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HELLENiQ ENERGY Holdings S.A.
Fourth Quarter & Full Year 2023 Financial Results
Conference Call

Thursday, 29th February, 18:00 (GR Time)

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Mr. Vasilis Tsaitas, Group Chief Financial Officer

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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 HELLENiQ ENERGY Holdings conference call to present and discuss the Fourth Quarter and Full Year 2023 Financial Results.

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. Good afternoon to everybody who is listening into this call. We are effectively going to try and deliver the key points for 2023 and some ideas about what we have in mind for the future in the next half an hour to 40 minutes.

So without further ado, let's go to page four which is the introduction of our presentation and we try to give you the key highlights in the summarized form for the main areas that we will be talking about. Clearly a very good year, it's our second best ever year following an unprecedented performance in 2023 and might I say very difficult to repeat and I hope we don't repeat it for the same reasons. We'd like to repeat it in terms of numbers, but not for the same reasons.

So 2023 a very good year on the back of positive refining environment, but not only that, we have good

Operating Performance and we have been able to deliver on a number of fronts on the strategic transformation which is actually being translated into financial performance, not just strategy and plans, but it's actually delivering in terms of our performance as well.

So, on the Market front, we've seen a gradual normalization on the crude oil pricing and a little bit on the commodities pricing. Clearly the geopolitical events of 2022 are leaving their mark in the market for 2023, as well but at least we've seen that the escalation from the very highest, especially on the natural gas pricing and the electricity which sort of follows that directly and we've seen a relatively strong, but not at the same levels benchmark refining margin.

I would say that in terms of how we read the environment is that, we are moving gradually to a new norm which we expect to see prevailing over the next three to five years. We're not reverting back to the old mid-cycle definition of refining margin, so we're going to be seeing a new level of Refining margins. We don't expect them to be at the same level as 2023, but we are not expecting a collapse of that market either.

So overall a good year for our business in terms of the market and a bit of an optimism going into the next two to three years. We see the domestic demand improving especially in auto fuels. Heating gas oil is a very seasonal product, but a low-margin products and it is affected by weather and by promotional efforts which might lead to volume transfer between one year to another or one quarter to another. The underlying demand though is very good and it is not only on the ground fuels business, but also on aviation and bankers.

In terms of Operations it's very important to be able to take advantage of a good environment and this has been the case for us in 2023 with increased availability of the refineries. Clearly the main concern is to be able to deliver the highest mechanical availability and flexibility, so that the supply and trading team can take advantage of the prevailing market conditions and it is actually the case for 2023.

This allowed us to have a much higher realization on a per barrel basis. As you will see later on the over performance which is the delta between the realized and the benchmark margin has come down, but clearly one would not expect to see a repetition of 2022 because of the abnormalities that we saw.

Having said that in terms of our own Performance, the improvement has not been only on the wholesale business, but also on the commercial and retail business where we have increased our premium products sales in the portfolio. The NFR contribution is growing, not only in Greece but also in international and we are trying to get a better return on our retail investment.

Now there are two issues there. First of all it will not be material enough to cause for a big swing in the results of the Group, given the very high performance of the refining supply and trading. And two, Greek retail still troubled by a regulatory margin cap which has been prolonged. I'm not sure how effective this is, but it is in place and we expect and hope that it will not be in place for the duration of the year.

Finally, as I said earlier the strategic initiatives in terms of the business portfolio are beginning to show in more noticeable numbers in our results with renewables production and profitability increasing, both on the back of the annualization impact of new projects, as well as the actual inclusion in the portfolio of new operating capacity within 2023.

So a good environment even better than 2022 operations in the group and performance of our strategic initiatives leads to an adjusted EBITDA of just over EUR1.2 billion and a very healthy adjusted net income EUR 0.6 billion. This translates to a very good cash flow even taking into consideration the investments in transformation projects.

Cash flow has been very strong which leads to a better balance sheet and a better maturity profile, given that we have gone through a refinancing process for a material part of the credit lines. This allows us to sort of approve at both levels, a final dividend per share of EUR 0.60 which will be proposed to the upcoming AGM in June and taking into consideration the interim dividend of EUR0.30, it gives a total dividend of just under EUR1 per share with a very healthy dividend yield which should be one of the highest available in the market.

Clearly, this is a reflection of two very good years. Last year we had the one-off dividend as a result of divestments. So the EUR0.90 is compared to the EUR0.75, if you strip out the exceptional dividend from DEPA Infra and it's an indication of our commitment to deliver the increased profitability or part of the increased profitability to the shareholders.

However it's not all about numbers. Clearly there's a very big weight on how well we perform in terms of financials, but on the ESG front as well we have good news. The Company is doing better. We are taking our social responsibility very seriously, so we have improvement on pretty much every front that we measure ourselves in and this is actually shown in the detailed reports.

If we go to page five, we are repeating our Strategy in a slightly more condensed way. We believe that it is important to strengthen and decarbonize our downstream. In fact if we sort of go back to COP28 earlier a few months ago, we see that there is a change in the direction of the discussions and a gradual, but growing appreciation that hydrocarbons are not something that needs to go away in the next five years. It is part of the solution to improve the environmental footprint of the energy value chain and if we do not see enough support and indications that it is seen as such, the impact is actually going to be adverse because our industry needs medium to long-term investments. If there is no clear signaling as to the sustainability of this sector then companies like us will effectively decide not to invest in medium to long-term projects which means that the actual environmental footprint of our sector is going to get worse.

So, we believe that this is not going to be the case which is why we are investing in the strengthening of our downstream business with a number of projects. I'm not going to go through all of this in detail, but as you can see we have achieved a number of things in 2023. Clearly the nature of these projects means that it takes anywhere between two to five years before they actually come to market because of the permitting and the construction period required but we're moving in that direction and as you can see we have a number of projects in mind that we will proceed.

We are actually maturing these projects and we will proceed only if and it's a very strong statement if they make sense from a value-added point of view. So we're not after big announcements, we're not after a single agenda which is the climate, we're after a balanced agenda, which says that we need to protect the deterioration of the environment but at the same time we need to be able to stay in business as a Company.

We're growing in adjacent areas with HVO co-processing in Thessaloniki, increasing the e-mobility that is coming at a faster pace than in the previous years, but still it's not a big part of the mobility overall of the value chain. But at the same time we need to keep our eyes focused to the future so that we do not find ourselves out of a business in the next 10 to 20 years.

The Green Energy agenda has been supported adequately. We've proven that we mean what we say by having a very visible path to the 1 gigawatt installed capacity by 2025 and this is against a lot of adversities, which have to do with primarily permitting processes, as well as asset valuation challenges, because going to 1 gigawatt can be made very easy and very fast as a process but the question is will it be a value adding process as well or will it be a value destructive process for the shareholders?

So again it's a balancing game trying to achieve the strategic objective in the shortest period of time but without burning too much capital. And finally, irrespective of the business initiatives that we have of the strategy and the sectors that we engage in there is a number of initiatives, which have to do with, how we achieve operational excellence in our activities. We have a couple of examples here, which have to do with the digital transformation with the capital structure that we are improving, which are very important.

I would add the human capital part here as well. We are in the process of completing a voluntary retirement scheme, which allows us to have the ability to renew and upgrade our human talent in a very responsible way and in a way which effectively is forward compatible with what we plan to do. Finally, before I hand over to Dinos just a quick word on the placement a couple of months ago.

It has been a very successful transaction. It was run by the two major shareholders of the Company. The

Company got engaged in very specific parts of this journey which has to do with the educational process and presenting the Company's prospects, but the transaction was done by our two shareholders.

I think it has been a very successful transaction. Numbers speak for themselves, but at the end of the day our intention as a group management is to give the right messages to our shareholders and support a wider shareholding base which will be beneficial not only for existing shareholders, but also for future plans of the Company. So again it is a transaction which has been successful for all involved.

With that I will turn over to Dinos Panas, who will walk us through the energy environment.

PANAS D: Well thank you Andreas. Good evening everybody. Three slides on the Environment. The first slide on page eight is about the Crude Prices, the Forex, Natural Gas and Electricity Price and the EUAs. Public data you know all of them. Crude is more or less close to $82 in 2023.

Forex at the same levels of the fourth quarter of the year. Electricity and Natural Gas prices have gone down at the beginning of the year and most importantly the EUAs' cost has gone significantly lower than in the fourth quarter of 2023. Today it trades at around EUR55 per ton which is good for us because we have the deficit in the EUAs.

Now going to slide number nine. You can see the cracks. You know the cracks, how they ended it and of course you all know the cracks of the main products in 2023. ULSD fourth quarter last year was 27, now it trades at an average of 28 for the year. Gasoline it was 10, now it trades in the year around 15.4. HSFO was minus 17, now it's minus 15. And Naphtha minus 18, now it's much better, it's minus 13.8.

A number you may not know is the average margin of the year so far. We're running above $10 a barrel which is above the average of the year of the previous year. So have a good start for the year in this environment. And finally looking into Greece. The Greek consumption on page 10 you will see that we had a significant increase in the key products in 2023 compared to 2022.

So the diesel, the gasoline was plus 4%. The diesel was plus 3% and the LPG and the other products was plus 4%. We had a significant drop in HSFO -- in gasoil consumption due to weather. We had an increase for the year of 7% in the aviation fuels and 3% in the bunkers. Now the available data that we have for Greece is only for January 2024.

The data is published by the Ministry, so an increase in the gasoline consumption of 5.2% in January compared to January 2023. 11% increase in the diesel consumption. 88% increase in the heating gas oil consumption and 6% increase of the LPG and the other products, a significant increase for the year.

Aviation fuels increased consumption in January increased 20% compared to last year but the numbers are very low here in the beginning of the year. And in the bunkers we had an overall increase of 70%.

So we're seeing a market that is strong and I think the strength is continuing in February as well, but we do not have the official data yet for this period. And with this I will pass you to Vasilis Tsaitas our CFO.

TSAITAS V: Thank you Dino. Good afternoon to all of you attending our call today. So discussing a little bit the results on page 12. So, the refining volumes are higher mainly driven by higher production of all our refineries.

The Total Turnover is lower mainly due to the normalization of crude and product prices as discussed before. An adjusted EBITDA of 1.2 billion driven by refining supply and trading. Lower versus last year and the trend is similar for the quarter and the year certainly because of the unprecedented refining backdrop during 2022.

The Gas and Power contribution has largely normalized versus again an exceptional 2022. And financing costs are higher due to the significant increase in base rates starting from around zero up until the middle of 2022 getting as high as close to 4% at the end of last year. The impact of the base rates was around 50 million and that was largely mitigated by the lower gross debt levels.

The lower spread in following the refinancing of a significant part of our loans as well as the improved cash management throughout the year. And that leads you to an adjusted net income of 600 million, 606 million. Capital employed flat versus last year.

Significantly lower Net Debt that we discuss further on. Moving on to the variance analysis of our results for the fourth quarter versus the comparable fourth quarter of 2022 with very strong benchmark refining margins, wider crude spreads and relative pricing of natgas versus oil products that supported the use of oil products for own use and with a significant positive impact back then.

That turned in 2023 but was to a large extent offset by improved operating performance across our business mainly in refining with higher availability and production leading to an adjusted EBITDA for the quarter of 269 million.

The picture is similar if we look at the full year. A normalization of the environment in terms of refining margins, crude spreads and natgas pricing mainly, which are the main drivers that affected our results. But on the other hand, around half of the impact was mitigated by high utilization and reduced maintenance requirements at our refineries as most of that has been carried out in 2022.

Now looking a little bit at our Capital Structure, I think it's important to first of all to split our downstream business versus renewables because it's a different business and we have designed our capital structure in order to be fit for purpose for each of the two businesses. In terms of renewables, we have started implementing the project finance framework agreement that we signed last summer with two of our larger projects already recapitalized under the framework agreement.

There is sufficient capacity in order to get us through our target of one GW over the next couple of years and certainly the equity to debt mix of the business will be designed on a project by project basis as they come through and being commissioned and become operating.

Equally, there is plenty of headroom in our downstream business in order to carry out our growth plans for this management purposes being able to face any volatility in working capital and on top of that we also have adequate working capital funding capacity in the form of LCs to manage any changes in the environment.

Also, the tenors equally are, on the rest business, they reflect the gradual repayment of the debt through the cash flows over the lifetime of the projects depending on the revenue structure whether it's PPAs with the system or with third-party commercial PPAs.

Equally, in downstream to basically provide the flexibility required for medium to long-term funding depending on the projects and the price environment. In terms of cash flow accounting for the main operating outflows as well as the minimum stay-in-business capex, we get to around 700 million for the year.

In terms of more one-offs like working capital changes as prices have gone down and inventories have normalized following the end of the crisis and on the other hand, the outflows due to the one-off of solidarity contribution, those two more or less even out so even adjusting for that for kind of one-offs or non-recurring, we get to free cash flow again 700 million in order to pursue our growth plans, remunerate our capital providers in terms of dividend and interest and deleverage by around 300 million.

So looking at the Total Balance sheet, a significant reduction in our gearing levels. Certainly, if you look at each of the separate business due to the financing model difference numbers are differ and despite the normalization of the EBITDA, our leverage levels are more or less in line with last year and the lowest that we have seen for at least 10-15 years in the Group.

In terms of Shareholder Remuneration on page 17, we discussed before about the EUR0.90 total dividend, EUR0.30 as an interim and EUR0.60 which will be the proposal to the AGM for the final dividend. That is a payout of 45% over Adjusted Net Income which is in line with our Dividend policy towards the high end of our dividend policy. A yield of around 12% considering the price as at the end of the year, very competitive in the sector and if someone had invested a few years ago in the Group, they would have gotten back the total investment in the form of dividends.

And given the high competitive dividend yield around 8% over the last few years, important to always look at total shareholder return and not share price performance only.

So, on that point, we will move to discussing the Performance of the Business segment starting with the Refining Supply and Trading. We mentioned before the key drivers in higher availability and production at all our refiners mainly Elefsina and Thessaloniki, leaving an adjusted EBITDA over a billion for another year.

Capex reflects mainly long-term maintenance at the infrastructure of our refineries. In terms of total realized margin of $17.4 per barrel that we will discuss further on. Now, looking in operations, higher production as we mentioned before in Thessaloniki and Elefsina given a lighter maintenance year versus 2022.

Exports drove the increase in sales and this is the second or third highest performance historically in terms of export volumes. In terms of the feedstock sourcing, that reflects mainly market conditions and availability and pricing of the various sources with medium to high sulphur being less attractive versus previous years, as well as the ability of our refineries to take advantage of the flexibility as well as to look at opportunities for crude sourcing outside of the traditional regional sources that help us mitigate the impact from the crude spreads.

On Page 22, looking at the Full Year, a realized margin of $17.4, a couple of dollars lower in terms of the benchmark margins that we discussed before and another $2 more or less, lower additional margin of overperformance. Still at $8.6 per barrel, if we compare to the average of $6.5 to $7 before 2022, are still a very strong performance reflecting both refineries', as well as S&T contribution.

In petrochemicals, the fourth quarter closes a year of the weakest benchmark margins that we've seen in polypropylene and propylene for more than a decade. In the beginning of '24 we've seen a gradual recovery and it's still early days to see whether we have entered a new cycle. Important to note here that the expansion of the polypropylene plant capacity to 300,000 tons is in progress, aiming to have it online in 2025.

Moving on to our fuels marketing business, in our domestic market, it was another year of the regulatory margin cap affecting the ability to deliver additional profitability, as well as the seasonally lower heating gas oil offtake. That was largely offset by increased penetration of our premium products across our networks as well as higher NFR contribution. And adjusting, I think, while as a reminder, we don't adjust the EBITDA for inventory impact, but it's important to understand that if we take out the impact of pricing on both inventories as well as the pricing effect of aviation, the EBITDA performance is effectively comparable with 2022.

Similarly, with international marketing, as regional markets have normalized, we're still able to retain profitability above 70 million, which is a number that we exceeded for the first time in 2022. So, at this point, I'll pass you over to George to discuss our renewables and Gas & Power business. George?

ALEXOPOULOS G: Thank you, Vasilis. Good evening, everybody. On the renewables' business, we reached capacity of 356 megawatts during the year and 341 out of the 356 were operating for the whole year. The result was much higher production and profitability. Production was close to 700 gigawatt hours, whereas EBITDA for the year was at 42 million versus 29 for last year.

Regarding our growth plans, we are happy to report progress. If we can move to page 30. Yeah, we are happy to report progress towards a near-term goal of installed capacity of one gigawatt by the end of 2025.

As you can see, the maturity of our pipeline has also improved and we currently have 260 megawatts under construction. In total, we have over 700 megawatts under construction or ready to build and are in advanced stages, the combination of which will take us to our over one gigawatt goal in installed capacity by 2025.

If we move to page 32 regarding Elpedison, it was a challenging quarter, lower production as a result of the reduced availability of our Thisvi plant. But also unlike earlier quarters in 2022, limited opportunities on the gas supply and trading side. Overall, we can say that it was a satisfactory year with profitability normalizing, if you will, after an exceptional year in 2022.

Moving on to page 33 on DEPA, a better quarter than last quarter and also better compared to the same quarter last year, but overall, certainly a tough year for DEPA. Lower gas demand in the domestic market certainly affected the results, in addition to higher costs associated with security of supply. The situation improved a bit in the fourth quarter, but overall, the year was a quite challenging one.

And with this, I think we have reached the end of the presentation, so I believe we can move to the Q&A.

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

ATHANASOULIAS N: Hello, gentlemen, and congratulations on the great set of results. I have three short questions, if I may. So the first one relates, of course, to the dividend. Should we be expecting a double-digit dividend yield for the years to come and something that you aim for? Or should we expect a payout ratio closer to the 50%? Can you give us a little bit more color on that?

The second question is on renewables. Do you expect any of the 260 megawatts under construction to be operational by the end of the year? And the third one relates to the petrochemicals regarding the investment that you mentioned that is ongoing. What returns are you expecting from this investment, given the current environment that is sustained of low polyproypylene margins? Do you expect a recovery? Yeah, give us a little bit more color on that end as well. Thank you.

TSAITAS V: Hi, Nikos and many thanks for the questions. Starting from the dividend, our dividend policy aims for a payout versus our adjusted net income, so this is anywhere between 35% to 50%. Usually, we try to go towards the upper end of the range, as we did this year and that can be supplemented by one-offs, like the divestment of non-core activities, like we have done with DEPA Infrastructure and Desfa in the past. We certainly keep an eye on the yield.

We want to be competitive among our peer group, but we won't commit to a dividend yield, given the fact that it's also of share price driven. Hopefully, share price will increase much higher to a level that we will be able to support a double-digit dividend yield based on our payout target. But I would stick to the payout ratio as a policy and certainly considering all other variables.

Now, in terms of our polypropylene capacity expansion project, we have a hurdle rate of around 10% to 12% for projects in our downstream business. That is certainly exceeded by this investment. We are targeting an additional EBITDA of around 10 million out of this investment, and a payout of anywhere between four to five years.

Certainly, we're looking at a market which is cyclical and volatile. If we look at the long-term average and projections, the numbers justify the levels that we discussed before. The impact on polypropylene margins is more on the propylene part, rather than the polypropylene versus propylene spreads, where this investment is actually based on.

ALEXOPOULOS G: On the renewables, I think it's fair to expect that the capacity under construction will be operational in 2024. And I would say that approximately half of that should be operational and approximately at the half-year mark or so. So there will be a contribution for this year as well.

ATHANASOULIAS N: Great. Thank you very much for your answers.

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

GRIGORIOU G: Yes, hello. Thank you for taking my questions. I've got a few. First, regarding your crude slate, there's been a massive change, understandably, over the, I don't know, 18 months or so, in terms of more light products. Conversely, obviously, your fuel oil production has actually gone down in the product slate. I was wondering if you could walk us through a bit how you see it paying out in the next couple of quarters and if you could help us out in terms of pricing and what should we expect as from, in terms of refining margins.

That's my first question. The second one is related to the voluntary exit scheme for the employee headcount reduction plan you just mentioned before. How much do you think it will cost and what would be the payback period for that? What do you think will be the savings on a per annum basis?

My last question is what Dinos mentioned about EUAs that they have massively corrected this year. I don't expect you to give us hard numbers, detailed numbers, but if you could help us out to think if prices stayed where they are today, what would be the savings, if you could guide us in terms of how much you actually need to take out every year for CO_2? Thank you.

PANAS D: Okay, good evening, George. About the crude slate, I mean, we have to change it a lot because we have the Russian out of the market, we have the Kirkuk out of the market, so we have to change it. We are currently evaluating more than 120 different crude slates around the globe every week and we have started buying alternative crudes that we have never bought before. Crude from Guyana, crude from Brazil, Buzios like Buzios, crude from Nigeria and crude from the Middle East – another crude from the Middle East.

So, it's an ongoing exercise. We're seeing quite a significant benefit compared to the availability of the mainstream crude like, let's say, Es Sider, or Basrah or Arabian light. And we continue doing that. But, you know, the market is dynamic, we'll see how it goes. Currently, in 2024, we are doing quite well with that. We have bought some slates that have given us a significant better margin than the benchmark one and hopefully this will continue for the year.

Now, the EUAs, we have a deficit of 1.5 million tons. So, it certainly helps having EUAs lower. We see that there is a surplus capacity, surplus quantity in the market. You've seen, I guess, the Financial Times article last week which exactly described the balances and why is that happening. I think that we will have to manage a bit the risk of this going higher again and we'll see how we'll do that. We are discussing that, we have taken a few cautious steps, but it's under consideration what the final decision will be, how we'll manage it. So, the rest, I think the last question is for Andreas.

SHIAMISHIS A: Hello, George. We are completing the VRS process next week as an application, at the end of the week. The target was to be able to achieve two things. First of all, renew our human capital and the renewal brings with it two benefits, which is the ability to replace somebody who is of an older age and, generally speaking, given our salary policies, more expensive than somebody who is younger and newer into the system. And, of course, to be able to change the culture of the Group by attracting new people.

So, that's the first part. And there is a second part which has to do with the restructuring and, effectively, the fact that there are positions which are no longer relevant, either because of digital transformation or because of optimization structures. Now, the original expectation, I will not call it a target, but the expectation was that around 200 people would be participating in this VRS.

Anything between 100 and 200 people was, if you will, the range of estimation and the approvals we have. We have gone well beyond that target, which means that a number of these applicants will not be approved. The payback on this initiative is roughly about a year and a half on a position which will not be filled and about two and a half on positions that will be filled.

So, even if somebody is replaced with a new recruit, there is a benefit to the Company which will accrue in about two and a half years after he leaves. Now, the exact number in terms of cost, I would not be in a position to comment on now, simply because the program is still ongoing and it will be completed tomorrow. So, that is something that we will be able to tell within March because we have to review the applications.

But it is a key strategic objective of ours to be able to renew our human capital and, of course, attract new skills in the system.

GRIGORIOU G: Thank you. If I can just do one follow-up on the EUAs. Dino, as you mentioned, 1.5 million tons is a deficit. That's for 2023. Does that increase this year? Are your free allowances lower this year? Am I correct in thinking that?

And my last question, I'm sorry, I'm taking up this time. It's late. Regarding your network reach in the retail space, quarter by quarter, the number of petrol stations has been decreasing.

I suspect that has to do with the dealer-owned, dealer-operated stations. What would you see as the optimal number, I don't know, at the end of 2025, for example? And that's it. Thank you.

PANAS D: Well, George, 1.5 is for 2024. Now, going forward, the allowances are going to be on the one hand to be decreased. On the other hand, we are taking actions to also decrease our emissions.

So, we'll have to see how these two balances. But let's check for sure that 2024 is 1.5 and we'll discuss some numbers going forward in the next discussion.

SHIAMISHIS A: Okay. On Domestic marketing, on Retail, I would not expect to see more than 1,600 by the end of 2025. When I joined this Company, we were talking about 8,500 petrol stations, close to 9,000 petrol stations in Greece.

Today, we're just over 5,000. A lot of them not operating on a full-year basis. Increased tourism has given a lease of life to some of the smaller petrol stations in remote areas, which is good.

But with consumption patterns and projection in terms of e-mobility and everything, we expect the numbers to shrink even more. So, if I was to give a target, I would say that by 2025, we will have less than 1,600 petrol stations.

GRIGORIOU G: Excellent. Thank you.

OPERATOR: The next question is from the line of Hitchens Peter with Edison Group. Please go ahead.

HITCHENS P: Good evening, Gentlemen. I had a couple of questions for you. The first was on hydrogen. The EU is making a big push on hydrogen. How are you progressing with your projects on green hydrogen and blue hydrogen with the carbon sequestration? The second part was on renewables.

Acquisition has been the big driver in your growth. How are acquisition costs moving ahead, particularly with higher interest rates and hence a lot less appeal for things like hedge funds? Thirdly, you probably can't answer this one.

Have your shareholders given any indications about further reducing their stakes? Thank you.

ALEXOPOULOS G: Okay. The first question regarding hydrogen. As you know, we are already today a major consumer of hydrogen and thus we have a lot of experience with hydrogen, unlike many others who talk about hydrogen but haven't the experience. Regarding our initiatives, I think it is in the presentation, but we probably didn't cover it. We have a number of initiatives regarding CCS, which of course means that the hydrogen in our refinery of Elefsina will become blue, therefore with a much lower carbon footprint.

At the same time, of course, as Dinos mentioned before, reduce substantially our overall carbon footprint, which we're targeting a 30% reduction by 2030. At the same time, we are also developing green hydrogen initiatives in two of our refineries with the aim to produce synthetic fuels. As Andreas said before, I'd like to repeat, we are developing these projects, we will push the implementation button if and when these projects make sense from a value point of view. To that end, we are planning to utilize all available tools in order to achieve feasibility of these projects. But as I'm sure you realize, green hydrogen today is not commercially viable on its own.

Now, regarding renewables, you are right, we've used acquisitions quite a bit. Going forward, our plan is for most of our installed capacity, if not all, to come from a pipeline, therefore keeping at least part of the development profit. Regarding the comment on possible values of acquisition targets, I would tend to agree that in principle, in the face of higher interest rates and potentially lower demand by investors, there should be some softening in the prices.

There tends to be a lag, however, on this effect. So we will continue to consider acquisitions on an opportunistic basis and if the numbers are right and the value is there. But our main our main target is to bring most, if not all, of the new capacity to get to the 2 gigawatts by 2030 through development of our own pipeline.

SHIAMISHIS A: On the third part, which has to do with a further sell-down, if I got it right, clearly it is not something that we can comment on. It is something for the shareholders.

HITCHENS P: Okay, thank you gentlemen.

OPERATOR: The next question is from the line of Katsios Nestoras with Optima Bank. Please go ahead.

KATSIOS N: Hello from my side and congratulations on your great set of results. So my question has to do with your upstream activities. We read in the press that some positive developments have come from I think it's the area northwest of Crete. Can you please shed us some light on your upstream activities? Thank you.

ALEXOPOULOS G: Yeah, regarding the upstream, indeed there has been a lot of noise because that's the correct term for it in the press. What we have said and I think we can repeat is that we have, we and as the case may be, we and our partners have completed seismic acquisitions in several blocks. We are currently in the interpretation phase and on the basis of the results we and our partners will make decisions as to whether to proceed or not with exploration drilling.

There's no imminent decision as you may have read in the press, but we expect in the fourth quarter of the year to have further updates on this. And also keep in mind that from the time a decision to proceed with drilling takes place, you need 12 to 18 months to prepare for an exploration well, which is quite a heavy capital project and a very complex project at that.

KATSIOS N: Well, thank you.

OPERATOR: The next question comes from the line of Tzioukalia Fani with Euroxx Securities. Please go ahead.

TZIOUKALIA F: Hi, hello from my side as well. Just one question on the last answer. With regards to the capital employed on the potential, let's say, drilling, how would it be financed? I assume you would go for some reverse-based lending or something similar?

SHIAMISHIS A: Fani, if I heard you correct, you said working capital financing on drilling?

TZIOUKALIA F: Yes, yes. I mean, would you, what would be the funding structure would be through reverse-based lending or how would this be?

ALEXOPOULOS G: No, no. Fani, exploration drilling is actually one step before that because you have some encouraging data from your seismic, but there's certainly no guarantees that the resource is there in commercial quantities. Therefore, the reserve-based lending is not available at that stage. The funding is an equity-type funding. It's not based on the project itself.

TZIOUKALIA F: Okay, brilliant, brilliant. Thank you so much.

OPERATOR: Ladies and gentlemen, there are no further audio questions. I will now pass the floor to Mr. Katsenos to accommodate any written questions from the webcast participants. Mr. Katsenos, please proceed.

KATSENOS N: Thank you, operator. We have couple of questions from the webcast participants. The first question comes from Andre Tissot from Societe Generale who looks for a guidance for 2024 in terms of leverage?

TSAITAS V: Thank you. Thank you, Nikos. Thank you, Andre, for the question. Effectively, in terms of 2024 guidance, we have a target for our downstream business. We have a target of up to two times net debt to adjusted EBITDA would likely, looking at the environment and the outlook for 2024 to undershoot this target.

So renewables, it's a totally different business and financing model, so leverage targets are higher. And if you look at the blending, it comes based on the participation of each of our two businesses to the Group.

KATSENOS N: The second question comes from Alfredo Viegas from Oaktree Capital who asks, do you have any updated progress to report on the exploration program? What is the earliest timing we could expect any updated results from the seismic program?

ALEXOPOULOS G: I think we answered it. If there's a follow-on question, we're happy to take it, but I think we addressed the question.

KATSENOS N: Operator, back to you.

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

SHIAMISHIS A: Thank you very much for attending the call and all of the interesting questions on our business. As I said at the beginning, it has been a good year for us, 2023, with a good set of results, albeit lower than last year, but that was to be expected.

There is a lot of positive signs in these numbers, both for last year and for the year before, for 2022 and 2023, in that a lot of the initiatives we took, the strategic redirection and the improvements on operational excellence fronts are delivering the benefits that we expected.

It's always very good and it allows us to sort of, it gives us incentives and strength to continue. The good thing is that a lot of these things are more controllable and more predictable than the impact of a very strong refinery margin, which, make no mistake, we want that and we like that and we enjoy it when it comes, but unfortunately, we cannot do a lot in terms of repeating it.

We do think that we have a decent run ahead of us. The new norm is higher than what it has been over the last few years, but we also try to get as much controllable benefits and repeatable benefits as possible.

Before concluding this call, I would like to sort of mention something which we believe is important and it has to do with the change that we've seen in the last call, which has to do with the role of hydrocarbons in the energy mix. And it is important because we spent the last few years trying to explain why hydrocarbons are needed.

Clearly, it is not a world where we can actually switch off everything tomorrow and start using green electrons, not even electrons, but green electrons. It is not doable to do that.

In that respect, we welcome the sense of realism that has been discussed recently. And it means that, we as a Company, will be able to have a little bit more visibility in the next five to ten years and be able to roll out initiatives and investments which will add value to our core business. And at the same time, achieve a lower carbon footprint.

The benefit to the shareholders is that we can make the most in a very positive refining environment. We can utilize our resources to grow into the green energy space that we are doing now. At the same time, keep our shareholders well remunerated for the good results that we have been blessed with.

To that respect, the relatively high dividends that we are proposing to the AGM is a reflection that we believe that this is a result that needs to be distributed and the shareholders to benefit, be it all the shareholders or the new shareholders who give us the order of participating in the latest transaction in December. And we hope that we will be able to continue this path – down this path.

So, thank you very much once again for sitting into this call. And we look forward to welcoming you back on the first quarter call in a couple of months' time. Thank you.