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"First Quarter 2020 Financial Results" Conference Call

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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 conference call to present and discuss the Fourth Quarter 2019 Financial Results with the Management of the Company.

At this time, I would like to turn the conference over to Mr. Andreas Shiamishis, CEO, Mr. Christian Thomas, CFO and Mr. Vasilis Tsaitas, Investor Relations Officer.

Gentlemen, you may now proceed.

SHIAMISHIS A: Good afternoon, ladies and gentlemen, it's a pleasure to have you back on our quarterly results call. Hopefully, all in good health and with no adventures in between. And what we'll try to do today is maybe explain a little bit about the quarter...the first quarter results in terms of the key developments, how the whole thing has panned out at the beginning of the year, but we do appreciate that with the crude oil crisis in terms of pricing and the COVID-19 crisis, results are becoming a little bit less relevant compared to what we have ahead of us.

So, we can go through the presentation and the results, and we will be happy to discuss with you at the end of the process, any questions you may have with respect to the outlook for the year.

So, starting on Page 2, we have a good first quarter; we are effectively influenced by the crude oil price significantly in terms of the reported results. And we have some impact on the demand from the COVID-19 implications. But that was only towards the end of the quarter, maybe for 15 to 20 days in March.

In terms of the key development that everybody was talking about a few months ago, which is a change in the bunkering fuel specifications, the introduction of the very low sulphur fuel oil, we have seen that the majority of bunkering has switched into the new type of fuel, but we also saw that, especially for Northern Europe, stocks were quite high. Which meant that in the first few months of the year, we did not see quite the spike that everybody was expecting on the middle distillates pricing. Then of course, the COVID-19 crisis broke out. So, we haven't really seen how this change is going to affect crack spreads going forward.

As a business, we are up from last year. The production was 8% higher than with respect to first quarter results. The shutdown, in Elefsina a few months ago, was completed successfully. And that always gives a start of run benefit for the refineries. Clearly, the drop in the domestic demand meant that exports have increased their share even higher than what they were before the crisis. And we will need to wait and see how the Greek demand will behave once the restrictions on movement are fully lifted.

And of course, one has to bear in mind the fact that we will be comparing ourselves going forward with last year, which was a high touristic season and a high inflow year. So there will be some abnormalities in the comparisons.

In terms of operations, as I mentioned, the new bunkering fuel was applied successfully by the company. We had a dual run model in Aspropyrgos, running it for part of the time with the IMO crudes and part of the time with the traditional crudes.

So, all that has played out very well. We have no major issues. Some working capital and some logistics issues, but we have been able to overcome all of this. And during the quarter, we have been able to take advantage of any market structures, in order to offset part of the downside that was created because of intermediary pricing, straight run, atmospheric residue and some Urals pricing.

On marketing, all of our businesses have performed better than last year. We are seeing the value of some changes in restructuring and some new drive into the international business with the change of the management teams in pretty much all of the markets. And that's a very good signal.

On strategy, all of our initiatives are currently being pursued. We haven't changed any of the strategic objectives. We'll talk a little bit about that later on. And maybe George Alexopoulos will be able to discuss it a bit further. But effectively, the renewables project that we announced, if you exclude the few months that we've had to delay things because of all the travelling restrictions and the contact restrictions we are working on that so that we start this project.

The same for E&P, in terms of exploration. And then as far as their privatization is concerned, which is appreciated by the restructuring of the Group, that is also progressing, maybe with a couple of months delay, but still progressing as planned.

The end result of all of that is a strong first quarter, as I said; marginally up from last year, even taking into account the COVID-19 impact, which would have made the comparison even better, both EBITDA and net income. And of course, the first quarter results and so will the second quarter results, include a significant inventory write-down as a result of the evolution of prices.

Now the good thing about this is that at the relatively low levels of crude oil pricing, it means that the economy will have a better head- start in terms of coming back from the last few months of crisis. So that is good because whatever makes the economy move, it's good for us as well.

The other positive thing is that over the last couple of weeks, we have seen some recovery in the oil prices, which means that part of this write-down is being reversed. And the other thing, which is even more material is that towards the end of the year, we engaged in a more proactive inventory management program, which was targeted at removing excess stocks from the system and making sure that when we come to the dual operating model in Aspropyrgos, we will have the crudes that we need rather than the crudes that we had at the time.

Now, the result of that was a reduction in stock at the end of the year of about 300,000 to 400,000 tons, which was gradually reacquired in the first quarter of 2020. And it meant that we managed to save about $90 million of write downs. But more importantly, given that there was a physical movement of stock, $90 million of cash losses that we wouldn't be able to recover irrespective of what the future price evolution would be like.

Financing costs are down. I think we have since a lot of years a below €100 million run rate on interest cost, which is very positive because we can redirect cash at different targets. And in terms of net debt, we have seen an increase in the quantum of net debt we had at the end of the quarter, which is mainly a result of increased stock compared to last year and the price impact on our balance sheet. So that's the high-level summary of what happened with our results in the first quarter.

As I mentioned at the beginning of the call, the 2 most important issues that we've had to face have to do with the COVID-19 pandemic and the crude oil crisis, which was effectively even more pronounced from February, March onwards. In terms of the impact of COVID-19 on our business, we've seen a global demand growth, which were quite material by 20% to 30% of the daily demand. So if you take a baseline of roughly 100 million barrels per day, we're thinking about 20 million to 30 million barrels of demand being wiped out almost instantaneously.

On the other hand, the production side was a bit slower to respond. And with all the issues between OPEC, OPEC+ and the U.S., there was a lower cut in production of crude oil, which effectively meant that the pressure on prices was very material. And pretty soon, the tankage and storage issues caught up. We saw the exceptional circumstances on the May contract for the WTI.

But overall, we have witnessed situation where, in some cases, it actually costs more to transport products rather than to buy them. And that is something, which has started being reversed in the last few weeks. But it is something that I have to say, was quite challenging for us.

We have made good use of our storage facility, and we can explain a little bit more about it later on. And as far as the market is concerned, we saw a reduction on average of about 50% on transport fuel. Clearly, with a lot more violent reduction in kerosene and jet fuel, up to 90% for obvious reasons. But we are seeing that being reversed. In the last couple of weeks, that percentage has started to come down. We are not at last year's levels, of course, but we are seeing a gradual return to previous levels.

In terms of the company, our plan since mid-February and end-February was very clear. We were focusing behind the health and safety of all of our employees and anybody who comes in contact with the ELPE system. We wanted to maintain uninterrupted operations, especially given that the impact in terms of staff reduction was quite severe in case you had COVID-19 instances. So, we were preoccupied to maintain clean shifts , tele-working and to be able to guarantee the market supply despite this crisis, which we did.

Clearly, we wanted to protect the liquidity and manage the risks in the business after 10 years of managing a business through a series of different risks. We have been able to develop some routines and the experience as a management team to be able to focus on what is important during the crisis. And of course, we were able to take advantage of the market structure. With the contango that we saw since the beginning of the year and the sizable tankage capacity that we have… we have been able to turn that into an advantage for the Group. And over the course of the year, you will see the benefit of that being released into the financial results as well.

Milestones, we have a major turnaround at the Aspropyrgos refinery. The plan is for September. We do need, however, to review the implications and the risk as a result of the COVID-19 issues. We are reviewing our business plans to make sure that we adjust where necessary in the short and medium term, our actions to be able to be compliant with any issues that we have not foreseen prior to the COVID-19.

And of course, in terms of the strategy longer term, at this point in time, we do not see a reason to change that. However, we are going through this evaluation, and we will be able to come back with any changes in due course.

Finally, and I'll stop here, we have set the AGM date for the 24th of June. It's going to be a virtual AGM. So, there will be no physical attendance. So, the push by roughly 20 days was necessary in order to be able to manage and educate all of the shareholders who wish to attend this AGM.

At this point in time, I won't go through the financials because Christian, our CFO, will cover that in a minute. I will turn over to Dinos, who will cover the industry environment, and then go to the financials with Christian Thomas.

PANAS D: Thank you, Andreas. Good afternoon to all. Well, quite a long time since that we are discussing now the first quarter, Andreas more or less covered everything. We know well how the crude price moved. It moved... started moving down since the beginning of the year. And of course, eventually, it went down to 13-point something, in April. And of course, the crude differentials that we saw here, we've seen the Brent-WTI spread getting tighter and the Brent-Urals widening, spread widening.

Go to the next page, Page 7. You see the product cuts ULSD was, a little bit lower-than-expected due to overall volatile weather in Northern West Europe. And the gasoline, let's say, it was at expected levels and the HSFO strengthening significantly from a minus 30% we saw at the last quarter of the previous year. And the benchmark margins at $3.80 per barrel for the FCC and up $5.2 per barrel for the hydrocracking.

Now on Page 8, some data on the domestic demand. As you can see, overall the quarter increased, the domestic market demand was minus 4% for the fuels that are taxed and minus 18% for the aviation and the bunker fuel. Gasoline was down by 8%. Diesel was at the same levels of the previous year. We have seen an increase in the sales of the bunkers gas oil and a significant decrease in the values of fuel oil in Piraeus. As Andreas said before, we saw April down by roughly 50%, but a significant improvement in the first 2 weeks of May.

And with that, I will pass it back to you, Andreas.

SHIAMISHIS A: Thank you very much, Dinos. We will move to the financial results now. And Christian will be able to walk us through the various financial pages.

THOMAS CH: Good afternoon from me as well. So, I move on to Page 10. Here, we present to you how our results have been affected separately by the environment and by our own performance. The former being a space where we're more passive, whilst the latter entailing things such as availability, utilization and generally around management decisions.

So as mentioned earlier, you can see that although the impact of the environment has mostly been negative due to the SRAR and VGO pricing and the weaker domestic market, and of course, the COVID-19 effects, slightly supported by the benchmark margins and the euro/U.S. dollar rate.

At the same time, we managed, again to outperform this through our strong assets' availability and utilization and some key supply and trade decisions. On top of that, we had better performance on both domestic and international marketing units. So overall, resulting in an increase in our adjusted EBITDA quarter-on-quarter.

So just moving on to Page 11 now and liquidity. Protecting our liquidity, as Andreas stated before, was one of our key targets, especially during the crisis. We proactively topped up our cash reserves with €250 million, which we drew in the first quarter of 2020. We also added an extra capacity of €300 million, which was mostly from Greek banks, but also some LCs from international banks. The good news is that all that translates at a lower marginal cost of funding.

So overall, as you can see also on the chart on the bottom right, our financing costs keep on moving south. We have an annual run rate of approximately €100 million right now, which as we stated at the beginning, is the lowest for the last 7 years and well spaced out maturity profile, with obviously, 2020, 2021 coming into perspective in order to discuss our refinancing.

So that's it from me. I'm going to pass on to Vasilis, who is going to walk you through the segment units. Thanks.

VASILIS TSAITAS: Thank you, Christian. Good afternoon, ladies and gentlemen. We'll discuss the business unit performance. So, starting from Page 13, refining, supply and trading. As it was mentioned before, we have operational improvement that is evident on our net production and sales volumes. As well as S&T optimization that has to do with the crude mix, the timing of deliveries, our hedging strategy that has outweighed the impact of the disruption in the market in the pricing on VGOs, SRAR, as well as the crude spreads during March, especially versus the Urals benchmark pricing.

On Page 14, looking a bit more in detail on operations. Production is mostly driven by the higher availability of

Elefsina and Thessaloniki refineries where we did not have any minor maintenance issues as it was the case in the first quarter of 2019.

And in terms of Aspropyrgos, if you look at the crude sourcing, you're effectively looking at a more...at a much more diversified crude slate with new crudes, like the very low sulphur crudes, the Azeri, the Algerian and the U.S. crudes accounted for more than 20% of the total. So a greater diversification. Also, evident in the yields starting from the minimization of the high sulphur fuel oil at 4%. That's much lower than the...almost 12% that was the run rate if you look at the old operation model, the new product, the IMO fuel oil at another 4% and higher overall middle distillates.

The batch-run operation of Aspropyrgos is something that we can decide and assess according to market conditions, and we can always adjust and change accordingly. It's a matter of decision rather than anything else.

On Page 15, we can see that the impact of high utilization in production had a respective 9% to 10% impact on our sales. So lower domestic market consumption due to market conditions was effectively absorbed...the additional production was absorbed by our exports, significantly higher versus Q1. And probably the second or third best quarterly performance in terms of exports historically.

On Page 19, you have the usual time series of realized margin versus benchmark. We discussed about the factors of that limited realization of the improved nominal at least benchmark. That had to do with the crude spreads and the reduced pricing and to a lesser extent, with the sales mix that was tilted towards exports in... during March. And this is something that will... that could also affect performance in the second quarter as the domestic market decline intensified during April.

Moving on to petchems on Page 18. Adjusted EBITDA is mostly driven by weaker benchmark margins, especially in January and February, with a recovery in March that was not enough to get the margins at a level higher than last year, despite higher sales volumes.

Another important thing, I guess, for petchems is to again highlight the flexibility of the system to switch between grades depending on demand, and this is becoming even more important at the COVID-19 crisis with grades for packaging material or protective equipment being in higher demand versus textile or other grades.

Moving to our Fuels Marketing business. Again, we...despite the lower volumes, especially in March, we were able to capture the better market in January and February and mostly due to the very good network performance, with the network performance, we're able to also mitigate the negative impact in March.

Another important factor that has to do with the aviation pricing formula, which is effectively is a look back formula, so when prices go down, we have a positive impact and vice versa. So, given the price evolution that had a positive impact on our numbers for the quarter.

And on Page 21, International Marketing. Higher volumes in the Bulgarian market that led to improved contribution as well as recovery of profitability in Montenegro versus the first quarter of '19 led to an overall much higher contribution from our international marketing subsidiaries.

At this point, I'll pass it over to George Alexopoulos that will discuss renewables in our gas and power business.

ALEXOPOULOS G: Thank you, Vasilis. Good afternoon, everybody. Turning to Page 23. On renewables, we are reiterating our growth strategy in renewables. This is a key pillar for improving our carbon footprint and meeting our announced GSG footprint reduction target of 50% by 2030. There's a clear strategic rationale for the development of the renewables business.

In addition to improving the carbon footprint and investing in energy transition, we like the earnings stability of the business and also the diversification into a business with low market risk and a business which is uncorrelated to our core business.

We will talk a bit about our recently announced Kozani photovoltaic project, but we're also currently looking at additional opportunities in Greece. Now on Kozani, I think Andreas mentioned it already, and as expected, there is a short delay in transaction closing due to COVID-19. We are expecting closing in the fourth quarter. We are taking action to accelerate this if possible. And in any event, we're targeting commercial operation at the beginning of 2022.

In the meantime, we're in the process of selecting the optimal technical solution and project configuration. And we're working with our partner on finalizing the permitting process.

Turning to Page 25. We are happy to announce a good quarter for Elpedison. All the numbers look better. Significant improvement in EBITDA as a result of increased production and a lower cost of gas through LNG supply. We are not pleased, of course, to remind you that the market framework is still not in place. There is still no transition mechanism for flexibility remuneration. And the official date for a target model is now in July. But in the circumstances, we wouldn't be surprised if there's a delay in the implementation of the target model.

However, it is important to note that the Power business is a business that's much less affected by the COVID crisis than the oil business. Lockdown does not affect the demand as much. And we are also noting good customer behaviour with regard to paying bills.

Going to Page 26, DEPA, and somewhat lower profitability as a result of lower sales volume. On the M&A side the group restructuring has been completed. So now there are 3 distinct parts of DEPA, the commercial business, the infrastructure business and the international project business.

This restructuring was completed very recently. And also, the privatization process is well underway. Both tenders… both for DEPA commercial and DEPA infrastructure are in the prequalification phase. Expressions of interest have been received. And the fund is in the process of sorting out these expressions of interest. Following that, the prequalified parties will enter the binding offer phase. There is a small delay as well in these processes, but we expect things to continue moving along.

So, I will turn it back to Andreas.

SHIAMISHIS A: Thank you very much, George. That brings us to the end of the business presentation. We have the financial results appendix, we traditionally we let you go through and come back with any questions over the next few days, if you want.

So that is it from us. And if you have any questions, we are more than happy to take it.

Q&A

OPERATOR: Ladies and gentlemen, at this time we will begin the question and answer session. The first question is from the line of Grigoriou George with Pantelakis Securities. Please go ahead.

GRIGORIOU G: Yes, good afternoon. A couple of questions, if I may. First of all, I'll ask one-by-one, I think it's easier. First of all, you have said in the past that from the sale of DEPA infrastructure, you would actually distribute about half of the proceeds back to shareholders. I know you don't have a crystal ball and things that are continuously evolving regarding the COVID-19, but from where you're standing today, does that statement still hold?

SHIAMISHIS A: Hello, George. The same still holds, yes. The aim is to utilize the process for deleveraging, fuelling growth in other areas and rewarding the shareholders as well.

GRIGORIOU G: Okay. And then a couple of other nitty gritty questions actually, regarding first of all, cash flow. On Page 2, you mentioned that net debt is higher. I presume you mean due to working capital needs… I presume you mean versus the first quarter of 2019. But if one looks at what was at the end of 2019, working capital was probably significantly lower in the first quarter. So, I was wondering if you could explain to us a bit more what drove the minus €200 million…€222 million in operating cash flow in the first quarter. That's my one question.

And the other question is, if you could sort of reconcile the associate income, if you see on a reported basis, share of operating profit on page… I'm talking about now, Page 28, is €45 million in the first quarter of 2020?

What exactly is driving these higher… the almost doubling in the amount versus last year and versus as well what you show as an adjusted figure? Thank you.

SHIAMISHIS A: Well, for the… George on both accounts. You're absolutely right; unfortunately, the reduction in working capital in the first quarter versus the year-end is entirely driven by the price impact. We have to write-off over €0.5 billion from the working capital as a result of that. And that is an accounting entry and it doesn't affect the net debt position. Reality is that, since the end of the year, we've put back another 300,000 to 400,000 tons in the system which we had sold in the last quarter. And given the trade terms, we had…payment terms which we have shortened a little bit, to be honest.

We've taken advantage of the…relatively good liquidity position and cheap funding. We ve actually drawn certain facilities because if you keep prices at the same level, working capital is significantly higher. Unfortunately, this is marked by the impairment which as I mentioned is more than $0.5 billion.

The second question had to do with associates. Again, was spotted in the comparable results in the clean results. We have excluded the one-off income which was received and reported by DEPA in the first quarter…in last year's numbers, effectively in our first quarter from the arbitration proceeds of…from an international supplier. I think you will follow this story in the press...

GRIGORIOU G: Correct. You're talking about BOTAS, yes, my bad. Thank you.

SHIAMISHIS A: Yes. So, we thought that it was better to adjust for that rather than to show it as a recurring item, but it should be noted. We haven't clarified that on the report. We just mentioned one-offs; it's in the DEPA schedule.

But yes, you are absolutely right. There isn't an inconsistency there. And it's just…it is us trying to be, as we always do proper in terms of the reporting and avoid any confusion.

GRIGORIOU G: Okay. Thank you. If I may, one last question. I don't want to take up the time from other questions. Regarding

Elpedison, the...I understand that in the first quarter, obviously, natural gas prices were actually significantly lower. But I think from a number at least, let me put it rightly, demand has actually apparently gone down. And will... the system marginal prices. So, I presume that the spark spread has actually decreased significantly from 01st of April onwards or am I thinking it wrong?

ALEXOPOULOS G: No. George, you're right. There was indeed an effect in demand, nothing like the oil business, but there was an affect in demand and a lower system marginal price. So yes, I wouldn't expect the repetition of this quarter in the second quarter. That’s fair point. I was pointing out to the different level of impact between the you know, the core oil business and the power business. I didn't mean to suggest that there's zero impact. It's not the case.

GRIGORIOU G: Fair enough. Thank you.

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

PATRICOT H: Yes, everyone. Thank you for the presentation. I have 3 questions, please. The first 2 on the refining business, so I was wondering if you can give us a bit of an update on what you're seeing in the second quarter, both in terms of margins, looks like a very strong start in April, but now much, much weaker margins. And what the impact of that is on your utilization rate, rather the impact of the COVID-19 demand is on your utilization rate in the second quarter?

And then secondly, you mentioned that you are making good use of your storage capacities. I was wondering if you can give us a bit more details as to what the financial impact of these trades is likely to be over the rest of the year.

And finally, a question around CAPEX, we've seen CAPEX cuts from a number of companies, given the more challenging macro situation. Can you give us a sense of where we should expect CAPEX for your sales for this year; should it still be around €200 million? Thank you.

PANAS D: Okay. This is Dinos Panas. Hello, Henri. So yes, April was a strong month, much higher in performance than the average of the first quarter. And of course, May, you see the numbers, they are not that good. We'll see how it goes as the lockdowns are easing.

So, demand is peaking. Some of the refineries in the Med you already know they are closed, they are shutdown and some are…will stay shut in the next few months. We'll see it pick-up in the demand, both from diesel...for diesel and gasoline for exports and that is where it will take us. Now, we cannot disclose exact numbers on the storage dividend we have done, but the locked-in profit is on the order tens of millions.

About CAPEX?

TSAITAS V: On CAPEX, Henri, good afternoon. We're in a process of revisiting our business plan for the year, as Andreas mentioned earlier. I think one thing we can say for sure is that, we won't be able to spend as much as we planned to at the beginning of the year. That will be driven by both inability to effectively spend, as much as, we wanted especially in the first half due to COVID-19. So, some projects will be carried over to next year, as well as, any decisions in adjusting our plans.

The main project that is still on track and we're still on it, is a full turnaround of Aspropyrgos refinery in the third quarter. We'll obviously monitor that in line with any evolutions around the pandemic, but the plan is to carry on with the turnaround.

PATRICOT H: Okay. Thank you. And if I could follow-up just on the question around your utilization rate in the second quarter, I know, utilization was still very good in the first quarter, but to what extent you had to reduce utilization in the second quarter given the weaker...much weaker demand we're seeing?

PANAS D: We are currently running at 100%, both in April and in May until now. The plan for May is to continue running at 100% and we'll see July if we need to adjust...on June, if we need to adjust.

PATRICOT H: Okay. Thank you.

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

GKONIS A: Good afternoon, gentlemen and congratulations for the good set of results despite these turbulent times. A couple of questions from my side. First of all, if you could describe to us a bit, what you are currently seeing on the crude market in terms of discounts? And if you read anything into the expected production cuts from the Saudis.

And on a different note, I know it might be a bit early to ask, but could you guide us on what would be the KPIs that you would be looking to decide for any potential dividend distribution for the full year, I mean, most... I mean, given the inventory losses, reported figures will be most likely on the red but how should we think about it? Thank you.

PANAS D: Well, numbers from the Saudis and the Iraqis are good for May. But as you have seen in the...in Reuters, or in Bloomberg, both of them increased their price…the OSP price, for June, by more than $6 per barrel. So, it's going to be more expensive in June.

The Urals has remained strong. As you can see also in the print, it's higher than Brent by…I think it was $1.20 yesterday. And we see a little bit softer prices in the CPC. So, the market is well supplied, I could say at the moment. Not a problem is expected anyway.

GKONIS A: You should be...you're expecting to continue running on a relatively lighter mix?

PANAS D: Well, we ran Aspropyrgos 18 days on a light mix, for the rest 12 as the previous year. So, we have the other 2 refineries as we did last year. So, it's the same mix more or less that we had in the first quarter.

GKONIS A: Clear. Thank you.

SHIAMISHIS A: Now, on the dividend issue…in all honesty, it's early days to be able to comment on that. It's expected that this inventory loss which affect distributable earnings will be taken into consideration. And we will have to wait for the next couple of quarters to see how this will develop.

I wouldn't like to sort of say anything else at this point in time, because anything that we say will be based currently on projections and scenarios.

GKONIS A: Okay. Clear. That's totally understood. And one small follow-up. In respect of your increased working capital and the impact it had on net debt, what is your target or your thoughts going forward for unwinding, and how would you see this evolving throughout the following quarters?

SHIAMISHIS A: I would expect net debt to come down by maybe €100 million to €200 million over the next 6 months as we unwind some of the working capital increases. Mind you, we do have in September a major shutdown, which means that a lot of these stocks, if we're going to go into a 5 to 6 weeks maintenance turnaround, we would probably need to keep high stocks until maybe the end of the summer.

So, I wouldn't expect a drastic reduction in the next few months, but definitely before the end of the year, by the end of September/October, we should be seeing that impact being reversed.

GKONIS A: Thank you very much.

OPERATOR: The next question is from the line of Khaziev Ildar with HSBC. Please go ahead.

KHAZIEV I: Yes. Thank you very much. Just one question, please, about your exports over the past quarter. I was just wondering, whether Turkey has been a big destination market for you, and whether that volume has changed versus prior years? Thanks very much.

PANAS D:: No. It's...Turkey is not a big percentage of the volumes. Although, yes, it's double-digit sure, but depending on the products, I mean, it's mostly on the diesel side, okay, because Naphtha goes east all of it 1 million per year, and the rest stays… the gasoline and the rest of the diesel stays more or less in the Med.

So yes, we have not seen anything and now there was an announcement from Turkey that they have the Izmir refinery down from 5th of May until the 1st of July. So, there will be more demand I think, than before.

KHAZIEV I: Just one follow-up question, please. Thanks very much. The recent increase in freight costs, does it affect the economics of your exports at the moment? Is it a significant driver? Thanks.

PANAS D:: Well, it's a significant driver, especially for those who are not...do not have a time of freight vessel, but it is reflected on the CIF prices. So, the CIF prices have increased. So, you take...they take the money back from the final buying.

KHAZIEV I: I see. So, this is a pass-through, basically, for you?

SHIAMISHIS A: Pass-through, basically.

KHAZIEV I: Okay. Thank you.

OPERATOR: Ladies and gentlemen the conference... there are no more questions registered at this time. You may now proceed with your closing statements. Thank you.

SHIAMISHIS A: Thank you very much for taking the time to attend our first quarter call. As I said at the beginning, it's a positive quarter. Results from operations are good. The actual businesses are firing on all cylinders. But that was until we hit the wall called COVID-19, and that changed the strategy and the priority significantly. Three months down the line, we had the onset of the pandemic at the end of February. That's when we started seeing the first real worry in Europe. So 2.5 to 3 months down the line, we are in a pleasant position saying that we have no major incidents, our operations have been kept running at 100%.

Our staff are all in good health, very little impact, very few incidents in the system which is a result of our reactions, our crisis management and a lot of luck.

So, we have to pull ourselves together now and see how the next few months will unfold. We don't expect to see a rapid recovery, and it's going to be a slow process. However, having been through a number of different crisis in the last 10 years, as I said, I am confident that we will be able to weather that storm in the next 6 to 12 months. We will still be here when demand picks up. And maybe, with a small blip on the quarterly results for the next 2 to

3 quarters, we will be able to look back at this as another experience in our book.

But I don't expect that we will see any material changes other than the results and the crude oil valuation to the group. We are committed to continue our strategy on reducing the environmental footprint of the group and to take advantage of our balance sheet in a way that we convert assets into cash or into cash flows. And that is something which is a very simple strategy. And we will follow that relentlessly.

So, thank you very much and we look forward to seeing you for the second quarter... to having you on the call for the second quarter results.