

1.

Question:

Regarding the case with the Customs Administration, because this case is almost completed in the court in Republic of North Macedonia, I would like to ask if you plan to continue with proceedings before courts outside the Republic of North Macedonia?

Answer:

We are adapting our legal strategy and will refer to all legal forums that we believe are appropriate for this case. We will consider this possibility for sure.

2.

Question:

Can we obtain information on the legal costs and expenses that were incurred for the audit in 2021 and info on the status of the case?

Answer:

We engaged several advisors to support us with the case, such as tax advisors and legal advisors. We had legal service costs, litigation costs and all those costs that led to the final court decisions. Up to this moment, 870 decisions were passed by the Customs Administration, 670 lawsuits were filed, for which we received 130 court decisions. It should be understood that this process is still ongoing and it is too early to estimate the total costs, but for 2021 the legal costs were around 60,000 euros.

3.

Question:

OKTA has always held a dominant position in the market and that is good especially for such a crisis period where there may be chances for extraordinary gains, but this also raises the issue of abuse of fuel oil margins, using its dominant position in the market. Are you certain you did not cross that threshold of abuse?

Answer:

We have not changed our commercial policy and I would not agree that we have a dominant position, but a strong position in the market. This market is open to competition where an entity can very easily enter the market and import fuel from different parts of the country and the surrounding markets, so we have not made any change in the commercial policy regarding margins. In the second half of the year we had a situation with the energy crisis where there was a very increased demand and we made great efforts to meet that demand. There was demand on a monthly basis as there would be on an annual basis. We ourselves had higher costs, increased risk and exposure on the market where we also had to deal with the issue of reserves, which was reflected in the conditions for achieving and meeting the demand.

4.

Question:

Managers and some senior employees have left the company. Those people are the main capital of OKTA and it is a pity if this trend continues in that direction.

Answer:

We are constantly reviewing and adapting to the market dynamics and I should emphasize that one manager left out of a total of 27 and not multiple managers, and we will continue to review the policies in order to retain our staff.

5.

Question:

In the report, in the section of key events in 2021, the management states that in 2019 the customs administration conducted an inspection over the excises for the import of Euro diesel, from 2014 to 2018 and that during 2019 the company filed lawsuits initiating administrative disputes for complete

annulment of these decisions due to substantial violations, procedural rules and other omissions of the customs authorities due to which the facts in the case are incomplete and incorrectly established, as well as an incorrect application of the relevant law, whereby OKTA considers that it fully complies with the applicable laws.

However, it is not stated that, as per the data that can be seen on the Internet, 1/3 of the initiated lawsuits were finalized to the detriment of OKTA, and it was concluded with final court decisions that OKTA incorrectly applied the regulations. My question is, why is this data not listed as one of the essential data in the report, neither by the management, nor by the company, nor by the independent auditor, and we ask you to give us the exact number as at today, how many disputes have been finalized to the detriment of OKTA, what is the amount that according to those disputes OKTA should pay and how much principal and how much interest, whether that amount has been paid to date or not, we are talking about the cases that are ongoing in court, and not the case in 2014, for which you have shyly given data?

Answer:

The specific case cannot be explained by just including a note in the financial statements. All the details were shared with our auditors in a timely manner. By the end of 2021, we have received 665 decisions from the customs charging OKTA 13.5 million euros. We have been reviewing our position until the end of the year, having received a negative decision-judgment from the appellate court, and I would also like to point out that we are appealing all the first instance negative decisions to the appellate court. To date, we have received about 860 decisions from the customs administration in the total amount of 17.1 million euros. We also received 129 second instance court rulings, to date we have paid all 17.1 million euros in accordance with the decisions charged by the Customs Administration.

6.

Question:

How much of this amount is interest and how much is principal debt?

Answer:

Out of a total of 17.1 million euros, the interest is 6.2 million euros, and the rest of almost 11 million is principal. Regarding the previous comment that we are hiding something from the auditors regarding this case, I would like to clarify that the audit report does not mention any concealment. The auditor's opinion on the matter is qualified driven by the differences in the interpretation of how much OKTA should have reserved regarding the cases against the Customs Administration. The auditors consider that OKTA should have reserved funds for 2019, whereas our position is that for the specific year no provision should be considered given that there are no conditions for such a provision to be made, because that period was not subject to inspection by the Customs Administration.

7.

Question:

1/3 of the disputes are legally settled, which was confirmed by the financial director. These are completely copy / paste the same items for identical legal cases. Is that so or not? If so, then it is very clear that all other disputes will end to the detriment of OKTA. Why then OKTA does not take action to pay the interest, not now, but when the disputes with the customs administration were initiated. Good management pays the money first, then it is very easy to get the money back, especially from customs, and does not wait 3 years for the interest to increase. Why did the management wait for the damage to the company to increase in terms of interest?

Answer:

You cannot pay before you receive a decision. A huge part of the interest refers to the alleged custom duties dating from 2014, 2015, 2016 and is calculated by the Customs Office irrespective of the delivery of the decisions. So that interest refers to a period of 5 to 8 years prior to receiving the decisions from the customs administration. After the first final negative decisions, it was decided to pay the interest that starts to accrue from the moment of receiving the decisions which was decided

after discussions within the company and with our legal consultants. Now we proceed with paying of the duty after receipt of each decision.

8.

Question:

Why you as a management, even though you knew that 1/3 of the disputes are legally settled, in the report you do not state that, but you write general formulations like "we are right", "we will exhaust all legal proceedings ", " we will go to international courts ", etc. Thus you have exhausted all legal proceedings at the time you were writing the report. Which international courts will you go to?

Answer:

I do not understand the argument regarding the concealing information. We have a reservation for the full amount of the liability, which was disclosed. We still believe that we can challenge the decisions of the Customs Administration and even some court decisions. This does not mean that we will not pay, and that we will not respect the decisions of the court. I repeat, we have made a reservation for the entire amount of the obligation under the audit, and for the estimated costs (interest).

9.

Question:

Can you tell me the amount of interest that would have been saved, from those 6.2 million euros, if the amount was paid or deposited 3 years ago when you received the minutes?

Answer:

We do not have such information available now.

In addition to the previous answer provided on the session of the Assembly, the management of the Company gives the following answer and explanation:

The minutes of the audit conducted in 2019 by the Customs Administration, which referred to the period 2014-2018 did not contain the actual amount related to any obligation of OKTA to pay additional amounts as a result of the findings listed in the Minutes. After receiving the first final second instance decisions, the company decided to start paying the already received decisions of the Customs Administration, and to pay the decisions on an ongoing basis, as they arrive at OKTA.

10.

Question:

Can I conclude that at the moment you do not have information whether you have the right to continue before an International Court, and which court that is? And are you aware if there is a deadline within which those proceedings should be initiated, and whether that deadline may have expired? I repeat, how do you expect us in such a situation to approve the work of the Board of Directors?

Answer:

We as management do not have such final information. As an entity from the Republic of North Macedonia, at the moment OKTA cannot initiate proceedings before an International Court.

11.

Question:

Does this mean that in your opinion the court cases with the Customs Administration are done? Those that are finalized, I'm talking about them.

Answer:

Yes, nothing can be done. It is about 1/3 of the disputes, at this point.

12.

Question:

What about those proceedings that are still ongoing? What could happen with those, given that these are identical cases?

Answer:

The relevant amounts have already been paid for those proceedings, and we are waiting for those proceedings to be concluded.

13.

Question:

When was the payment made, and what was paid?

Answer:

The first payment was made in March 2022, and an amount of 17.1 million euros is paid up to now. To date, we have received a total of 872 decisions from the Customs Administration, and in relation to them, all amounts have been paid, i.e. all liabilities. We expect that there will be additional decisions from the Customs Administration, but they should be only for a small part of the audit period, because most of the period is already covered and paid.

14.

Question:

Why is the Report stating that only in 2019 lawsuits were filed against the decisions of the Customs Administration, without stating the number of lawsuits? And this is a large number of lawsuits, over 670, which is an absolute record. There is no information in the Report that almost 1/3 of the filed lawsuits have already been lost, i.e. the cases are concluded against OKTA. This Report should contain data for the shareholders to get acquainted with the situation, and it is also important for the Stock Exchange.

Answer:

The report describes the progress of the case, and in 2019 we received the first decisions from the Customs Administration. The Financial Report lists everything related to the case. It is stated that provisions have been made for the relevant amounts, i.e. by the end of 2021, a provision of 15.5 million euros has been made. This information is also shared with the Stock Exchange.

15.

Question:

Why did you state in the Report that you believe that the company acted in accordance with the law and that you will challenge the decisions to the highest authorities in the country, and if necessary, that you will take the case to relevant international institutions, and today you say that many cases are finalized, and you say that you have no right to take the case to international institutions. Why do you present such a report to your shareholders?

Answer:

We believe that we have acted correctly and lawfully, and we are convinced of that. It is clear to us that we do not have a great chance to change anything, and therefore the entire amount is included in the Report. But we cannot give up the fight to prove our case.

16.

Question:

The report states that 5.3 million denars were paid to 1 executive member of the Board of Directors during 2021. Is it a typo or not?

Answer:

These funds were paid to the Chairman of the Board of Directors, who is a non-executive member, and not to an executive member (this is a typo). The funds were paid in accordance with the Agreement for specially entrusted matters concluded in 2020.

In addition to the previous answer provided on the session of the Assembly, the management of the Company gives the following clarification:

As published in the Annual Report, during 2021 the Company paid to its executive Board member the amount of MKD 5.3 million in the form of gross salaries, as well as other benefits in amount of MKD 1.2 million. During 2021, approximately the same amount of MKD 5.3 million was also paid to the Chairman of the Board of Directors, as stated, pursuant to the Agreement for specially entrusted matters concluded in 2020.

17.

Question to the auditor's representative:

In the basis of the qualified opinion it is stated that ... "taking into account the evidence provided by management, we do not consider the adequately provided evidence by management as sufficient to determine the various possible outcomes and scenarios to support the assumptions made ..." What documents do you lack to give an accurate estimate of the qualification?

Response from the auditor's representative:

We have received everything requested for this dispute, for the audit period. Everything they had as evidence, everything was submitted to us. The 2020 qualification, as I mentioned earlier, referred to the amount of the interest qualification, which was 50% instead of 100%, and which amount was paid in full later. The 2021 qualification referred to the fact that the company had not made a reservation for the amounts relating to 2019, which was not subject to inspection by the Customs Administration, but the company operated on the same principle as until 2019. The Company considered that it should not reserve these funds, as 2019 was not subject to audit by the Customs Administration. From May 2019, the Customs Administration changed the functioning system and the company uses the new system of the Customs Administration, and the excise tax is paid through that system. I clarify that in our opinion the company in 2020 should have reserved 100% of the amount of interest, and not only 50% of the amount. But we were clearly told by the company that they would book only 50%, so nothing was hidden from us.

Response from the company:

In 2020, the reservation was in the amount of 50% of the interest, because we have not yet received any court decision, but with the development of events and after receiving the first second instance decisions, in 2021 we made a reservation of the full expected amount.

18.

Question to the auditor's representative:

Were the court decisions presented to you by the management during the audit?

Answer:

Yes, by March 31, 2022, all court decisions were presented to us.

19.

Question to the auditor's representative:

How many final court decisions were presented to you?

Answer:

I cannot answer this precisely at the moment, but I can say that we were presented with all court decisions, decisions of the Customs Administration and reports from attorneys.

20.

Question:

The report you presented shows income of 2.7 million euros from the sale of platinum. In the cash flow I found an item "income from the sale of property, plant and equipment", where an amount of 81.9 million euros is stated, which is somewhere around 1.3 million euros. I cannot find in the Financial Report where exactly the platinum sales are shown. It seems to me that the data does not correspond.

Answer:

The Financial Report contains the amount sold in the year. We can present you with additional information.

21.

Question:

An income of 179 million denars was reported from the Agency for Oil Reserves, but I cannot see where it is registered?

Answer:

This income is registered under the category "Other income", because it is not about the sale of oil derivatives.

22.

Question:

Does the company have a short-term or medium-term policy for the distribution of capital, in terms of dividend payment? You mentioned investments in renewable energy sources, the 2021 Report of Hellenic Petroleum announces the start of operation of the pipeline in October 2022. Can you give us more information on the capital allocation policy for this year and possibly next year?

Answer:

Each year the management reviews the possibilities and submits them for decision to both the Assembly and the Board of Directors. Decisions regarding the distribution of profits and the payment of dividends are carefully considered each year, taking into account all aspects and circumstances. As you know, this year there is a new crisis, which affects the supply chain and the liquidity of all companies. Regarding the announcement for the pipeline, I do not have any additional information. I doubt that the Hellenic Petroleum Report states a strict commencement date. What I do know is that no agreement has yet been reached between the state and the strategic investor. This year, a large investment in photovoltaic installation is expected in the premises of OKTA with a capacity of 12 megawatt hours. Other factors that affect the amount of the dividend were the trend of increasing the price of oil derivatives on the stock exchange, the legal obligation to keep five-day reserves of oil derivatives, and other factors that must be taken into account. I believe that the reasoning will be similar in the next period.

23.

Question:

One clarification, in the Annual Report of Hellenic Petroleum for 2021, on page 56 it states that the pipeline to Skopje is expected to open in October 2022, so I would like to get a little more information about that, if possible? Are the preparations going according to the plan and as expected by the company?

Answer:

From what I know, it takes a period of approximately 6 months of technical preparation to start working with the pipeline. Therefore, I assume that the Report was prepared on the basis of some assumption that some agreement would be reached in the meantime. But talks between the state and the strategic partner are still ongoing. It is in our interest for the pipeline to be put into operation. In this time of crisis, it would have been good if an agreement had been reached a year ago, because now we would have a different situation and more opportunities to access competing products. Once an agreement is reached, we will be ready to start operating the pipeline.

24.

Question:

The Report on the operation of the BoD in 2021 mentions the adoption of the Business Plan for 2022-2026. Is this plan available to shareholders, or is there a summary of that plan to get a better picture of the company's medium-term plans?

Answer:

The business plan was presented to the members of the Board of Directors, and at your request, general information on its content could be obtained.