros.

Looking at the half-year picture, cash flow from operating activities – excluding net working capital effects – amounted to 5.7 billion euros, up by around 2.3 billion euros compared to the first half of 2021. Despite a sizeable cash outflow of around 2.6 billion euros net working capital effects, cash flow from operating activities rose by 19 percent to 3.1 billion euros.

The organic cash flow from investing activities generated an outflow of around 1.3 billion euros, slightly higher than the same period of last year, driven by the investments in the PDH plant in Belgium, the ReOil® project and the Schwechat turnaround.

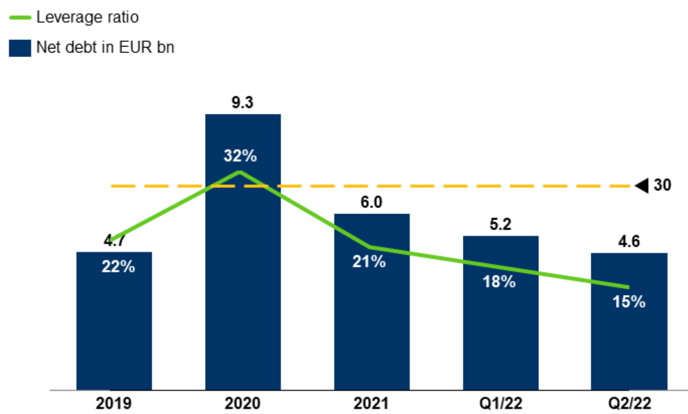
After payment of 1.1 billion euros for dividends to shareholders and minorities, the organic free cash flow amounted to 743 million euros.

The inorganic cash flow from investing activities generated an inflow of 1.1 billion euros in the first six months of this year. This was driven by inflows recorded in the second quarter from the Borouge plc IPO in the amount of 745 million euros, a partial loan repayment from Baystar of 602 million euros, as well as the divestment of the OMV retail network in Germany of 416 million euros. The cash flow from investing activities also includes outflows from the capital contribution to Borouge 4 LLC in the amount of 287 million euros, and cash disposed of in the amount of 208 million euros related to the loss of control of Russian operations recorded in the first quarter.

Consequently, the free cash flow after dividends in the first six months of this year amounted to 1.9 billion euros, almost double the figure in the same period of last year.

Strong balance sheet

Leverage ratio comfortably below 30%



End of June 2022
OMV cash position

EUR 6.5 bn

End of June 2022
OMV undrawn committed credit facilities

EUR 4.2 bn

Note: Leverage ratio is defined as net debt including leases to capital employed.

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Slide 10: Strong balance sheet – leverage ratio comfortably below 30%

Moving on to the balance sheet, in the second quarter, following a very strong cash flow, we were able to reduce net debt by around 600 million euros since March this year to 4.6 billion euros. As a result, our leverage ratio decreased by 3 percentage points to 15 percent.

We expect to close the divestment of our Slovenian business and of the nitrogen business this year, which will have a further deleveraging effect.

At the end of June 2022, OMV had a cash position of 6.5 billion euros and 4.2 billion euros in undrawn committed credit facilities.

Q2 2022 Results

Updated outlook 2022

	2021	2022
Brent oil price (USD/bbl)	71	**>100** (previous: ~95)
Average realized gas price (EUR/MWh)	16.5	**~45**
Europe ethylene indicator margin (EUR/t)	468	**>468** (previous: prior-year level)
Europe propylene indicator margin (EUR/t)	453	**>453** (previous: prior-year level)
Europe polyethylene indicator margin (EUR/t)[2]	582	**~400**
Europe polypropylene indicator margin (EUR/t)[3]	735	**~500** (previous: 600)
Borealis polyolefin sales volumes excluding JVs (mn t)	3.95	**slightly <3.95** (previous: >3.95)
Utilization rate steam crackers Europe (%)	90	**<90** (previous: slightly <90)
OMV refining indicator margin Europe (USD/bbl)[4]	3.7	**~15** (previous: ≫3.7)
Utilization rate European refineries (%)	88	**<<88** (previous: 88)
Total hydrocarbon production (kboe/d)	486	**~390[1]**
Organic CAPEX (EUR bn)	2.6	**~3.7** (previous: ~3.5)

[1] As of March 2022, production volumes from Russia are excluded, due to the change in the consolidation method. In 2021, Russia contributed 96 kboe/d and in Q1/22 70 kboe/d.
[2] HD BM FD EU Domestic EOM (ICIS low) – Ethylene CP WE (ICIS)
[3] PP Homo FD EU Domestic EOM (ICIS low) – Propylene CP WE (ICIS)
[4] Refining indicator margin calculated based on Brent for all refineries

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Slide 11: Updated outlook 2022

Let me conclude with an update of our outlook for this year.

Based on the developments we have seen so far, we now expect an average Brent price of above 100 dollars per barrel for 2022. Our expectation for the average realized gas price is unchanged – around 45 euros per megawatt hour for the full year.

In Chemicals & Materials, we now estimate the European olefin indicator margins to be above the 2021 level. The guidance for the European polyethylene indicator margin is unchanged, at around 400 euros per ton, while the one for polypropylene is now forecast to be lower, at around 500 euros per ton.

Looking at operations, the utilization rate of our steam crackers is anticipated to increase in the second half of the year, following the return to operations of the Stenungsund cracker in July and the expected restart of the Schwechat refinery to full operations in September/October. The Burghausen steam cracker is currently undergoing planned maintenance in line with the refinery turnaround. During the refinery turnaround, we are also expanding our steam cracker capacity by around 50 thousand tons per year.

The polyolefins sales volumes excluding JVs are now projected to be slightly below the 2021 level, which had benefited from an extremely tight market. The polyolefins sales volumes of the Joint Ventures are estimated to slightly increase compared to the 2021 level, supported by the start-up of the new polypropylene plant at Borouge. In North America, we will see an increase in ethylene sales at Baystar until the new Borstar® polyethylene plant will come on stream, expected until end of this year.

The refining indicator margin is projected to be around 15 dollars per barrel in 2022. The Schwechat refinery is anticipated to run at full utilization again in September/October. The maintenance turnaround of Burghausen started on June 22nd and is expected to be completed in August.

Total fuel sales volumes are projected to be slightly lower than in 2021 due to the reduced supply following the Schwechat incident. Retail margins are estimated to be substantially below the 2021 level and commercial margins are expected to be below the 2021 level.

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In Exploration & Production, our average production guidance remains unchanged – at around 390 thousand barrels per day in 2022. The production forecast assumes that following the lifting of the force majeure in Libya this month, we can increase production to normal levels of around 30 to 35 thousand barrels per day. As a result, we expect higher liftings in Libya in the third quarter. Total production in the third quarter is expected to be significantly above the level seen in the second quarter. Production in New Zealand and Malaysia resumed after the planned turnarounds and in Norway the technical issues at the Edvard Grieg field have been resolved. No significant maintenance planned in the third quarter.

The organic Capex is expected to be around 3.7 billion euros, reflecting the consolidation of the nitrogen business for a longer period than initially projected, additional costs following the Schwechat refinery incident, and higher costs in Exploration & Production due to FX effects. This amount includes non-cash leases of around 600 million euros, which are expected to decrease next year by around 400 million euros.

The clean tax rate for the full year is expected to be in the high forties.

Before closing, I would like to briefly comment on the gas supply situation. In the last few months, we have worked intensively on various measures to minimize the impact of gas supply cuts from Russia on our customers and on OMV.

First, we reduced the risk of gas supplies from Russia. We have two contracts, one for Germany and one for Austria, delivered to the respective hubs. The pricing is hub-based, one month ahead. There is no oil link, nor a fixed price. We sell the volumes month-ahead and we hedge a portion of our sales in order to adjust to a potential reduction in supply. This means our financial risk is limited to a maximum of 30 days. To reduce the risk of this hedging, we drastically cut the so-called margin calls, which were quite common in the past. We have minimized that exposure and today we mainly use OTC hedges. This means you do not need to inject further money for the margin calls in the event of a price rise.

Second, we worked on the diversification of our natural gas supply. Two weeks ago, we took a major step in that direction. For the coming gas year, we have secured 40 terawatt hours of European transport capacities via pipelines from Germany and Italy to Austria.

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These capacities enable the transport of the gas we produce in Norway as well as purchased LNG quantities to Austria. For OMV and for Austria, this is an important step towards more independence, because OMV would be able to cover all of its customer delivery obligations in Austria, which correspond to almost half of the country's total annual demand.

Third, we started filling our storages back in March and are currently at a level of more than 80 percent, which is equivalent to around 20 terawatt hours.

Fourth, we have made good progress on ensuring that we are able to run our operations at our major production sites with limited volumes of natural gas. Our crackers in Austria and Germany are supplied with naphtha, while the ones in Stenungsund and Porvoo are able to use naphtha, butane, ethane, propane, or LPG mix. The PDH plant in Belgium is based entirely on propane. In our Western refineries, we have been able to replace some of the natural gas with LPG, steam cracker gases, and naphtha.

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