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"First Quarter 2021 Financial Results" Conference Call

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Mr. Christian Thomas, CFO

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

Welcome and thank you for joining the Hellenic Petroleum conference call and Live Webcast to present and discuss the First Quarter 2021 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. Christian Thomas, CFO, Mr. Dinos Panas, General Manager, Oil Supply and Sales & Mr. Vasilis Tsaitas Investor Relations Officer.

Gentlemen, you may now proceed.

SHIAMISHIS A: Thank you very much. Welcome to the First Quarter '21 Call for the Results of Hellenic Petroleum Group. Going through the main points for the quarter, we have a number of items on the agenda, which I'm sure you would like to discuss, and hopefully once we go through this presentation, things will be a bit clear as to what our performance has been, what we see for the future, and also a few things about our strategy.

First of all, in terms of results, we have a very weak refining environment, it continues to be at its weakest levels, which is only to be expected, given that there has been a continuous lockdown and travel restriction for most of the quarter. As a result, we've seen the refining margins… the benchmark refining margins remaining very low, negative to marginally positive for most of the quarter, and we have effectively seen demand being at least in Greece, but it's very similar in other markets as well at its lowest levels.

At the same time, we achieved a crude oil price recovery which on one hand delivers a very high number in terms of reported results, which is to be welcomed, given that we recover some of the inventory losses we reported last year, but also it means that it gives rise to increased working capital and to energy costs.

The other main item from the environment, which I think we should be highlighting, has to do with the cost of CO_2 emissions, which we have seen increasing significantly over the last few months and unfortunately, even more since the end of the quarter. So, with that backdrop, the adjusted EBITDA of the group has been a satisfactory €60 million for the quarter, still a low level, but unfortunately given the materiality of the refining performance… of the refining unit performance, it outweighs the improvements we've seen from the other business units, which are… they have low… lower contribution to the Group.

In terms of sales as I mentioned, we have reduced volumes, both at wholesale i.e. ex-refinery sales, as well as, retail level. We've had 2 shutdowns in Elefsina; one of them was the scheduled hydrocracker catalyst replacement, which went very well. The other one was an unscheduled shutdown which was caused by a national power grid outage earlier this year in February, unfortunately that's something which caused a lot of distress and issues with the equipment in the refinery.

On the positive side, all of the systems worked very well including… systems include controls, equipment and people, everything worked well, and we managed to get the refinery down without any major safety issues or environmental issues for that matter. At the same time, we do have some positive news. Petrochemicals recorded a best quarter ever, which is a result of strong margins effectively in polypropylene, and we see that strength continuing, although not at the same levels as we've seen in this quarter, but still a strong performance.

On retail, we have positive performance from the new 98 fuels that we launched. The first quarter was mainly the BP network which benefited from this launch. Since last month, we also have EKO selling 98 premium fuel, which is helping the margin and the market share of the brand.

At a reported level, positive news here, with a very high reported EBITDA and net income. This not only helps the recovery of the inventory losses, but also it gradually builds back the dividend capacity of the group, although we have not fully recovered the losses that we reported last year.

ELPEDISON has performed very well, and we are seeing the benefit of that, and of course, the financing cost again a highlight… a positive highlight for the quarter, given that we've managed to reduce it even more, and for the first time in about 10 years, we have an annual run rate which is close or below €100 million.

I won't go through the numbers Christian and Vasilis will walk you through… later on through the presentation. But I think that an update on strategy and governance is something which that you will find helpful.

In the last month or so, we have communicated to the markets a very ambitious transformation plan for the group, which we called "Vision 2025" on the basis that we want to look ahead of the 5-year Business Plan, which is usually the planning cycle. Now we've seen an acceleration of the energy transition agenda, and there are a lot of challenges, which everyday are popping up around the world. There is a big upset now with one of the super majors with respect to the… both composition as well as, the strategic direction with respect to CO_2 emissions.

So, I guess our strategy is timely. So, we've set ourselves a transformational strategy which effectively focuses on 5 areas. The first one is to set a clear ESG agenda for the Group, and to set the CO_2 emissions as a key target for our performance. And at the end of the day, as we all know, you are what you measure, and you can improve what you measure only, so we are aiming for a 50% improvement by the end of 2030, and we are aiming for a net zero position by 2050.

Now, that is something which is becoming a key target for the first time. That doesn't mean that we were not looking at it. On the contrary, it is something that we've always looked at, but the spin was mainly a monetary issue rather than a strategic direction issue. We expect to reduce in the absolute terms, about 30% our current emission level that is assuming the same level of business of course, yes. If we reduced our run rate or if we expand into other industrial activities, clearly that has to be taken into consideration and adjust.

But on a like-for-like basis, we are aiming for a 30% reduction, and an additional 20% offset by investing in renewables. So, if all goes well, by the end of 2030, we will have a 50% improvement in our CO_2 footprint. Now, in order to do that, we need to update our business strategy and of course our capital allocation.

So going forward, we have a very aggressive capital investment plan, which will ensure 2 things. The first one, is to upgrade our core refining business and make it suitable for the next 10 to 20 years, that includes a number of projects, it includes things like blue and green hydrogen, it includes things like biofuels, hydro treated vegetable oil, and of course, energy efficiency throughout the chain. What we want to do, is to make sure that come 2030 or 2040, we will still have refineries that will be operating profitably in the new energy environment.

Now, we could be seeing a remote scenario from here which is a total elimination of liquid hydrocarbons from the energy value chain. However, I think that is not very likely in the next 20 years. So, our aim is to make liquid hydrocarbons part of the solution, rather than just a problem.

That takes into consideration our plant investments plus new projects which are being matured and will account for almost 50% of this €3.5 billion to €4 billion capital investment budget. The remaining will be directed towards clean energy investments, mainly in renewables, but not only we are looking at commercially mature hydrogen or storage projects.

We are not there yet, so we are not going to start spending money behind R&D opportunities. We do not have the size to invest hundreds of millions or billions of euros behind experimental technologies. We are a bit smaller than that, so we would be investing predominantly in proven technology. Now, that will allow us to develop a material second business pillar, which will not be just the liquid hydrocarbons, so that is effectively the second pillar of the strategy.

The third part of the equation has to do with the corporate structure, and that corporate structure is something which we need to change for a number of reasons. Hellenic Petroleum S.A has been the holding company, the listed company, as well as the main operating company since 1998, when it was first put together and listed in the Athens Stock Exchange. That was 25 years ago, things have changed; we are aiming to go into a new energy landscape.

So, we believe that it is more appropriate to develop a solution whereby we have a holding company and other… that holding company, we will still have Hellenic Petroleum, which will be what Hellenic Petroleum do today as an operating company. We will have EKO, Elpedison, the power and gas investments plus the renewable investments. That will allow optimization of the funding options, it will allow better risk management, better governance, value transparency, and of course, the ability to grow by partnering up with other serious companies in the specific fields.

That means that we need to work on a legal structure transformation plan. And I expect that within the next 2 months, so soon after our Annual General Meeting, we will be taking to the Board a proposal to launch these corporate transformation projects.

At the same time, we are moving effectively tomorrow to upgrade the corporate governance of the Group. Now a lot of discussion has taken place about who will control the Board and who will control the company. And unfortunately, it has taken more airtime than maybe it deserves, because at the end of the day, no matter who owns the company or who controls the Board, our responsibility is towards the company and all of the shareholders.

So as a CEO of the Group, it is less relevant to me, who at the end of the day controls the Board or who receives the dividends, and it is more important for me to optimize and through the management team deliver the best possible for all of the shareholders and all of the company.

So that upgrade in corporate governance will effectively be completed at the first level tomorrow at the EGM, and it will cascade down in the rest of the Group and changes there relates not only to the number of Board members or how they are elected or appointed, it relates to fit and proper policies, to gender diversity, to increasing the number of independent Directors on the Board plus a number of other things, which are driven partly by legal requirements.

The reason, Corporate Governance Law has become much more specific on what we need to do. And also, the pre-existing Corporate Law is something that we need to abide by.

The fifth pillar has to do with re-launching a corporate identity for the Group. That is something which we need to do, we're not giving up the Hellenic Petroleum brand or the EKO brand.

But if we want to grow into renewable and clean energy, it would be a bit difficult to do it under the Hellenic Petroleum brand. So, we are re-launching a new corporate identity, which will be appropriate for our new strategy.

So that covers the strategy and the governance discussion. And I would ask Dinos Panas to walk us through the industry environment before we go into the financial performance for the quarter.

PANAS D: Okay. Thank you, Andreas Good afternoon to everybody. Now on Page 7, you are familiar with numbers. The crude oil price recovered from the 2020 lows in the first quarter, and they returned to the pre-crisis levels with Brent averaging to $61 to barrel in the first quarter. The U.S. dollar was weaker versus the euro compared to 2020 with a negative impact on euro denominated financials. Now, the spread between the Brent and Urals averaged at $1.1 per barrel during the quarter.

Now turning on Page 8. During the quarter, we had a marginal improvement for the gasoline crack, relatively good Naphtha crack, and weakening fuel oil cracks. Now the diesel and the jet cracks, the middle distillates remained under pressure due to very low jet demand and ample stocks.

From these cracks we received benchmark margins as we calculate them at $2 per barrel for the FCC refinery and close to zero, per barrel minus $0.1 for Hydrocracking and Coking.

Finally, on Page 9, you can see the numbers for the domestic market environment. The domestic consumption was 1.5 million tons, down 14% compared to the first quarter of 2020. Gasoline was down by 22%, diesel by 11%, heating gasoil by 10%, and the rest of the products by 14%. The Bunkers consumption was 575,000 tons, down by 6% versus last year and the Aviation consumption was just 35,000 tons by… down by 69% from 2020.

And with this said, I'll pass to Christian for the finance part.

THOMAS CH: Thank you, Dino. Good afternoon. With what Dino's explained before and Andreas of course, you… we get the result of what you see on Page 11 the Causal track, obviously the weak refining environment has driven the profitability lower, which was partly improved by the operations. You can see the benchmarking refining margins effects almost wiping out the refining results of the previous quarter, the comparison… compared to Q1 '20, the FX results also did not help in terms of the way that the dollar moved.

Again, quarter 1 '21 versus quarter 1 '20, we were coming into the pandemic then and now we're hoping to come out of it. The COVID results effect has been €12 million on the negative side, also €12 million the CO_2 pricing effect, which is putting pressure as well.

Now as mentioned before, we had an excellent quarter for petchems, which helped us while also on marketing and refining operations, our performance was good and it would have been a bit better had we not had the maintenance of the hydrocracker for Elefsina, overall going from 128 in Q1 '20 to 60s in Q1 '21.

Now on the next page, more or less you can see what we saw at the end of the year, the improved funding mix has helped us keep the financing costs extremely low, if you think about the last 10 years. The debt sourcing you can see the increased… committed, you know, position from the banks at 55%, the well spaced-out facilities, our bond… now this is information about a week ago, trading at 2.055 for the 2024.

And of course, it's part of our plan going forward to look at the capital structure and refinancing, especially on account of Vision ’20-‘25 projects with all of what Andreas described before.

On that note, I'm going pass it to Vasilis, who's going to go through the next pages. Thank you.

TSAITAS V: Thank you, Christian. Good afternoon to all of you attending this call. So, we'll go through and discuss the performance of each of our businesses, starting with the refining, supply, and trading on Page 15. As you can see, and it was mentioned before, results reflect a very negative refining environment with benchmark margins close to all time lows that we've seen earlier this year, just a notch below $1 per barrel for our system benchmark around $3 lower, if we compare with the first quarter of '20.

The higher cost of CO_2 emissions both due to the doubling of the price versus last year, as well as the reduced allowances for European refining that is having an impact of around $0.5 per barrel on our OPEX base starting from the first quarter, and the stronger euro. On a more positive side Aspropyrgos refinery running its units fresh out of the turnaround with higher efficiency recorded improved performance, so partly offsetting the impact of the very negative environment.

On Page 16, as you can see the production levels reflect utilization mostly at Elefsina due to the partial shutdown of our hydrocracker complex for change of catalyst, as well as the slowdown due to the power grid failure incident that occurred during the quarter.

In terms of our crude slate… our crude slate as you can see, as well as the outlook of our products that has to do mostly with the flexibility of Aspropyrgos refinery switching between the high sulphur and the IMO mode depending on economics and this is something that we took advantage of in the first quarter.

Moving on Page 17, looking at our sales, the main driver for performance there was utilization levels of our refineries, and in terms of our domestic market, aviation and bunkering sales, restrictions… the lockdown restrictions throughout the quarter affected results.

On Page 18, on account of the S&T optimization in the Aspropyrgos performance that I mentioned before and despite the absence of the contango trade uplift that supported our numbers in the second half, we were able to maintain over-performance around $6 per barrel for the first quarter of 2021.

Now, moving on to petrochemicals on Page 20, as it was mentioned before, petrochemicals reported their best performance in history. We were able to capture the strong polypropylene margins, that was mainly due to a supply deficit in the region and even further than that. That is persisting in the second quarter and should support our results to an extend in the… throughout the first half.

I guess that kind of supports the decision to… our final investment decision to revamp our polypropylene unit at Thessaloniki to increase capacity to 300,000 tons, as well as, improve the efficiency of the unit with lower cost. So, it is a €35 million investment that will materialize in the next 2.5 years with a very positive uplift on performance.

In terms of our fuels marketing business on Page 22, we can see the impact of mobility restriction and lockdown throughout the quarter on volumes. That however cost control, the successful introduction of the mid grade 98 octane gasoline to our network that is doing very well in the second quarter with increasing penetration rates, as well as improved NFR performance, mitigated to a full extent more or less the impact of the lockdown. As a result, contribution… operating contribution was almost flat year-on-year.

In terms of our international marketing business, the impact on volumes due to mobility restrictions was a bit more severe comparing to our domestic marketing business that has to do with the comparatives as well and an impact on the wholesale business in some of the countries that we operate resulting to an operating profitability of €10 million for the first quarter.

On that note, I will pass you on to George Alexopoulos to discuss our renewable business and gas and power business. Thank you.

ALEXOPOULOS G: Thank you Vasilis. Good afternoon everybody. Page 25, renewables, in the context of the Vision 2025 strategic repositioning of the Group, we have a 2 GW install capacity target for 2030, and we are accelerating the development of our portfolio. We are pleased to report that the Kozani project is developing very well inspite of the COVID restrictions.

We are now at 40% overall progress, and the mechanical and electrical works are proceeding according to plan. We are targeting mechanical completion by year end and commercial operation in early 2022.

Some highlights from our portfolio of projects. We are progressing development activities across the board. We now have about 300 MW of PV and wind projects in advance permitting stages. We recently received an additional 214 MW of PV and wind producer certificates, and we are planning to submit some additional projects in the upcoming June cycle of

RAE permitting, and we are also starting to develop energy storage projects at various group sites.

On Page 27, Elpedison, as we already said, it's been a strong quarter for Elpedison. We are seeing the improved performance of the Thessaloniki plant as a result of the small upgrade we completed last year. Elpedison was also able to take advantage of gas trading opportunities and together with growth in retail, it got to an EBITDA figure of €23 million for the quarter.

On DEPA, the restructuring of the DEPA Group has been completed as you know, so we currently participate in 3 companies, 3 entities from the former DEPA Group, commercial entity, an infrastructure entity and an international projects entity. We are in the process of selling the infrastructure participation in a tender together with TAIPED the privatization fund, and we expect to receive biding offers in July. Whereas the DEPA commercial process was suspended by TAIPED until later in the year, and we are currently evaluating our options with regard to that.

And I think this brings us to the end of the presentation…and Q&A session.

Q&A

OPERATOR: The first question comes from the line of Patricot Henri with UBS. Please go ahead.

PATRICOT H: Yes, hello everyone. Thank you for the presentation. If I may, 3 questions, please. The first one, if possibly you could expand on the capital allocation comments that you made in the Vision '20 – '25. I wanted to get a better idea of how much CAPEX you intend to spend next year and what the shape of the spending would be, given some of the potential investments you mentioned, are they at the early stage, things maybe back it on the CAPEX profile will be helpful.

And second question is still around capital allocation, what does it mean these higher investments on your plans for shareholder returns and dividend. And I wanted to ask you still on the CO2 emission reduction targets that you mentioned some comments around you know, the scope of the emission inductions that you target, are we talking about Scope 1 and 2 you may include Scope 3, and when you mention 30% reduction by 2030, and what's the reference point that you are using, maybe you are talking about absolute or the intensity it wasn't very clear. Thank you.

SHIAMISHIS A: Thank you very much Henri. On capital allocation, we will be elaborating a bit more in the next few weeks. We have planned to have completed and put behind us the EGM with a little bit more details on what we plan to do. However, that's been delayed by a week, so we are pushing it back by 1 or 2 weeks as well. But just to give you a ballpark number. As a Group, we have been investing about €150 million to €200 million on average per year.

Last year, was an exceptional year, we had close to €300 million on account of a very big shutdown in Aspropyrgos as well as the Kozani project, which was higher than normal, plus a couple of other things, the setup of new installations in Cyprus and some other smaller projects.

What we are doing is taking that CAPEX and reallocating, we effectively reviewing the annual maintenance CAPEX, to make sure that we do whatever we have to do for safety reasons, but we are reallocating about €30 million to €50 million a year, which will go towards greening the refinery. So, we are aiming to get value out of making the refineries, environmentally better.

Now that value is coming from CO_2 emissions, which unfortunately, we can run into the future, but we cannot hide from that, it's going to catch up with us, and pretty soon the CBAM, the carbon border adjustment mechanism will catch up, and it will have to be passed on to the consumer. So, it is something, which we need to take very seriously.

It's not enough to be building conversion units anymore, we need to make sure that we address the CO_2 emission, that takes into account about €1.5 billion to €1.7 billion of investments in the refinery. We are talking about the next 10 years now. It's not something which is going to happen next year.

On the renewables, we have allocated, we have earmarked roughly about €1.7 billion over the duration of the 10 years. Our goal is to go to 2 GW, so it is something which you cannot do without the capital investment. However, that CAPEX will be partly acquisition and partly development, so there is a phasing behind that, there is a baseline in the plan, which we can share in due course, not everything will be spent in the next 1 to 2 years.

Because even though it would accelerate the transition, we take a slightly higher technology risk than we should. So that is something that will be allocated over the next few years.

And clearly, it is a type of business that allows it self-funding to alternative financing schemes such as project finance, it can be ring-fenced and the financing ability of this project is a very attractive rate, it's quite high. So that's the first part of the question.

The second part is that we do not envisage the shareholder returns to be negatively affected. On the contrary, if we get the implementation going and we managed to accelerate the delivery of projects, either acquisition or delivery of projects, then it should provide some stability in the cash flows of the Group, which can only be a positive thing for shareholder returns.

Now on CO_2 reduction, I will ask George to cover that.

ALEXOPOULOS G: Sure. So, our goal as we said, is to reduce by 50% our carbon footprint, that refers to Scope 1 and 2. And we're talking on an absolute basis. And the breakdown of 50% is 30% through improvement of our refining operation, which includes energy efficiency, cleaner fuels, renewable electricity including onsite renewables, blue hydrogen and green hydrogen, and the remainder being offset through our renewable's portfolio.

In fact, we will probably get quite a bit more than that. But we're confident with the… at least 20% coming from those investments. So, Scope 1 and 2, an absolute rather than relative reduction.

PATRICOT E: Okay. Thank you. And the reference level; it has come to 2019 levels of CO_2 emissions.

ALEXOPOULOS G: Yes, I think the reference level is 2019.

PATRICOT H: Okay. Thank you.

SHIAMISHIS A: Just what… and it is highlighted that this is certainly part of the story. It means that, if we change units, if we expand capacity, if we… for example, we're investing in a petrochemicals plant in polypropylene expansion, that doesn't necessarily mean that it will not add to the CO_2. However, keeping things the same level as we have now, this is the target we have.

PATRICOT H: Okay. Thank you.

OPERATOR: The next question comes from the line of the Zacharopoulou Katerina with Eurobank Equities. Please go ahead.

ZACHAROPOULOU K: Yes. Good afternoon from my side as well. Two questions, if I may. The first one is regarding the petrochemical business unit. You made a couple of comments about the reason why prices have increased so much, but do you expect that this environment will continue through to the second half of the year or do you expect prices to normalize, this is my first question.

And regarding your renewables portfolio and the pipeline you refer to, the 300 MW that is at an advanced permitting stage, how much of it is under a secured, let's say state guaranteed PPA and how much would be a bilateral contract in the context of the target model.

And do you have a target in mind of the percentage you want to have as a traditional PPA, rather than on a bilateral contract or even if you could even give us your targets regarding your generation versus supply for the Elpedison business unit target. Do you have something like that in mind? Thank you very much.

PANAS D: Okay. On the petrochemicals, it's Dinos Panas. Actually, on the first quarter, we had a very good month, which was March, then April was even better than March, and May continues to being strong, but a little bit easing. So, given that we have until now, we would expect the second quarter will be a strong quarter for petrochemicals as well.

ALEXOPOULOS G: Okay. On renewables, we mentioned the 300 in an advanced permitting stage. These projects are in the stage of receiving environmental terms and/or, you know, binding of connection agreements. So, they have not for the time being secured any reference pricing from the auctions, whether they will or not will depend on when the projects will mature and be ready for construction.

In any event, we expect the renewables business to transition more and more to PPAs and merchant risk, and we are in a very strong position to take advantage of PPAs. Keep in mind, we're also a major energy consumer looking to reduce our Scope 2 emissions, so we expect to be quite active in PPAs and we are already exploring different options on that.

So, I would expect these projects to have a mix of the two based on our current estimate for their maturity and they are being ready for construction.

ZACHAROPOULOU K: And would it be fair to assume that as your generation market share in renewables grows, your supply market share in the case of Elpedison will also grow to…to possibly meet the generation market share?

SHIAMISHIS A: I think at this point in time, we are keeping the two units separate. Elpedison is following its strategy, which we all know and is developing its retail market share. The renewables business is something which is under a different vehicle and it's not necessarily linked to Elpedison, it doesn't mean that we cannot take advantage of synergies there.

But as Mr. Alexopoulos mentioned, we are one of the largest consumers in any case, so there is a lot of room for the Group to effectively take advantage of investments and PPAs… sell PPAs effectively before we need to start selling the energy produced to third parties.

So, it is something that we will investigate over the next few years as we unfold the strategy and try and create synergies between the refining, Elpedison and the renewables business.

ZACHAROPOULOU K: Okay. Thank you very much.

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

GRIGORIOU G: Yes, hi, thanks for the presentation. Sorry, I know it's a bit late now, one last… two last questions, please, if I may. One is regarding minority interest, €90 million in the first quarter, what do they relate to?

And my second one goes to Dinos, if he can actually comment too about where he sees the margins and prices for jet fuel and diesel overall in the coming quarter, and are you seeing any improvement given that flights have gradually starting to improve at least? Thank you.

PANAS D: Hi, George it's, you know, forecasting is difficult especially for the future. Now, what everybody says and its most probably correct is that as demand grows, as mobility increases, as more flights are becoming a reality, as you know, everybody wants to go out, wants to do something different for a change, so what we expect is normal that demand is going to grow.

So, with a better demand, I think and we hope that margins, cracking margins would be better, but its, you know, it's almost impossible to make a correct let's say forecast at this point of time for when actually. So, the question is not if they are going to improve, their will, but the big question is when we are going to see it.

SHIAMISHIS A: If I can add to that George, I think we are all waiting to see the resumption of air travelling because that will effectively lift a lot of the pressure for middle distillates and hopefully it will give an immediate boost to refining margins. We may have to wait a few months however, because of stock-in-trade, it is something which is not… it's not very visible, we don't have good visibility on middle distillate stocks throughout the world and especially in Europe, so it is something which in the next few months we will be looking to see that improvement. And the other one?

TSAITAS V: George, on the minority interest, it's actually a typo well spotted, and we will make sure that we will amend that and upload on our website. It cannot be obviously the entire net income.

GRIGORIOU G: Okay. I thought it should be a mistake there. Thank you.

OPERATOR: The next question comes from the line of Gkonis Argyrios with AXIA Ventures. Please go ahead.

GKONIS A: Good afternoon. A couple of questions from my side, first of all, if you could comment a bit on the swing in net debt, we saw a rather significant increase on sequential basis. I guess its working capital, and if you could give us some pointers on…should we expect it to unwind, and when? And the second question is, if you could give us some feedback on what you are seeing on the crude differentials side and the pricing at this point in time. Thank you.

THOMAS CH: Thank you. In terms of net debt, it's more of a timing issue combined with the fact that we had an increase in payables and the increase in the value of inventory. In terms of normalization, we expect this to go down towards, you know, €2 billion and hopefully a bit lower towards the 30th of June. In terms of the…the second question?

PANAS D: The second question was crude differentials, we are currently within Brent-Urals widening more than the first quarter that's one thing and for the rest of the crude slate, I would say that most probably during the second quarter, or until now most of the crude slate like the Arabian, Bashra, CPC et cetera were a bit less expensive than Urals compared to the first quarter of the year.

GKONIS A: Okay. And final note, some guidance on CAPEX for this year?

THOMAS CH: The plan, the plan was towards the number of about €300 million, the… about €100 of that was going to be renewables and this is still the plan. At April we are at approximately €40 million, so we've got… we've got a gap to fill. So, I would imagine it should be in the range of €200 million to €250 million for this year.

GKONIS A: And a follow-up, if I may, regarding the petchems investments, can you guide us a bit on how should we think about the financials and the contribution that those additional volumes could bring to the EBITDA line?

PANAS D: Well, we are increasing production by 60,000 tons which is from 240,000 to 300,000 tons per year. Now, it's come on stream after 2, 2.5 years, and it will very much depend on the polypropylene gross margins which is the difference between the polypropylene and the which is the first, sorry, sorry, he polypropylene which is the final material, yes, yes, the polypropylene, which is the finished material and propylene the raw material.

So, it depends on what you will assume on this spread, currently this spread is more than €800 per ton, but it's not usually that high. So, you need to make an assumption there.

GKONIS A: Okay. That's clear. Thank you.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. You may now proceed with your closing statements. Thank you.

SHIAMISHIS A: Thank you very much for attending this call. The key points are very clear. We are still weathering… or still going through the rough waters of the pandemic crisis. The travelling restrictions which are gradually being lifted are still quite heavy and effectively prevent the economy from functioning at its full capacity level.

We do remain optimistic however that in the next few quarters, we will see this recovering to its normal levels. It may not be as fast as we would like to, but clearly that is a clear direction. We have an outlook for the year which hopefully will be a bit better than last year. We are starting this year with the worst possible quarter whereas last year we had a very good first quarter. I am hoping that this will be… will not be repeated in the next 3 quarters effectively. And we will be able to reap the benefits of some of our operational improvements in the year.

From a strategic point of view, we have launched a big transformational agenda, a lot of it has the… has been discussed in the past as well, but this time, I think that we need to act and effectively steer the Group in a new direction. Hellenic Petroleum has been a very successful company for a number of years.

But in order for it to continue to be as successful if not more, we need to accept the fact that the world that we live in and the energy markets are changing, maybe we don't like it, maybe we don't want it, maybe it will be happening at a slower pace than people project.

However, it is something that's going to happen. So, the sooner we adapt to that new reality, making sure that we don't jump the… the market curve. So, we don't overspend without having the substance behind it, I think the Group will be able to deliver the value from its core business and generate value from its new business in the next few years.

So, with that, we leave you and we expect to be able to share with you even better results at the half year mark. Thank you.