HELLENiQ ENERGY Holdings SA

8A Chimarras st., 15125 Marousi

Athens, Greece

Tel.: (+30) 210 63 02 000

Fax.: (+30) 210 63 02 510

HELLENiQ ENERGY Holdings SA Third Quarter & Nine Months 2022 Financial Results Conference Call

Thursday, 10th November 2022

18:00 (GR Time)

Conductors:

Mr. Andreas Shiamishis, CEO

Mr. Georgios Alexopoulos, GM Group Strategic Planning & New Activities

Mr. Vasilis Tsaitas, Group CFO

Mr. Dinos Panas, GM, Oil Supply and Sales

Mr. Nikos Katsenos, Head of Investor Relations

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300FAX: + 30 210 94 27 330

Web: www.choruscall.com

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

Welcome and thank you for joining the HELLENiQ ENERGY Holdings Conference Call and Live Webcast to present and discuss the Third Quarter & Nine Months 2022 Financial Results.

We will start our presentation with a HELLENiQ ENERGY Holdings Corporate Video.

Ladies and Gentleman, we are now ready to begin our presentation. At this time, I would like to turn the conference over to Mr. Andreas Shiamishis, CEO, Mr. Georgios Alexopoulos, General Manager, Group Strategic Planning & New Activities, Mr. 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: Good afternoon and thank you very much for the introduction. I hope you enjoyed the short video of our transformation efforts. Without further ado, I would go to the key points of our results presentation for the quarter.

And effectively, going to the highlights on Page 4. We have clearly a positive set of results with adjusted EBITDA for the quarter over €0.5 billion for the Third Quarter, which is primarily driven by the very strong refining environment and by the strong performance of pretty much all of the business units and the positive contribution of all the transformation efforts that have been taking place over the last couple of years. This is achieved in the background, which is positive for refining. But at the same time, with a lot of concerns on the issue of energy costs, which is a main cost driver for refineries, and a widely spread issue on energy prices, which is taking its toll on demand, especially after the end of the quarter.

However, during the Third Quarter, when it comes to demand, we are quite lucky because the economic growth, which has been persistently higher increase than the rest of the Eurozone and a very strong tourism season, has led not only the traditional summer and touristic business of aviation and bunkering to a much higher level but also the underlying diesel and gasoline consumption in the mainland markets.

In terms of results and reported profitability, our inventory losses for the quarter have dented the reported results. I think this is probably a good reminder for a number of audiences that oil prices can go up and lead to exceptionally high profitability and results, but at the same time, they can easily go down. So, we have to keep it at the back of our minds that our industry is highly cyclical. And the effects that we are witnessing over the last three or four quarters are not going to be there for a long period.

The positive results have been also affected by the disposal by the completion of the sale of the DEPA

Infrastructure shares which has led to a positive contribution to net income, and also by the fact that we have managed to maintain a low debt level despite a significant investment increase in terms of renewables. And that is also a positive thing, because with the increase in interest costs that we're witnessing, clearly, cash flow and balance sheet will soon become a key priority for not only for us, but most companies.

On the basis of the results, we have approved today at the board a couple of hours ago that we will be making an interim dividend payment of €0.25. This is on top of the €0.40 that we distributed earlier this week, which was roughly 50% of the cash proceeds from DEPA. So, the interim dividend effectively brings the full year distributed cash to €0.65 per share. And clearly, we'll wait to see the Full Year results before declaring a final dividend in February '23.

Now, as I said, results are positive. We have a number of good news on all of our operations, on the transformational efforts. On Vision 2025 progress, the strategic priorities are being progressed even faster than what we originally said, and it was in a very ambitious target at the time. And this is something which makes us feel very confident about the coming couple of years.

On Vision 2025, on a number of priorities, we have advanced the agenda. We have pretty much completed on time, if not ahead of time all of the priorities that we set for Phase 1. Our latest step was the rebranding of the group as HELLENiQ ENERGY, something which has been well received by the investor community and by all the stakeholders. We maintain our heritage, but at the same time, we are sort of signaling where we want to go and the form of the things to come.

On more tangible issues, we have the significant growth in renewables. And I would emphasize the new renewables projects that are being materialized because buying parks clearly adds to the capacity of one's portfolio, and it is a good thing when you're trying to build a different cash flow stream. But at the same time, it doesn't help the energy transition as much as it should.

So, our emphasis is on development of projects, and helping to bring projects to completion. So, either developing permits or buying permits at an earlier development phase. So that not only the company benefits, we also have the valuation benefit. And we also bring to the market substantial new capacity, which helps in the energy transition.

On DEPA, as I mentioned earlier, the infrastructure transaction has been completed. A difficult process, a long process but with very good results for us as sellers. For us as portfolio definition, and hopefully for the buyers as a new market entry, which they will add to their existing activities. On DEPA Commercial, we are going to reevaluate our options given that the tender that started a few years ago is not going anywhere. So, we need to reassess what our strategy is going to be on that front.

Finally, on E&P, following a significant curtailment of our operations in E&P with the return of onshore blocks to the state. We have focused on the offshore blocks. We did an accelerated to the seismic campaign in the Ionian Sea on the blocks there, which went very well. We are still waiting for the final interpretation of those campaigns, but we have enough evidence to convince us to move into the 3D phase, which we'll start in the next few weeks. And at the same time, the first seismic work on the two blocks West of Crete and South of Peloponesse are beginning with actions, having the leading role in this campaign.

On Page 6, you see the numbers for the Quarter and the Nine months. Clearly, it's probably the best set of numbers I' ve ever seen in my 20 years of experience in the group. We would expect to see better numbers given that this is not the same group that we started back in 2003. It's a totally different configuration. It's a bigger configuration with more business, both on the refining side, but also in retail and of course, the renewables side. But we should always keep in mind that a lot of this upside, if you will, is driven by a very positive refining environment.

At this point and before turning over to Dinos to cover the industry environment, I would like to highlight that the Nine Month results do not include any provisions for a solidarity contribution on our increased profitability.

As you're probably aware, there is a discussion which is taking place at the European level, it's actually much more advanced discussion. There is a regulation which has been agreed and it is in the implementation phase by each of the member countries. In our case, our numbers do not include anything for the refining business, but they do include a provision for the power generation to windfall tax for Elpedison, which is something which is a little bit more advanced in terms of implementation.

So, at this point in time, I will turn over to Dinos, who will walk us through the environment conditions.

PANAS D: Okay. Thank you, Andreas. Good afternoon, everybody. On Page 8, starting on the industry environment. We've seen crude prices well above $100 per barrel, most importantly, above or around €100 per barrel. We are mentioning euros because the strengthening of the USD is actually increasing the final consumer prices in Europe significantly. And so, it contributes to a dent in the overall consumption.

Now, coming to slide on Page 9. We had product cracks that were high in the Third Quarter of the year, especially for the middle distillates (ULSD, gas oil and jet). Gasoline cracks went a little bit lower to only come back in the Fourth Quarter of the year…year-to-date. While we have seen that the benchmark margins were significantly lower than the Second Quarter of the year, but still well above the midterm refinery margins.

Going to Page 10…Slide #10. You can see that the electricity price in Greece was at all-time highest during summer. This is the price that was increased before subsidies. We did have some significant subsidies on these prices. And now, the international natural gas price in the US, you can see also that we have some lower prices than we had in the Second Quarter of the year.

And finally, on Page #11, the domestic demand during the Third Quarter of the year was higher overall, both compared to 2021, but also compared to 2019, the pre-COVID period. We had increases in middle distillates and other products, but, actually, the consumption of gasoline was a little bit lower than the previous period. We had a big increase in the aviation, 39% compared to 2021 and 11% compared to Third Quarter of '19. And we had an increase in the bunker consumption, but compared to the last…to last year, but compared to 2019, we had 22%.

And with this, I will pass you over to Vasilis Tsaitas for the Group Results overview.

TSAITAS V: Thank you, Dinos. Good afternoon to all of you attending and thank you very much. So, we move on to discuss a little bit in more detail, the main drivers outlined before that have actually affected our performance. So, a very positive environment, benchmark margins accounted for €150 million of an uplift versus the Third Quarter of last year and a strong USD, as highlighted before, had also a significant contribution.

Let me remind you that due to our business model where the gross margin is US dollar driven and denominated and our OPEX base is mostly euro, as well as, our very strong export orientation, we are a beneficiary of the strong dollar.

And also, in terms of performance, the flexibility of our refineries in terms of both taking advantage of crude discounts in the region as well as the switch from natural gas to oil products for reforming and for our own use also had a significant benefit, partially offset by the impact of the energy crisis.

Also, last but not least, is the rebase of the contribution of our renewables business that also had a positive impact of €10 million, leading to an adjusted EBITDA of €504 million for the quarter.

In terms of our financials, I guess, a couple of things to highlight here is a small increase in finance cost due to increased trade finance needs, given the much higher price environment. As well as a smaller impact from base rates as they have been getting off their zeros that we've been used in the last few years. And certainly, that will have a higher impact from the Fourth Quarter onwards.

In terms of the credit facilities maturing in the next few weeks, we are in the final stage of refinancing those and that will be completed by the end of the year.

In terms of our cash flows, as we have a look at the nine month to-date, essentially, we have a very strong profitability of more than €1.1 billion of adjusted EBITDA as well as, the process from the completion of the DEPA Infrastructure transaction. With that cash flow, we have been able, first of all, to weather the increased… increased price environment, as well as the switching of supply from Russian crude already from February to other alternatives that had a negative impact on our working capital.

We're able to finance our growth CAPEX, mostly in renewables with the acquisition of the Mani wind farm, as well as the completion of Kozani earlier in the year. And certainly, we also had a relatively heavy maintenance periods with turnarounds at our two refineries, as well as a maintenance at our Aspropyrgos refinery earlier in the year, Thessaloniki turnaround is completed. And that number also includes the acquisition of our head office building that took place in June. Another more or less €200 million was the remuneration to our capital providers, and that has also left a significant room for deleveraging with net debt of less than €1.6 billion at the end of the period with very positive also credit metrics in terms of both our leverage ratio and our gearing ratio, which the net debt to our capital employed is down to 34% as of the end of September.

Moving on to the business unit performance. For refining supply and trading, as we reiterated before, the key drivers other than the benchmark refining margins and the strong dollar is certainly refining operations. It is the kind of environment that benefits complexity… high complexity and flexibility. So, Elefsina on which we have spent a significant CAPEX program 10 years ago is one of the key beneficiaries of that environment with the ability to take advantage of the opportunities in the market. And as we discussed before, the Thessaloniki full turnaround, which has started in the last few weeks of the Third Quarter was completed in October and the refinery is now operating.

Now, looking a bit more in detail in terms of operations. Our production levels reflect the turnaround of Thessaloniki that we mentioned before, and the crude mix relates mostly to the operational mode of Aspropyrgos refinery, as well as the relative pricing of the various crudes.

Looking at our sales, despite the small decrease in production due to increased trading activity we're able to report sales slightly higher than last year. In terms of the composition of the recovery of the domestic market comparing to the early post-Covid days in the Third Quarter of last year and the significant pickup of tourism had an impact in the mix of sales across our key channels with domestic and aviation and bunkering reporting a higher share of our total sales, but still, exports are close to 50% of the total.

In terms of the actual profitability and how this is delivered in our refining business. We… due to the key drivers that we mentioned before, the very favorable crude supply mix, as well as, the ability to almost fully switch from natural gas to oil products at a time when the relative pricing was that it's more extreme than we've seen in the last few months during this energy crisis led to a significant over performance of around $13 per barrel, this is almost double than what we usually report between the $6 to $7 that is the usual numbers due to the… to those two mainly reasons that we discussed. And obviously, the overall performance of our units pressed from the turnarounds for both Elefsina and Aspropyrgos.

In terms of petrochemicals, in the Third Quarter, we saw the weakest margins… the weakest polypropylene margins for several years, and that has obviously an impact on our numbers. So, a very different picture in petrochemicals, versus refining. And that actually proves the benefit of both the vertical integration on the manufacturing side, where polypropylene is produced at Aspropyrgos, as well as the diversification in terms of markets where the drivers for our refining business are different versus our petrochemicals.

Moving on to our fuels marketing business, starting with our domestic business that have been following us for a few years now, well aware of the seasonality of our domestic business given that aviation is the key contributor, especially in the Second and the Third Quarter. So, the very good… the increased aviation traffic has an impact also on profitability. However, that was outweighed by the sharp decline in gasoline prices from June to September that... so the total inventory loss mostly for gasoline was more than €10 million for the quarter. And as a reminder here, we adjust our numbers for inventory losses only for refining due to materiality. So that means that sometimes we may punish our marketing business as it has been the case for this quarter.

In terms of international marketing, we had a very strong quarter and a very strong year so far, probably the best on record to-date. This is coming from both increase in sales in our wholesale and retail business in most of the countries that we operate, as well as investments in the image, in the safety of our stations that have been conducted in the last few years, targeted growth in certain geographies and as those are maturing, they have a positive impact on our profitability.

At this point, I'll turn you on to George Alexopoulos to discuss our Renewables and Gas & Power business.

ALEXOPOULOS G: Thank you, Vasilis. Good afternoon, everybody. On our Renewables business, we are continuing our growth. We are currently at 340 megawatts in operation. And we are approaching a run rate of EBITDA of about €50 million per year, therefore, we had a quarter with €11 million of EBITDA, and we are pleased to report that Kozani is fully operational, is performing quite well above expectation. And also, we completed the acquisition of 55 megawatts of wind parks in Mani. We are continuing our development efforts on our portfolio, which exceeds 2 gigawatts, and we expect to be in a position to announce new projects fairly soon.

If we move to our conventional power generation with Elpedison. Elpedison had a strong quarter, taking advantage of its operational flexibility and numerous gas trading opportunities. At the same time, the very high prices increased working capital and, therefore, funding needs. Elpedison's EBITDA at €59 million and contribution to our net income of €19 million includes a provision of €18 million for the special contribution that has been assessed on electricity companies.

On the gas business, we have completed the sale of DEPA Infrastructure, which is very positive from a strategic point of view, but also from cash flow and returns to our shareholders' point of view. Regarding the remaining former DEPA Group companies, DEPA Commercial had a strong quarter on increased volumes and improved supply mix and its contribution was €30 million to our net income.

With this, I think I will turn it over to Andreas so that we can proceed with the Q&A session, I believe.

SHIAMISHIS A: Thank you very much, George, and Vasilis and Dinos. You have the analysts presentation with you. You've had the key points of our results and the major developments in the quarter. So, at this point in time, we'll turn over to you for any questions you may have.

Q&A

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

GRIGORIOU G: Yes. Hello and congratulations on another set of blowout results in the Third Quarter. I was wondering if you could help us out a bit and give us a bit more granularity as to why your realized margin was way above… what the benchmarks for the Mediterranean would suggest. Is it simply a factor as you mentioned in terms of cost? Or is it also you manage perhaps to source some cheaper crudes and what we could actually see on our terminals, et cetera?

And my second question would be regarding domestic marketing, and the slightly lower if you like, EBITDA in the Third Quarter versus the second quarter, even though volumes were much higher? Thank you.

SHIAMISHIS A: Dino, do you want to take the first question?

PANAS D: Yes, I will take the first question. Good afternoon George. Well, the big over performance was due to two key reasons. The main one being the cheaper crude slate. So we had much cheaper crude than the benchmark one with quite significantly higher margins that was something around 80% of the better performance and the rest of the performance and best performance was due to you know, the unit utilization, the fact that we did not consume natural gas as it is shown in the benchmark, and we consumed cheaper liquid fuels. So that's about refining.

SHIAMISHIS A: Okay. So, hello from me, George as well. So, as Dinos said other than the great management by him and his team, and the refineries of the feedstock in terms of crude. And I need to emphasize that we switched out of roughly 20% to 25% of Russian origin, crudes and feedstock at the end of Q1. The team has been able to take advantage of international opportunities in the market. I would like to add that as part of the digital transformation, we have shortened the assessment cycles of new crudes, and we are probably more willing to experiment with different types of crudes, which is adding what we classify as over performance, but at the end of the day, it's a convention, as you know very well of what we call benchmark and what is over performance. But at the end of the day, using the traditional definition of benchmark this is over performance.

Now on retail, you're absolutely right, the reported profitability of the retail business in the Second Quarter has dropped both in terms of Q-on-Q and in terms of year-on-year. There is a very simple question in adjusted profitability for the retail, we do not take into account normal inventory valuation changes. Our retail has stocks of about 5 to 10 days depending on location. And effectively, we take the inventory hit on the chain, and likewise, when prices go up, we report a better performance, which was the case in the Second Quarter. So it's entirely down to that, even though the performances from an operating perspective is better, we have suffered an inventory loss on the 5 to 10 days stocks that we keep in the supply chain.

GRIGORIOU G: Thank you. Can I just ask one last question in the end, and I think it goes to Dinos mainly. October was where margins were even higher than what they were in September, if I'm not mistaken. And I think that they're pretty much strong even now, even though you know, cracks have actually come down a bit. What are your view for… I know I am not asking for a guidance, obviously, you understand that you do not give guidance, but what is your view for the remaining of the Fourth Quarter now we're almost halfway through it? And if you can, if you like, give us any let's say, outlook for the First Quarter at least of 2023? Thank you.

PANAS D: A hello sorry… just you know, generally we do not disclose forecasts. _The situation, though, is you know, you're correct that the quarter to-date margins are higher than this Third Quarter. Gasoline cracks are much higher, diesel is coming down the last few days, but it's a very volatile market. It's a market where we see changes of $2 to $4 on a day per day basis. And now, we have to see how the whole thing with the price cap will work both on the crude and then on the products through this 5th of December product is you know, 5th of February. So most probably we will see a lot of distillates… Russian distillates not coming into the Med any longer. We will see quite a few bars of Russian crude moving out of the Med. So, what it means, how it translates? It's not clear yet because the mechanism has not been defined. So, it's very hard to, let's say, to have a projection that we can share.

GRIGORIOU G: Okay. Thank you.

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

ATHANASOULIAS N: Hello and congratulation on the impressive set of results. I have a few questions, if I may. First of all, I would like you to tell me about the growth CAPEX that you mentioned in your presentation. I imagine this is towards renewable energy sources. And this must include the acquisition of wind parks at Mani as well? This is the first question, and I have a couple of other ones on the financial statements. First of all, what are the €64 million that I see on other operating income?

And secondly, about the working capital, as we see, okay, it was reduced in Q3 due to lower inventories. However, we see that trade receivables are still on the rise, while we see a rise on other current liabilities as well. Can you comment on this in general as well? And how you expect this to unwind in the future quarters? Thank you very much.

TSAITAS V: Hi, Niko and many thanks for the questions. In terms of growth CAPEX, as we discussed before, the bulk of it relates to renewables expansion around 95% of it, I would say, relates to renewables. And more specifically, it's actually the acquisition of the Mani wind farms and for the Nine Months, the completion of Kozani and a smaller acquisition that we did earlier this year.

In terms of the €64 million for other items in our P&L, it actually has to do with the accounting gain at the group level for the DEPA Infrastructure sale.

And I am sorry, actually, I missed the last one, can you please repeat? It has to do with other receivables?

ATHANASOULIAS N: Yes, with other liabilities actually, and the comment in general on the working capital and how… and if you expect it to unwind in the future?

TSAITAS V: In terms of current liabilities, it's two main drivers, taxation and the dividend that was payable at the end of September. And that was designed at the end of September and paid a couple of days ago. So, it's 2/3rd tax and 1/3rd of the dividend. I mean the dividend you know the number already.

In terms of the working capital, we didn't see much of a movement in the last quarter. So, I wouldn't say…in order to see the working capital unwind, we see…we need to see a structural change in prices. So, other things being equal in terms of operations, scheduling of cargoes and operation of our refineries, I don't see a significant change in our working capital.

ATHANASOULIAS N: I appreciate. Thank you very much.

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

SHIAMISHIS A: Thank you very much. Clearly, it has been a very good quarter in terms of results. There is... if you will, a very warm feeling from us and clearly for the markets about the performance. The drivers for the performance have been the international refining environment, which has helped us a lot. And that is the main reason for this set of results. But at the same time, we have improved the way we run the business. As Dinos has mentioned earlier, the over performance is something which is a result mainly of the flexibility of the refineries to process different types of crudes, the agility of the supply and trading team to explore and secure different types of cargoes, which of course, which increase the profitability. So, we did have some part in this performance.

And finally, it's a result of the last few years of transformation efforts, be it in digital transformation, in energy savings, in restructuring and rightsizing the organization. So, it's a number of combinations, always maintaining at the back of our mind, the fact that the environment is something which can lead to such big things. We're very pleased that in this quarter, we had the completion of the first phase of Vision 2025 with an almost unanimous support from shareholders, from the financial institutions, from the capital markets. And more importantly, from our own management and employees, from our staff, who have not only approved these changes, but have embraced them and are actually leading the way to help us deliver a different, hopefully, better or better suited group for the next 20 to 30 years. And these changes so that we don't forget the amount of effort that has been put behind this transformation. They have to do not only with the strategic redefinition and the CO2 footprint target that has been set, but they have to do with much more fundamental issues as well, such as the governance of the group, the corporate governance has been a long-standing issue for our group, as you know very well.

The reorganization and the cleaner group structure with the subsidiaries and the holding company, again, has been a major win for us, not only for achieving it, but also for the way it has been achieved with... as I said, unanimous almost support, making sure that everybody is kept well informed and aligned to this target. And... it is something which makes us very, very happy and very proud for what we have achieved. However, one can only know the fact that the energy crisis, even though it relates mostly to gas and electricity is something which is at the top of peoples' minds and concerns. So, in that respect, as a group, we have utilized part of the increased profitability for an enhanced social support program. And I'm not referring to the taxation, which will come at some point in time in the next few months. It will be what it will be, but I'm talking about participating as an active corporate citizen in social needs.

In addition to having a good set of results, we're actually even more proud of our support in the society and the needs in a way similar to what we did a couple of years ago with COVID. We have assumed a number of heating needs for example, the hospitals children in Athens and Thessaloniki, we have assumed provision of heating diesel for the winter for them. We have assumed the heating needs for most… if not all of the schools adjacent to our refineries and a number of other initiatives which we are carrying out. Not only on a targeted basis for the people in need and for adjacent areas, but also, for the economy overall, we have topped up with the government subsidy on heating diesel, heating gasoil in October when the heating season started, with an additional discount, which is financed from increased profitability from our exports.

So we believe that a good company is a company which can deliver the best short-term results given the environment, because there is not a lot we can do. A good long-term strategy and implementation of the strategy and at the same time, a decent corporate citizenship, which is critical for this... for this trying times that we're going through. We have high expectations for the next quarter, probably not as high as the last couple of quarters, but we think we will be reporting a good set of results for the Final Quarter of the year.

And...as things stand, we can see a relatively positive 2023. We don't expect it to be at similar levels as 2022. But definitely, they are two years that even with the special taxation and the special contribution taken into consideration, have helped the Group or will help the Group by the end of 2023 to strengthen the balance sheet, implement this strategic switch that we're doing, and have a sizable new business in renewables, which will add to an already very good portfolio of refining and downstream process that we have.

So, thank you very much for taking the time to attend our conference call. And we remain at your disposal with Vasilis and Nikos and their teams for any follow-up questions or discussions you may want to have with the company. Thank you very much.