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HELLENiQ ENERGY Holdings S.A.
Second Quarter & First Half 2023 Financial Results
Conference Call

Thursday, 31st August, 18:00 (GR Time)

Conductors:

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Mr. George Alexopoulos, Deputy Chief Executive Officer , GM Group Strategic Planning & New Activities

Mr. Vasilis Tsaitas, Group Chief Financial Officer

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 Gelly your Chorus Call operator. Welcome and thank you for joining the HELLENiQ ENERGY Holdings conference call and Live Webcast to present and discuss the Second Quarter & First Half 2023 Financial Results.

All participants will be in a listen only mode and the conference is being recorded. The presentation will be followed by a question-and-answer session. Should anyone need assistance during the conference call, you may signal an operator by pressing star and zero on your telephone.

At this time, I would like to turn the conference over to Mr. Andreas Shiamishis, CEO, Mr. Georgios Alexopoulos, Deputy CEO, 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 for the introduction. Good afternoon. Thank you for attending our Half Year Results call. Let me kick off this call by just going through the Highlights for the Quarter and the Half Year.

We have effectively a positive quarter. It's a number, which, following a series of very, very high results, might appear to be a bit lower, but at the end of the day, it has been a very good quarter considering that, during this second quarter, we saw the average system margin going from 18 that was in 2022 second quarter to $4.4 per barrel.

So it's a massive drop compared to last year. None of the two are normal. And in fact, we have seen a rebound in the third quarter of 2023. And we also had a crude oil price, which has dropped as well. So, there is also an impact on the reported results.

On the other main factors which affect our industry, our market, we have a good quarter in terms of demand from the Greek market, both in terms of overall economic activity in terms of economy growth as well as the increased tourism with very particular impact on aviation and bunkering.

And we have what we call a normalization of the natural gas prices, in fact, even a bit lower than what one would expect, and the electricity prices, which have reverted to pre-crisis levels.

Clearly, one cannot project how things will develop in the next six months as we move into the autumn and winter season. But at least for the last few months, we have seen a normalization. As a Company, we have done very well in terms of sorting out scheduled or unscheduled maintenance works in the refineries. We have been affected over the -- in the last couple of years more by power shortages, which have caused problems in the refineries. We've put that behind us. For the quarter, most of the quarter, we had availability of the refineries, and it seems to be doing -- all of the three refineries seem to be doing very well with increased volumes and good netbacks.

Exports, even though there has been an increase in the domestic demand and higher volumes, production volumes means that we've increased our exports even further. And we have a very good performance on the commercial side as well, starting from the wholesale business, the ex-refinery sales to our retail businesses in Greece and International Subsidiaries.

Now having said that, I need to remind everybody that the Greek retail market is still constrained by legislation, which was put in place since the COVID days. And effectively, what it does is that, it limits the margin to a certain level for fuel sales. So, our results in retail in Greece are constrained by that.

In terms of Financial, in terms of numbers, our adjusted EBITDA at EUR164 million for the quarter and just under EUR570 for the half year, point to another very strong year. In fact, taking into account July and August performance, one would expect to see the EUR1 billion thresholds exceeded for the full year adjusted EBITDA projection for 2023, making it the second most successful year in the history of the Company.

And that is also done with better operations and with a slightly different mix. Unfortunately, even though we're investing in green energy and investing heavily so, the very good performance of the core business doesn't do justice to the contribution we have from the new businesses, which is gradually growing to a much more material level.

As I mentioned, the impact of prices on our inventory that we keep and finance on the balance sheet, it's quite material given that we have a significant swing in the reported results of EUR700 million between last year and this year, given that we had a loss of roughly EUR200 million this year and again of EUR0.5 billion last year.

Now one would say that this is probably normal given the cyclicality of crude oil prices and product prices, and to some extent, it is maybe not such violent moves as we have seen in the past, but 1 thing which is important to note is that last year, we had the extra cost of the solidarity contribution at 33% which was calculated on the inventory gains reported last year as well. So, in effect, the EUR200 million losses that we are reporting this year, unfortunately, we do not have the ability to recover some of that solidarity contribution, which means that we paid taxes on profits that we did not have.

On the Gas & Power Associates, we are seeing a de-escalation reversion to normality, if you will, with the exception of DEPA, where we have an abnormal -- abnormally low reported results as a result of safety stocks that were put in place and were delayed in bid and being released. It is something that we need to look into and see how the framework will support that. And of course, the Renewables business, which is growing to a more material number.

On Cash Flows and Net Debts, a much better view a much better position in terms of net debt, a very strong cash flow performance last year and a very good capital adequacy or capacity, debt capacity for the Group. Clearly, from next month onwards, we'll have cash outflows as the tax bill gets settled over the next eight months, but still a very healthy cash flow generation for the business.

On the Strategic front, we are progressing on the new energy or the Renewables part of the business with scaling up our portfolio. We have a visible path to a gigawatt of Operating assets in place within 2025, which is actually much faster than what we originally anticipated or committed to. We're doing that at a value-adding way. So, we're not just going out on the shopping spree, buying assets left, right and center. So, we are careful of where we use our Shareholders' money. And we don't see the increased performance as a licenses to spend money. We do it because we have agreed that this is the right way to develop the company with a new leg in Green Energy. At the same time, being cautious about diversification and risk profiling. We are doing that with different markets as well. Some of them bigger than others, some of them smaller, and we have two new market entries, which were announced over the last couple of weeks.

An important part of this growth has been the success of our team in securing 100-megawatt capacity in the recent first National Energy Storage Systems auction. 100-megawatt is the maximum we could have achieved because of the intention to fragment this market, at least at the beginning. And we are very pleased to be able to have a successful participation. Now all of these new technologies need some sort of support schemes, some more than others, in order to operate. And this is something which will help us in developing these new markets. We have no doubt that, in the next few years, they will be much more robust and able to operate and create value on a stand-alone basis.

Last but not least, after almost a year of work between ourselves and two organizing banks, we've managed to conclude on a project finance framework agreement for about to almost EUR800 million. Not all of it is committed. About EUR200 million is an additional -- it's an accordion clause, if you will. So we have about 566 of committed facility. This is very important because it allows us to have a much speedier response in terms of developing our renewables with the appropriate set up a fit-for-purpose facility with advantageous terms. And this is the first of a kind, definitely in Greece. And in terms of materiality, it's one of the most innovative transactions in Europe for this year.

So overall, a good quarter in terms of numbers, in terms of operations, in terms of progressing our strategy. And without further ado, I will ask Dinos to walk us through the Industry Framework and the Environment. And then Vasilis and George to sort of continue the discussion on the Business Units.

PANAS D: Okay. Good afternoon to all. Thanks, Andreas. On Page 3, you can see the numbers for the Crude Oil in the Forex. Crude oil at $70 a barrel average in the second quarter of the year. Now it's around a little bit higher than $86. While the USD to the Euro remains at the same levels for the quarter to 1.09.

Now coming to slide -- okay come to the slide about the Industry Environment and the Benchmark Margins. You can see the spread that we had during the period, 21 for the gasoline now averaged July and August run of around plus to $27, $17 for the ULSD, the average of the first month of the third quarter is $34.5, stronger as well during July and August, the crack of HFO at minus $5.6 while the naphtha crack remains weak at minus $17.8 due to the weakness in the overall petrochemicals' complex. Very low base stock margins in the quarter. For all the three refineries, we are currently running at July and August at least $10 per barrel higher than the average margins that we have during the period.

Now going down to Page 8, you can see that the energy prices have normalized and have come down normalized close to pre-crisis levels. And finally, on the next page, Page 9, we see a strong growth in the domestic demand, the aviation sales demand and the bunker sales demand and with 5% in the domestic market. Now we have reached pre-COVID levels for the period. But we see that 7% was the increase in the Aviation consumption and 3% in the Bunkers.

And with this, I will pass you to our CFO, to discuss the Group performance. Vasilis.

TSAITAS V : Thank you, Dinos. Good afternoon to all of you attending our call today. So, on page 11, having a look on the Main Financials. As discussed, Refining sales are higher, driven by availability and the utilization of our refineries. In terms of Power Generation, this is much higher, obviously, due to the capacity that was added over the last year, mostly in wind projects. And overall, Turnover is lower due to the prices as those have declined considerably versus the peak of the energy crisis in the second quarter of '22.

Our Adjusted EBITDA at EUR164 million is significantly lower than last year. But obviously, that does reflect the performance of Refining, Supplying and Trading due to the weaker margins versus the record highs of last year. In terms of our Associates contribution, again, the lower electricity demand and the normalization of the environment, and we'll discuss the numbers of Elpedison and DEPA, had the negative impact and a lower contribution -- negative contribution from our Associates.

Finance cost expectedly higher due to the benchmark rates, the Euribor rates above 3% versus the almost zero that were last year. However, this is, to a large extent, moderated by the much lower gross debt levels.

In terms of solidarity contribution, we discussed about and the taxes. We discussed about the gradual payment that will start -- that has already started in July and will be repaid in eight installments until February and will affect the cash flows of the second half.

Capital employed is lower, driven mostly by Working Capital normalization on lower prices and better management, and this is also reflected in the Net Debt levels at just over EUR1.5 billion, significantly lower than last year.

Now moving on, on Page 12 to discuss a little bit more in detail the drivers of the numbers. So, the key variable that affected the numbers is the environment. Mostly benchmark margins being $14 per barrel more or less, lower than last year and a smaller contribution from -- not smaller, negative contribution for Petchems, the FX and important to note, the inventory impact on Marketing. As a reminder, we do not -- we adjust our numbers for the inventory valuation for Refining as this is the most material part, but it's important to highlight that Marketing has been affected by around EUR18 million comparing to last year as the prices took an inverse trend versus the second quarter of '22.

The deterioration of the Environment was, to an extent, at least offset by better Performance from -- across our business, higher availability and output at our Refining business, improved performance in Marketing and the additional capacity in Renewables, doubling their contribution more or less to our EBITDA.

So looking a little bit at our Balance Sheet and Debt Profile, so, compared to last year, where we had the peak of the crisis, and - following the very strong cash flows for the last 12 months, we were able to deleverage our balance sheet significantly. So we're looking at the gross debt of EUR1.1 billion lower than the same period last year, the lowest that we've seen for the last, I would say, 14 years to 15 years and improved debt mix.

At the end of the quarter, we refinanced EUR400 million RCF facility that was maturing for five years, and we are in the process of refinancing, one more facility, one more EUR400 million facility in the next few weeks.

On the next page, on page 14, as Andreas mentioned before, our innovative framework largely for project financing our renewable projects in Greece. So this EUR566 million of available -- committed available capacity with an add-on clause of another EUR200 million, if required. So, it's sufficient capacity to support our growth in renewables in Greece for the next years. It covers all available commercial models, including sales to the system with a fixed tariff or premium, commercial PPAs with third parties and a merchant part for the new projects.

The project finance is the right structure for Renewables with long tenures up to 20 years. And we have a standardized set of pre-agreed T&Cs in terms of debt sizing, covenants, ratios, structure, securities package, CPs. so that will enable a certainty of taking the project to financing as well as speed of execution.

Overall, that will -- I mean the very competitive T&Cs, including pricing that will help us proceed with our growth plan, improvement of our capital structure, extension of maturity of the Group debt profile as a whole, and we will be able also to release resources that were temporarily committed to finance the last couple of years our growth. So the first process that we'll be utilizing this new capacity will be to recapitalize our existing renewables projects with these project finance structure.

Now moving on to discussing the performance of our business starting from Refining, Supply & Trading on page 17. As I discussed before, it was the significantly lower benchmark margins that have driven the results. Slightly weaker dollar, but still very strong compared to what we would call a mid-cycle. And Capex reflects the maintenance schedule at our refineries plus some growth projects.

Moving on to page 18. Effectively, we're looking at higher output across our refineries, mainly driven by increased availability at Aspropyrgos and Elefsina as the maintenance was much lighter versus the same period of last year when we had a full turnaround at Elefsina refinery. This is other than production would be the highest over the last couple of years. We have a very favorable product mix with middle distillates exceeding 50%.

In terms of our crude and feedstock sourcing, effectively, that reflects the market trend with the reduced supply of high sulfur crudes from OPEC and the Middle East mostly, and the flexibility of our refineries to take advantage of opportunities in the lighter grade spectrum.

Now on page 19, the higher availability and utilization of our refineries resulted in significantly higher sales across our market channels in the domestic market and aviation and bunkering. The sales increase is in line or even a little bit better than the market, but it's mostly exports that are significantly higher, 28% versus the same period last year, corresponding to around 55% of our total sales.

Moving on to page 20, in terms of our Realized Margin versus the Benchmark. A very good result, around $6.5 of over what we call, the additional margin or over-performance, which is very good, especially considering the deterioration in the crude market.

And certainly, if you compare it to the last few quarters, we're talking about the kind of normalization of our additional margin because we still have good export premia, but not as strong as you had at the peak of the crisis, a less favorable crude market. And we don't have the one-off of the gas to oil switch, for example, that supported us in the second half. But -- and this is, I guess, a trend that is closer to what we will see for the rest of the year.

In terms of Petrochemicals, the quarterly result is consistent with the last two quarters or three quarters, where we've seen a decline in the spread of polypropylene versus propylene, and overall, a weakening of the benchmark petrochemicals' margins to the lowest levels over the last few years, resulting to an

Adjusted EBITDA profitability of EUR12 million versus 2022 last year.

In terms of our Fuels Marketing business, sales are higher in auto fuels as well as aviation and bunkers. This is driven, as described before, by a stronger Greek market, both in terms of economic growth, as well as the strong start of the tourism season with higher aviation activity.

Now I think it's important to look at the numbers adjusting for the inventory valuation, or that at a replacement cost, the results are significantly better than last year. And this is also coming at an environment where we still have a regulatory cap on the retail margin despite the fact that Opex base has increased over the last couple of years.

And the improved result is coming due to improved profitability in aviation and bunkering, as well as the increased penetration of differentiated products in our auto fuels sales mix.

In terms of International Marketing, the performance is in line with last year despite a higher Opex base and the normalization of the environment following the crisis post the invasion in Ukraine.

On that point, I will pass you on to George to discuss our Renewables and Gas and Power business.

ALEXOPOULOS G: Thank you, Vasilis. Good afternoon, everybody. If we turn to page 27, we can see very clearly the contribution of Renewables increasing, essentially doubling year-on-year. We're at EUR11 million EBITDA for the quarter, EUR21 million for the half year.

Generally, it was a quarter with worse-than-average climate conditions, a trend, which has been reversed so far. But particularly for Wind, it has been a challenging quarter.

If we turn to Page 28, we have a few strategic developments, which we have recently announced and we would like to discuss with you. The key point is that now we have a very clear, secure path to achieving our goal of one gigawatt install capacity by 2025. And in addition to that, we have recently entered two new markets, Romania and Cyprus, and added to our portfolio considerable projects in these two countries.

If we go specifically and review the different markets, in Greece, we announced a couple of days ago, an acquisition of 11 parks under construction and at advanced stages, up to 180 megawatts of capacity in Kozani. These will enter in operation from the beginning of the next year up to the third quarter of next year and over 50% of the capacity is contracted on a long-term basis.

At the same time, we successfully participated in the recent RAE tender for storage, energy storage, where we secured the maximum allowable capacity under the tender rules of 100 megawatts. And of course, we are planning further projects in storage and, in all likelihood, we will be participating in the next round, which will happen in the next few months.

In Romania, 4 PV parks under construction or RTB status, 211 megawatts total they will enter operation gradually from the end of this year to the third quarter of 2025. And these projects we include corporate PPAs and also a merchant portion for the power generated.

At the same time, we put in place a framework agreement for Portfolio development for about 600 megawatts. So we already have in place a material footprint in Romania. Romania is an attractive market for renewables for a number of reasons. It's less mature than Greece so there is still quite a bit of space for renewables, the prevailing prices tend to be higher and also it is a market which has significant room to grow. To give you some information, it's a market of 23 million people, which currently has the consumption more or less of what Greece has of half the population. So it's also a growth and convergence play.

Last, but certainly not least, we entered the Cyprus with 15 megawatts of capacity. These parks are currently in operation and are performing quite well. At the same time, we've established an Energy marketing business to leverage our existing position in the country to sell power to our commercial customers. And this is a market where I believe we will see further projects in the next few months.

If we can turn to the next page, this gives you an outline of our current position. So, in addition to our operating assets, we have another 330 megawatts, which are under construction or in ready-to-build status, and another 400 megawatts are at advanced stages. And the result of this is that we have a clear path to exceeding one gigawatt by 2025 well ahead of our previous target.

We are also shifting from the regime of Feed-in Tariffs and Feed-in Premia to corporate PPAs combined with the merchant part. Of course, the merchant part is also hedged through our existing position in the market, given that we are a large consumer of power in Greece.

And regarding the geographical breakdown of our portfolio, we are adding two more markets and Greece will remain our major market, but we expect Romania, and to a lesser extent, Cyprus to become important parts of our portfolio.

In addition to this mature part of our portfolio, we've grown our pipeline under development to almost four gigawatts of capacity.

If we can go to the next page, we talk a little bit about Elpedison. The second quarter is traditionally a challenging quarter for power generation. Weather is not particularly favorable because it's the swing season, not very high-power demand. We also have scheduled maintenance in both of our plants.

And the opportunities that presented themselves in the first quarter in the gas market were not present. So the result of that was a much lower profitability, both year-on-year and quarter-on-quarter for the Company.

Moving on to DEPA. As you know, there, we have a 35% participation in DEPA Commercial and DEPA International projects. Of course, the main participation is DEPA Commercial. A challenging quarter for DEPA with negative contribution as a result, of the lower demand in the Greek market, but also costs related to security of supply and specifically, capacity reservations at entry points, which were not utilized and also a significant loss on inventory valuation of emergency stocks held by the company.

So all in all, we had a negative contribution at the net income level from our participation in DEPA.

And with this, I think we complete the presentation. And I think we are ready to take your questions.

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

GRIGORIOU G: Yes, hello. Thank you for the presentation and taking my questions. I've got a couple of them, please. The first is, given the recent state of announcement in renewables, could you please provide us with the Capex guidance for 2023 as a whole and 2024, not only in terms of renewables, but also general as a Group? But if you could provide this breakdown, that would be helpful.

Second, given the one-offs that hit DEPA Commercial in the second quarter, how should we think about the second half? Would you be willing or able to provide us with any guidance of how to actually model our numbers for DEPA -- in the second half?

I'm staying on DEPA because recent talk in the press that you might be willing to -- sell the 25% stake back to the State or go for an IPO together with the State, combined lowering your participation in the company, if you've got any comments?

And third and last one, regarding maintenance works at your refineries, are there any plans in the remainder of the year? I think not if -- please correct me if I'm wrong, but what is the outlook as well for 2024. And again, correct me if I'm wrong, but I was under the impression that several units of Elefsina were on a rolling basis short for maintenance in the second quarter. I presume I was wrong? Thank you.

SHIAMISHIS A: Hello, George. A full set of questions covering a lot of important parts. Let me start from the bottom on the maintenance schedule and ask George Dimogiorgas to give us a brief outlook of what we expect to see over the next few quarters. George?

DIMOGIORGAS G: Okay. Good afternoon, everybody. We haven't any plans for major maintenance in all three refineries. We just have a small maintenance scheduled for some units in Aspropyrgos refinery for this year during September, which is about 1 week downtime in part of the units. Nothing else is plant for the rest of the year. Thank you.

SHIAMISHIS A: Okay. On Capex, Vasilis, do you want to take that?

TSAITAS V: Yes. For '23 and '24, you should expect RES Capex of anywhere between 250 million to 300 million based on the process that we discussed earlier on. That does not include obviously any potential M&A that could come on top given the fact that we have the one-gigawatt target by the end of '25.

In terms of maintenance, adjusting for the turnaround cycle of the refinery, you should expect anywhere between 150 to 200 million each year for the refineries, including some long-term maintenance. And for marketing, I would say another 50 million to 60 million for this year and in the following year that includes some growth projects.

And of course, on a minor materiality, we do have our digitalization plan would account for 20-25 million this year.

SHIAMISHIS A: Okay. In terms of DEPA, I know there are two questions. The first one was about the second half results for DEPA. Unfortunately, we don't have any visibility and natural gas markets have been extremely volatile. And also, DEPA is highly influenced by regulation and government policy on energy.

It is a fact. So we might as well acknowledge and work on that basis. We do expect a better performance than the first year. There's no question about it, but it's very difficult to project something, George, to be honest.

Now on the DEPA news that have hit the market about a potential stock exchange transaction or something like that, our strategy, as you know, is that we want to have clean solutions and clean solutions start from the governance of our investments.

In the case of DEPA, we do not have a clean solution. It is a significant minority with the capital investment in the company. And we have announced and committed that if DEPA is sold, we would either consider buying all of it or DEPA Commercial it is, or dispose of our 35%.

That strategy hasn't changed. But clearly, the tender for the strategic investor has not yielded any results yet. So I would expect that given our stated strategy, if such plans are progressed, we would be supportive of this scenario. I think that's...

GRIGORIOU G: Okay. Thank you. Understood.

SHIAMISHIS A: Yes, those are the questions. I think I noted down. I don't think there was anything else.

GRIGORIOU G: Yes. Just a quick clarification on whether there were some maintenance in some units in Elefsina in the second quarter? That's all.

SHIAMISHIS A: Yes, there was a smaller period, a couple of weeks in Elefsina that we had partial operation. So, there was some impact. But still, it was a relatively good quarter.

ALEXOPOULOS G: It was indeed. Thank you.

SHIAMISHIS A: Thank you very much. George.

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

ATHANASOULIAS N: Hello and thank you very much for your presentation. I have three quite short questions, if I may. The first one is regarding refining in general. I think you mentioned something about one billion adjusted EBITDA for the whole year. So, that means that the outlook for Q4 as well is optimistic as it is for Q3? The first question. The second one is regarding marketing. What's your view on when this government-imposed profitability cap will be solved? And the third question is on RES and renewables, whether you will upgrade your targets for 2030? Thank you.

SHIAMISHIS A: Okay. Starting from the top, refinery. I will ask Dinos and George to cover that.

PANAS D: Okay. Well, we expect that we actually have no major plan maintenance for the refineries during this period. We had two very good months in July and August. And, I think based on that, the expectation for the one billion EBITDA is supportive. That's about the refining. Now about marketing. Retail……

SHIAMISHIS A: Yep, I'll take that. Since COVID, the Government has stepped in regulating the market on retail business and wholesale to some extent. The energy crisis and the Ukrainian crisis led to a continuation of that. It was scheduled to end at the end of June this year. It seems that -- It doesn't seem. It has been extended until the end of the year, which means that, we have to be very careful in terms of how we price our products on a daily basis, which is restricting the ability to price properly and creating quite a lot of administrative and risk exposure issues.

We understand, why the Government is doing that. It doesn't necessarily mean that, it is the right way to go about it going forward. So as the crisis gets a little bit out of the radar screen, mind you, commodity prices remain quite high, which leads to increased energy costs for consumers. We will see a normalization of this market. But the biggest issue that we have in marketing is not the margin containment, because we do understand that we need to be supportive to the society in certain times. The biggest issue is the lack of proper control on the quality and the quantity of fuel sold through the retail networks. And that is actually our biggest problem as a Group. And I'm sure that, you will get exactly the same view from other serious players in the fuels business in Greece. Now on Renewables, George?

ALEXOPOULOS G: On Renewables, I think it's a pertinent question given the firming up of how we will achieve our short to medium term goal of one gigawatt. We are currently in the process of doing a business plan. So, I think we'll come back to your question very soon regarding the possible revision of the 2030 target of two gigawatts of installed capacity.

ATHANASOULIAS N: Thank you.

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

LAMB J: Good afternoon. Thank you very much for the presentation. I have just one question I want to ask. In the last few quarters, the differential between your benchmark margin and your achieved margin was bigger than it was in this last quarter. Is there any particular reason for that?

SHIAMISHIS A: Dinos, do you want to take that?

PANAS D: Yes, I will take it. Just a second.

SHIAMISHIS A: Give us a minute, Jonathan. We'll get our facts straight-up and come back to you.

PANAS D: I think that the main reason has to do with what we get from the different slate of crude compared to our benchmark. I'm sure that, you are well aware that the price of the crude, especially the ones that are from the OPEC countries, and OSP related every month, has significantly increased compared to Brent from the beginning of the year.

As prices go closer to Brent, for example, Bashra medium was Brent minus $9.90 a barrel in the beginning of the year, and now it's minus $3.50. So, this gives us smaller opportunities to beat the benchmark compared to what we did before. So, I think that this is the main reason for this smaller over-performance.

SHIAMISHIS A: If I can add to what Dinos said, Jonathan, one should consider this over-performance part as a function of three main buckets. There may be more, but I'm just trying to give you the bulk of it. The first one has to do with the sales channel mix. So, if we have a different sales channel, then there is a big delta on the actual over-performance. For example, if domestic market increases in a percentage, it's only natural to see an increase in what we classify as over-performance.

Likewise, it has to do with the product mix. So, the sales mix is a bucket which is important for this over-performance. The second bucket has to do with the crude sourcing slate, which is what Dinos described earlier, and it can be quite a material part of this over-performance. The third bucket has to do with the operational improvements and performance, and I would like to highlight the fact that, over the last few years, we have been doing quite a lot of performance improvements, operational excellence initiatives, including, for example, the digital transformation initiative.

All of these things, they may add $0.10 or $0.20 to the barrel and may not be easily identifiable on their own, but put together, they do give you a structural improvement in over-performance. So, I think is that's why you're seeing this over-performance growing over the last few quarters.

LAMB J: Okay. Thank you very much.

OPERATOR: Ladies and Gentlemen, we'll now give the floor to Mr. Katsenos for written questions.

KATSENOS N: Yes. Thank you, Operator. We have a written question from Peter Hitchens from Edison, who asks whether we have seen an easing in the acquisition costs of renewable energy capacity?

ALEXOPOULOS G: Yes. Thank you, Peter, for the question. Acquisition costs are certainly a function of a number of things. The cost of Capital has certainly increased over the last year or so. We've seen some easing on the construction costs of PV. Not so much of Wind. In fact, offshore wind, as you know, is going through a very challenging period. The short answer is yes, we have seen a slight easing in the acquisition costs, all in all, and you know trying to control for all the variables.

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 participating in this call and for taking the time out of your busy schedules to understand a little bit better how our business is doing. What we have presented is what we see as a good quarter, even though margins were not supportive of an even better financial performance. But we do see the underlying performance of the Company being improved. And that is not only in terms of the growth of Renewables, which is remarkable.

We are now the number one PV producer in Greece. And pretty soon, we will be even bigger in actually installed capacity, new capacity in the market. The performance is very good on the main business, on the refineries. A lot of effort has gone by our Management team in the refineries to improve Operations, to improve Safety, to improve the Utilization of our Units, of our Investments. The Supply and Trading team has done exceptionally well.

We have rolled out improved LP planning and digital tools to help us get the extra cent to the barrel from this process, which is, as Jonathan noted, evidence in better over-performance. I cannot but comment positively on our Retail businesses in Greece. Even though we have this unfair competition and pressure by a number of the players, we have seen a big improvement in the quality of the Network at this stage. Just a statistical point to note is the fact that roughly 25% of our Sales through our network is made up of premium products.

And that is very important to note, especially in a high-price environment such as the one that we are actually operating in. And that is down to very good Marketing, very good Sales operations, and ability to communicate to the consumer the benefit of a premium product. And likewise, we have our International business doing very well. It has been a significant contributor of value to the group on a number of fronts, not only from the profitability that we generate within the local markets, but also from the synergistic benefits that it creates with our Supply and Trading teams.

And also, lately, with the support and the tenacity with which they deploy their existing resources into new markets, I think a very good example is Cyprus, where with the same team that for the last 50 years have been busy selling fuels to the petrol stations, we have identified a number of renewable projects. We have acquired two, and we are actually looking to acquire even more. We've set up an energy supply company utilizing our internal resources there and a very good market positioning on our core business. And I'm sure that, they will be doing exactly the same in our other markets as well. So, all in all, we have a Group that has delivered very high within this environment.

Clearly, it's a complex business. Not everything will be ideal every quarter, but this quarter it has been a positive one. On transformation, we have progressed on Vision 2025, which is an ambitious plan that we put together a couple of years ago and have delivered on every single front in terms of our transformation. And the new business contribution is going even better than what we anticipated, with very high-paced growth and business development and a value-adding approach to building our presence in this market, which clearly does not have the same returns as our core business.

So, one has to be even more careful in deploying capital in this market and also at the same time, take into account the fact that, over the last year or so, base rates have increased significantly. And this is a capital-intensive business and it is very sensitive to funding costs.

So, all in all, a good quarter and a good first part of the year. Projection for the remaining of the year is positive. We need to focus on Operational Excellence and continue what we have been doing over the last few years. And I have no doubt that, we have another great year ahead of us. 2023 will also be a very good year. It does not get spoiled by the exceptionally high results of 2022.

And that is going to give us the time to build even further the non-cyclical part of the business, which will support a weaker year, which is bound to come. I don't know when. Hopefully, it's going to be some years before we see a weaker year, but it is bound to come. So, having in place a much more stable cash flow from our new business and a greener portfolio is definitely going to be for the benefit of the Group.

So, I take the opportunity to thank everybody in the management team who have worked very hard. And, of course, every colleague of ours from the refineries, the petrol stations, and our new businesses, which are being developed for their hard work. And I'm sure that, we'll be able to have another good quarter in a few months' time. Thank you.