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# HELLENIC PETROLEUM Holdings SA Second Quarter & First Half 2022 Financial Results Conference Call

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***Conductors:***

***Mr. Andreas Shiamishis, CEO***

***Mr. Georgios Alexopoulos, GM Group Strategic Planning & New Activities***

***Mr. Vasilis Tsaitas, Group CFO***

***Mr. Dinos Panas, GM, Oil Supply and Sales***

***Mr. Nikos Katsenos, Head of Investor Relations***

Conference Call Conducted by Chorus Call Hellas

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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos your Chorus Call operator.

Welcome and thank you for joining the Hellenic Petroleum Holdings Conference Call and Live Webcast to present and discuss the Second Quarter & First Half 2022 Financial Results.

At this time, I would like to turn the conference over to Mr. Andreas Shiamishis, CEO, Mr. Georgios Alexopoulos, General Manager, Group Strategic Planning & New Activities, Mr. Vasilis Tsaitas, Group CFO, Mr. Dinos Panas, General Manager, Oil Supply and Sales & Mr. Nikos Katsenos, Head of Investor Relations.

Gentlemen, you may now proceed.

SHIAMISHIS A.: Thank you very much. Good afternoon. We have the next hour or so to go through the Second Quarter Results for the Group, which has been one of very positive performance. In fact, we are reporting one of the best sets of results we've ever reported, if not the best, and this has been on the basis of very high international benchmarks. In fact, in certain cases, we are talking about highest ever on record benchmark refining margins and of course, a tighter product balance in the region which has allowed the export business to deliver significantly higher profitability.

We've had a very strong Greek demand, which was a result of the economic recovery, which is taking place in

Greece and of course, a very high touristic season, which has led to not only domestic market performance being better, but also in terms of aviation and bunkering fuel, which have performed very well as well.

So in terms of numbers, we have just over €0.5 billion of adjusted EBITDA, which, as I said, is a result of the factors discussed earlier, international benchmarks, very good export performance. And this is a number which would have been even higher, as you will see later on, had it not been for the scheduled shutdown of our refineries for maintenance reasons. So we were very sorry to see that opportunity cost. But on the other hand, it's much better to have a good environment and deliver strong results on operating refineries and have a higher operating cost and higher…sorry, opportunity cost rather than facing very low refining margins and having the refineries operating at breakeven or even below breakeven levels.

All of our businesses have performed very well, including marketing and petrochemicals, which is reverting back to normal levels, but still a very strong set of results there. And of course, we have the kick-in in a slightly more material way of the renewables business, which is reported as a separate section.

In terms of reported results, clearly, numbers are even more impressive given that the inventory impact, which continued during the quarter, has led to a record high reported set of results with €740 million for the quarter and €1.2 billion for the half year. And likewise, the reported results at net income level are equally impressive. Clearly, one would have to see how oil prices will develop over the next few months in order to see how this performance will be sustained towards the end of the year.

In terms of strategy, we are quite pleased given that the Vision 2025 that we launched last year is actually delivering on its promises, the improved governance, the corporate governance, the improved structure of the group with the hive-down that took place at the beginning of the year, the digital transformation initiatives, are all demonstrating that we are on the right path and they are delivering the benefits that we expected them to deliver.

In terms of business, the renewables' expansion is taking place at a faster pace than what we even anticipated. With a recent acquisition just after the half year, we are at 340 MW in operations and we are upgrading our targets to reach the 1 GW a bit earlier than originally anticipated, by 2025, 2026. And we have already achieved a run rate from this business, which is close to €50 million. If I remind you, a couple of years ago, that was not even reported as a number in our results. So I think we've done quite well there.

In terms of DEPA, we have the infrastructure transaction, which is expected to close in the next few weeks. I expect that over the next few days, there will be a formal announcement on the actual closing date, which is good. And as we have said, roughly half of the proceeds will be used to make an extraordinary distribution. The remaining will be redeployed towards our investments in renewables and green energy.

Finally, on the exploration and production side, after a lot of back and forths and delays as a result of changes in the consortium, which have now become public knowledge, Total has withdrawn its interest from that…those 2 blocks in Crete. And Exxon, ExxonMobil, has stepped in, increasing its stake and taking up the operatorship role. This is something that fully compensates for the change in the consortium.

We're dealing with one of the leading companies in the world with a lot of experience in this type of assets. So we're looking forward to re-engage with ExxonMobil as a consortium and accelerating the exploration work that was supposed to be taking place there. On the other blocks, which are in the Ionian Sea and West of Peloponnese, we have completed the 2D seismic acquisition. We're in the process in the next few months to engage the 3D acquisition, 3D-seismic acquisition, so we are accelerating our plans and our work in that respect as well.

So in terms of numbers on Page 4, I'm not going to go through every single number. But I would like to highlight that the half year adjusted EBITDA of €0.5 billion is a record number for the Group. And likewise, the reported numbers are equally at record levels of EBITDA and net income. It is worth noting that even though we have invested quite a lot of money in terms of expanding in renewables; our financing cost remains relatively low. We are trending at around €100 million a year, even though we have invested more than €300 million in renewables over the last year and a half.

So in terms of results, we have a record set of numbers. And in terms of balance sheet, we have a very strong balance sheet, which is supporting our development strategy and plans.

So, without boring you any further with numbers, I will turn over to the industry environment and ask Dinos Panas, who is our resident expert in terms of markets and clearly, the Head of the Supply & Trading team, to give us a little bit more information as to what has happened and what he sees happening in the next couple of quarters. Dinos…

PANAS D.: Thank you, Andreas. Good afternoon to everybody. On the industry environment on Page 6, the important thing in the industry environment, first of all, was that we have seen on a quarterly basis, the highest numbers, highest prices of crude if we measure it on a euro per barrel basis, and the same was stand for almost all the products. So, we have had high record crude and products in the quarter, mostly due to the…what happened simultaneously we have high numbers in US dollars per barrel for the crude and very strong Brent.

Now going to Slide #7. As you all know, we have seen very big numbers for the product cracks, the diesel and the gasoline, while naphtha and fuel oil were weaker than usually. And this combination led to very high benchmark margins, both for the FCC refineries for the hydrocracking and coking refineries.

On the other hand, on Page 8, we had high energy prices. Electricity price was at €249 per MW/h. Natural gas price in the quarter, €101, and $83 per ton was the price of the $CO_2$ emissions.

Turning now on Page 9. We had a domestic market demand, which was higher than the previous year by 2%. That was 3% higher in gasoline and 10% higher in diesel. Comparing to the same quarter of 2019, though, we can see that only the diesel is increasing compared to that winter…to that period by 4%. And we see gasoline a little bit lower than the same quarter of 2019. And this is, of course, mainly due to the high prices that we had throughout the period.

Now finally, on Page 10. We have a huge increase in the consumption of aviation compared to the previous year by 200%, in line with the increase in the passenger traffic. And we have an increase in the bunker's demand of 13%, mostly…this one coming mostly from the Marine gasoil and where the fuel oil levels were similar to the previous year.

And with that, I will pass you for the Group results to Vasilis Tsaitas, our CFO.

TSAITAS V.: Many thanks, Dino. Good afternoon to all of you attending this call. Discussing the overview of our Group results and moving on to Page 12, effectively, we quantify the key drivers of…that formed our results and comparison versus last year.

As you can see, we had a very positive international environment, significantly higher refining margins compared to close to all-time lows that we've seen in the second quarter of '21 and a very strong dollar, that all-in supported our results by more than €0.5 billion, significantly outweighing the impact of the energy crisis in the form of both electricity pricing and the $CO_2$.

In terms of our performance, this might have come down, and you can see the impact of…the negative impact of around €160 million. Obviously, just as refining margins amplify the delivered performance, they also have a similar impact on the opportunity cost of the turnarounds where in a more normal benchmark refining environment, that number would be a few tens of millions.

Despite that, however, our refining and S&T operations were able to take advantage of the…given the flexibility of our refineries of the crude discounts available in the market for certain types and switch then, took advantage of those as well as a very strong export premia due to the scarcity of the products throughout Europe.

Last but not least, a very good performance of our marketing business, both domestic and international, mostly driven by the increased tourism activity and the pickup of aviation traffic as well as the replacement of our renewables business as installed capacity is…it was close to 300 MW in the second quarter.

Moving on to Page 13. As it was mentioned before, a very strong balance sheet able to deal with the significantly higher working capital means that have to a small extent affected our funding cost versus last year. In terms of our maturity profile, we have already started discussions with the Greek banks to extend and refinance the facilities that are maturing in the next few months.

Now, moving on to the individual business, business performance, and starting from refining, supply and trading on Page 16. The combination of higher…very high oil prices, above $100 per barrel, that we haven't seen for several years as well as the very strong dollar affected our net sales at more than €6 billion for the first half and €3.7 billion for the quarter. CAPEX reflects the turnaround activity at our refineries and as we mentioned before, a very strong realized margin, underpinned mainly by the very high benchmarks.

On Page 17, in terms of operations, both production as well as crude sourcing and yields, reflect the turnaround at Elefsina and the FCC maintenance at Aspropyrgos, the ability to take advantage of the pricing of the crudes, the operation modes of Aspropyrgos IMO versus high sulfur. And let us reiterate that our high sulfur crude supplies have fully switched from March onwards to Middle Eastern crudes.

On Page 18, the lower availability of the refineries has affected total sales volume, which are 16% lower. Our domestic ground fuel sales as well as aviation and bunkering have grown significantly exceeding the increase of the market on the account of market share gains on almost all products. And exports, although lower in terms of volumes, have a significantly higher monetary contribution in the quarter.

On Page 19, all those are reflected on our realized margin with the additional margin, the overperformance higher than previous periods. And this is due, as we mentioned before, to the good discounts. But I think the main factor here is the higher export premia which were at a multiple versus previous periods.

On Page 20, I think it's important to understand the landscape in terms of operating costs and how they've been affecting us, so we compare with 2019 as the kind of last pre-COVID…what used to be the normal back then. So since then, as you can see the EUA prices have more than tripled and now around €85 per ton. Allowances have…the allowances that we have to buy from the market, the deficit has doubled and the 1.2 million tons as a projection for the full year does reflect also the lower utilization, the lower availability of our refineries due to the maintenance, that number would actually have been a bit higher at a normal operation, and electricity price, which is 4 times higher versus 3 years ago. And in the second half, the third quarter, it's even higher. So all in, combined those 2 factors have an impact…a negative impact on our OPEX base of $1.7 per barrel.

Now, moving on to Petrochemicals. Effectively, what we see is normalization of the environment there, the international environment. So as you may recall, similar… same period last year, we experienced very strong benchmark petrochemical margins that yielded very high profitability. Now we're reverting to normal contribution. Another factor that negatively affected performance during the second quarter was the lower propylene output from the FCC unit at Aspropyrgos due to the maintenance during the quarter. And as a result, the increased imports of Propylene.

Now our fuels marketing business on Page 24 has…was able to take advantage of the very strong tourism season, mainly aviation, which as you may recall, is a seasonal business with very high contribution on the results of our domestic marketing business. So we're…after the 2 years of COVID, we are getting back to normal levels of contribution of around €25 million for the second quarter. And despite high prices, we're able to command market share gains in most of the products that we are active in the Greek market.

Last but not least, are the efforts and the progress on all the transformation project, network optimization, digital projects that are contributing both in terms of delivered results as well as operational performance.

On Page 25, a similar picture in the international marketing business, tourism growth, especially in markets like Cyprus and Montenegro had a positive impact on volumes and profitability. Whereas, the higher wholesale volumes in North Macedonia, mainly due to sales to Power Gen business have resulted in much higher sales volumes.

So, at this point, I'll turn you on to George Alexopoulos, that will discuss our renewables and gas and power business.

ALEXOPOULOS G.: Thank you, Vasilis. Good afternoon, everybody. On Page 27, we are pleased to report that our expansion in renewables continues. In this second quarter, we saw Kozani being connected to the grid and starting commercial operation. Therefore, rebasing our profitability for this quarter and going forward. We also completed this month an acquisition of a 55 MW wind park in Mani, which brings our operational capacity to 340 MW. And our annualized run rate profitability is approaching the €50 million mark, therefore, making the business material for the size of the Group.

We're continuing the development of our 2 GW pipeline and we expect to hit our installed capacity targets sooner than originally expected. I remind you, it’ s 1 GW in '25, '26 and 2 GW by 2030.

Turning to Page 29, Elpedison, a good quarter for Elpedison despite lower utilization of gas plants, operational flexibility as well as a strong gas supply portfolio led to increased profitability, whereas much higher power prices increased significantly working capital requirements and, therefore, funding needs.

Turning to Page 30, gas. The gas business, 3 entities here; DEPA Commercial, DEPA Infrastructure and DEPA International Projects. We saw a higher contribution for the DEPA Commercial, therefore, bringing our profit after tax for the quarter to €28 million. At the same time, we are approaching the completion of the sale of DEPA Infrastructure, which we expect to close within the next few weeks. And as a reminder, the DEPA Commercial tender remains suspended, and we are evaluating our options regarding this participation.

And with this, I believe we've come to the end of the presentation. So, I'll turn it over to Andreas.

SHIAMISHIS A.: Thank you very much, George. Clearly, a very good set of results with a very positive development on strategic issues. So, at this point in time, we'll complete our presentation and turn over to you guys for any questions or comments you may have.

Q&A

OPERATOR: The first question is from the line of Grigoriou George with Pantelakis Securities. Please go ahead.

GRIGORIOU G.: Yes, hello, congratulations on this set of results. I've got a couple of questions, quick ones, though. Refining margins seem to have come off the border in the third quarter, though I think diesel cracks have actually improved. What are you seeing lately in terms of August, for example and for September? How do you think things will evolve towards the end of the year? And what are you seeing as well in terms of demand, local demand in the Greek market given where prices are, have you seen any destruction or not? And that’s it, thank you.

PANAS D.: Well, hello, George. It's Dinos Panas. We've seen margins going a little bit lower than previously in August. July was a good month. But they have recovered recently quite a lot. The consensus is that the diesel cracks will remain strong during winter if the situation with Russia and Ukraine remains as it stands and if the Russian barrels do not come into Europe as they used to do during the previous years. But this is where we stand now. The market is very volatile, but we think it's going to remain strong for some more months to come.

GRIGORIOU G.: [Inaudible, technical difficulty]

PANAS D.: Demand, as you see the Greek demand, we see that diesel holds its ground. It's better than it was in 2019. This is in conjunction with the increase in the economy, the expansion of the economy because driven is mostly commercial…using by commercials. And…but we see that gasoline is quite weaker than before, much higher than it was in 2021, but similar numbers to what we have seen for the second quarter, for the gasoline we see for the third quarter so far as well.

GRIGORIOU G.: And can I ask one last question, please? Regarding your DEPA Commercial and continuing now, I may be wrong. Didn't they have to pay an ordinary tax on the so-called super profits that's made so for, are they exempt from this law…regulation for the Group?

PANAS D.: George, I'm afraid the line is really bad. And...

GRIGORIOU G.: I'm sorry. I'm not in Athens I am afraid. Let me repeat it. I'm sorry my bad. Regarding DEPA Commercial, do they have to take an extra tax, extraordinary tax on the so-called super profits they've made so far under the recent Greek law or are they exempt? Thank you.

SHIAMISHIS A.: Yes. We think we have the question, which has to do with DEPA Commercial and the possibility of having a special taxation, a windfall tax on profits. So far, the windfall tax has been announced for energy producers, not for DEPA. So, while it's not something that we can predict how it's going to go, at this point in time, we are not aware of any such initiative.

GRIGORIOU G.: Okay, thank you.

SHIAMISHIS A.: As far as we know and at this point in time, emphasis there.

OPERATOR: The next question is from the line of Kukhtanych Yuriy with Millennium Capital. Please go ahead.

KUKHTANYCH Y.: Good afternoon, gentlemen. Congratulations on your results today. I have 2 questions, one related to another, I guess. Well, the first one will be about the DEPA proceeds and DEPA deal closure. If you could just answer us what causes this delay in the closure? Because we heard during the first quarter results that the closure of the deal will happen within weeks, and it's been 3 or 4 months now, and it's again within weeks. So, what causes this delay, please? And what makes you feel that this deal will be closed as we stand today within a few weeks? And if you could just remind us what are you going to do with the proceeds from DEPA, please? So that would be my first question, and I will ask the second one after you answer this one. Thank you.

SHIAMISHIS A.: Yes. Hello, Yuriy. The answer is quite clear. The delay in closing was caused by the fact that there were a couple of CPs in the transaction for closing, which are not controlled by us. They have to do with regulatory authorities. And it seems that this process took longer than we expected. All of the involved parties were expecting a much quicker resolution of those CPs. However, these CPs have now been fulfilled, so there is clearly more certainty into this process. So, we don't have any unknown factors to consider. It's a question of arranging for a date and having the signing. So, I think over the next few days, there will be some specific announcements to that respect.

Now in terms of the proceeds, as we mentioned, we'll have about 50% being distributed as dividend to the shareholders and the other 50% will go towards financing the investment in green energy.

KUKHTANYCH Y.: Okay. That's great. Thank you. And the extraordinary dividend, if you can call it, so from DEPA proceeds, would it be announced with immediately after the deal closure? Or we would have to wait until the end of the quarter or the end of the year?

SHIAMISHIS A.: No, we will probably come within the quarter.

KUKHTANYCH Y.: Okay. Okay, thank you. And another question I wanted to ask you is about your broader dividend policy and your formal dividend policy. The environment has been remarkable for you and for your business. And I just wanted to get a hand in the sense whether you feel…whether you would qualify the earnings that you are currently making in refining as a normal earnings because your dividend policy states quite explicitly that you are paying…your payout ratio is dependent on…and there is some ambiguity to this, on normalized earnings level? So, if you could just clarify whether the profit that you will make this year on the current refining macro will be qualified as a normal profit and you will pay out the dividend from the profit that you will make on the current macro environment. Thank you.

SHIAMISHIS A.: Yes. Now, that's a fair question. The earnings under no circumstances can be classified as normal in terms of sustainability and continuity. So, in that respect, whatever dividend we decide for this year will not be based on projecting similar earnings in the future, which is an important part of the consideration.

So, I would probably refrain from announcing anything until the end of the third quarter in terms of interim dividends and a guideline for the full year dividend. Clearly, numbers support a bigger distribution than last year. But at the same time, one has to bear in mind that we are investing to create value in the Group as well and not just pay out dividends. So, part of this incremental profit will be used to accelerate our investment in renewables. And this is something which we are doing with primarily debt financing at this point in time. So, it can help to have a more solid platform for cash flow projections in the later years.

OPERATOR: I'm sorry for the interruption. Mr. Kukhtanych's line has been dropped. We are moving on to the next question.

The next question is from the line of Athanasoulias Nikos with Eurobank Equities. Please go ahead.

ATHANASOULIAS N.: Hello and congratulations on a great set of results. I have a question regarding the Thessaloniki refinery and the impending maintenance. Amid this environment that is really good for your business, do you think of postponing the maintenance in order to take advantage and not incur any further opportunity costs? Thank you very much.

SHIAMISHIS A.: Niko, it's a very good question and a very relevant question for us. The decision on stopping a refinery for maintenance works is primarily driven by the safety considerations and the operational issues of the refinery. Unfortunately, we do not have a lot of leeway in terms of extending operations in refineries, which are coming up to the end of run time. So, as much as we would like to be able to capture increased refining margins, we have to be concerned and worried about safety and the reliability of the equipment, so there is not a lot of leeway in pushing it back, to be honest.

ATHANASOULIAS N.: Thank you very much. I have another one small question, if you don't mind, regarding the marketing and the domestic margins that are currently in place, the margin caps. In case this would be waived, do you expect further…what are the prospects of the Marketing segment in terms of the profitability?

SHIAMISHIS A.: Okay. In terms of domestic marketing, we have seen a number of developments in the last few months. The first one is that despite a very high price environment, we saw demand increasing with double-digits up until June almost. It is true that July, August, we've seen a reduction mainly in gasolines, but diesel remains quite strong simply because the economy is growing; and tourism is quite high.

Within that, sales, we have a sales fixed observation, which effectively is giving us that even at this price environment, we are actually seeing premium products at anything between 20% and 30% of our total sales. So, the 98 and the 100 octane gasoline is actually selling quite good. That helps our margins. And clearly, those are products which are being addressed to consumers and motorists that wish to go for the extra quality, the extra mileage in their cars, and they are prepared to pay the additional cost of that product; that is actually helping us to maintain a better margin.

In terms of the remaining business, I would remind you that since the COVID period, there is a limit on margins for retail business, which we try to abide by quite carefully. So, we have not increased margins in the last year or so. And if anything, I would not expect margins to increase in this current price and social environment. We are a company, we are focusing our activities and our decisions on improving the results and the performance of the company, but we have to keep at the back of our minds that we operate within a society and that society now is penalized by very high energy prices, nothing to do with fuels, it's predominantly gas-driven electricity, high prices, but we cannot ignore that fact. So we do not expect to see higher margins on retail in Greece.

ATHANASOULIAS N.: Thank you very much.

OPERATOR: The next question is from the line of Clarke Zoe with Goldman Sachs.

CLARKE Z.: Thank you. Thank you so much and congratulations for the great set of results. 2 questions from me, if I may, as most of these have already been answered on the DEPA and the dividends. First of all, you mentioned $1.7 per barrel incremental OPEX now versus pre-crisis. How has that changed in 3Q so far, we've seen some extreme volatility in gas and power prices continuing?

And my second question is regarding your strategy around renewables. So far, a number of bolt-on acquisitions, expansion in solar and onshore, what is the strategy long term? Will you expand further in biofuels, hydrogen, offshore, wind with the recent announcement with RWE, it would be helpful to get a clear color on what the strategy is here, if that's possible? Thank you.

SHIAMISHIS A.: Thank you very much, Zoe. So I'll ask Vasilis to cover the first part of the question on the cost, and George can give us some more flavor on the strategy for renewables.

TSAITAS V.: Hi, Zoe and many thanks for the question. In terms of the further escalation of electricity prices mainly in the third quarter that directly affect our OPEX base, we would quantify the impact based on what we know already to anywhere between 50 to 60 cents on an annual basis, but as you would expect, this is still ongoing and you know, let's see what's the impact until the end of the quarter.

ALEXOPOULOS G.: Regarding the renewables' strategy, going back to our Vision 2025 strategy, we have set a target of decarbonizing our core business of today, which is downstream and at the same time, building a material new business in renewable electricity.

Regarding the second, we have set a target of reaching 2 GW of installed capacity and not exclusive in Greece, but also in other markets, in Europe and the Med. And to achieve that in addition to the acquisitions we've done, we are developing our own portfolio. We've already had projects coming out of that and we expect to reach that goal with a combination of organic growth and acquisitions. Offshore wind in Greece is an important part of this strategy. We have recently announced a partnership with RWE and we expect a significant part of these 2 GW to come from that.

Now regarding biofuels and hydrogen, biofuels are clearly a part of the decarbonization of Scope 3 emissions of our downstream business. And that's where we start with hydrogen also, because today we have a significant hydrogen demand, which we're planning to fulfill through conversion of our existing production to blue hydrogen and adding green hydrogen production in our refineries. Further down the road, we also expect hydrogen to play a role as a fuel and as a store of energy. But we're starting from the decarbonization of our existing business, as far as, hydrogen is concerned.

CLARKE Z.: Perfect. Thank you very much.

OPERATOR: The next question is a follow-up question from the line of Kukhtanych Yuriy with Millennium Capital. Please go ahead.

KUKHTANYCH Y.: Yes. Gentlemen, I have to apologize, because I got disconnected in the middle of you answering my previous question about the dividend. So, I'd just like to come back very quickly to your dividend policy. And you know, to me, the fundamental principle of having a formal dividend policy is to decide on a dividend on an executed, realized numbers, which is 2022. And what I heard from you is that you will decide on a dividend based on your expectation and projection for the next year, which sounds to me as a departure from the formal policy. So, I just want to clarify what will be the criteria that you will be using to decide on the dividend? If macro environment stays the same or if macro will be lower than it is today, and you will see that the next year will be worse in terms of performance, then that will be a deciding factor? Or the actual realized profitability in 2022 will play a role. I just don't understand that, because from what you said about expected environment and decision on 2022 dividend is, to me, it is a departure from your formal dividend policy? Thank you.

SHIAMISHIS A.: Hello, Yuriy, probably the line was bad and you didn't get what I actually said. I was referring to the future results in reply to the question whether we see this year as normal. And that's why I said this year cannot be considered as normal in terms of sustainability of this level of results because we do expect…we don't hope, but we do expect that refining margins will come off in terms of 2023 compared to 2022. So that's why I refer to the 2023 results for the part of my answer.

So, in terms of the dividends for 2022, clearly, we will take into account the increased profitability of the year. But as I said, we will be evaluating this at the end of the third quarter when we have a slightly better visibility with respect to the full year results and prices…crude oil prices and product prices. And also, at the same time, we are accelerating our investment plan. So, if we assume that we have, let's say, €200 million of increased cash flows as a result of the performance in 2022, I do not think it's correct to insinuate that we will be distributing €200 million of additional dividends. Clearly, there will be an upside, but some of that money will be directed to accelerate the green energy transformation of the group, which we are doing with predominantly leverage. So, this cash flow will be effectively building value on the part of the balance sheet in the company, rather than distributing it as dividends in full. So that was the point I made. I hope it comes clear.

KUKHTANYCH Y.: Okay. Thank you. Just my point is that you have a formula linked to your net income. So, it's not linked to your free cash flow, it's linked to your net income. And when you say that your expectation for the dividend for this year will be based on your macro expectation for the next year, then it just sounds to me that we may be below your lower threshold of your formula for the payout. So that's my concern. And that's the uncertainty that your answer creates. But okay, that's fine. I'll take it as it is.

And just one more question, please, on your working capital, because in the second quarter, there was quite a significant buildup in inventories to about €2 billion. So, if you could just explain to us why was…why the buildup was so high and how do you expect your working capital to evolve into the second half of the year, please? Thank you.

TSAITAS V.: Hi, Yuriy and thanks for the question. The working capital build that you suggest, which is in terms of inventories, indeed standing at around €2 billion in terms of value, has to do with prices entirely. If you look at our volumes, they're still around 2 to 2.1 million tons, so not much of a change in terms of the volume. The increase in price is also reflected on payables, if you look quarter-on-quarter. So, from Q1, the increase in working capital has mainly to do with receivables, which is value-driven and also seasonality-driven.

KUKHTANYCH Y.: Okay. Thank you, very much gentlemen. Thank you.

OPERATOR: The next question is a follow-up question from the line of Clarke Zoe with Goldman Sachs. Please go ahead.

CLARKE Z.: Thank you. And apologies for coming back to this. Leaving the OPEX aside, which was the question I asked previously. Can you give us a bit of an update or rather a statement on how much of the natural gas that you use as feedstock has actually been now substituted either to cheaper naphtha or other alternative fuels? And the reason why I'm asking clearly is, because the ultimate margins you know, are impacted by that gas price volatility that we've seen. Any idea or any percentage you can give us of how much of the pre-crisis natural gas consumption that was used as feedstock for hydrogen, etc., has actually been substituted so far?

SHIAMISHIS A.: Thank you, Zoe. Well, we use NatGas for 2 reasons, one is for energy and the other is for feedstock, which is effectively for the production of hydrogen mainly. So, in that respect, as feedstock, we have replaced almost the entirety of natural gas. Now, I don't want to be an extreme and say, 100%, but it's close to 80% replacement.

CLARKE Z.: Okay, very clear. Thank you.

OPERATOR: The next question is from the line of Lamb Jonathan with Wood & Co. Please go ahead.

LAMB J.: Hi, you mentioned when talking about $CO_2$ costs, there was 2 things, one, the price went up, the other, the number of certificates that you get for free went down. What's the schedule for the change in the number of free certificates you get in the coming years? So how is that going to impact costs? And also, just want to check, all of your renewables producers, all of that…they're all sold at fixed prices, aren't they, you're not benefiting from high power prices at the moment? Thank you.

TSAITAS V.: Hi, Jonathan, in terms of the step-up in the deficits and the reduction in the free allowances that we receive, that was the result of the switching the ETS phase from Phase 3 to Phase 4 in 2021. So over the next few years, we don't expect a significant change on the free allowances that we're going to receive. So that number, the 1.2 to 1.4 -1.5 as a deficit, subject to natural gas utilization and feedstock on our refineries, the availability in the operation is not expected to change significantly.

LAMB J.: Okay. Thank you.

ALEXOPOULOS G.: And on renewables, the answer is, yes. Our renewables…our operating assets are all subject to feed-in tariffs or feed-in premia so effectively fixed prices. Just as a reminder, even for merchant renewables, which are very few of in Greece at this point, they are subject to a price cap of, I believe, €80. So unfortunately for them they also do not materially benefit from the current market upside.

LAMB J.: Okay. Thanks.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

SHIAMISHIS A.: Thank you very much for attending this call and for the interest you show in the company and following the company. Clearly, a very good set of results for the second quarter. We have been able to report improved performance on all of our businesses, it has been primarily because of the environment in refining margins and the pickup in volumes, but it is also part of our own doing in terms of optimizing a lower production volume during the quarter between domestic and export sales. So, capturing the export opportunities that we had, which have provided us materially higher profits.

Actually, it is for the first time, we have the domestic markets end-to-end profitability being just over a third of the total profitability of the group, given the exports have been so strong. The international subsidiaries have been so strong and, of course, aviation was also very strong. So, the mix of performance from all of our businesses has been very positive. It's also quite encouraging in that we have progressed on all of our committed targets for the year under Vision 2025. The fact that we are actually seeing the benefits from what we decided to do is a big boost for us because we can use that as a platform, not only for ourselves, but for our employees and for the market as well and demonstrate that the group is on the right path.

We are effectively announcing in the next couple of days, an Extraordinary General Meeting, which will be held in September. And that's the last leg of the Vision 2025 with the rebranding or re-launching our corporate image and we'll have the opportunity to present our new logo and corporate image towards the end of September. So that takes off all of the steps that we had to do as part of Vision 2025.

The increased profitability will allow not only a slightly more generous dividend policy, but it will also act as a considerably important, as a considerable buffer to accelerate our investments in green energy. Even though the debt capacity for those types of investments is quite high, it is also important to maintain some of the value for the group rather than just grow without creating any value.

So, all in all, a very positive quarter, we have good projections for the remaining of the year, not as good as this quarter, of course, but clearly, very positive with all refineries operating in the third quarter. Thessaloniki will go into shut down towards the end of the third quarter, but the contribution is not going to be…the opportunity cost is not going to be that material. So overall, we expect to have a very good year, I would probably call it a record year for the group.

Once again, thank you very much for sitting through this conference call and for following our company.