26 August 2021

Second quarter / first half 2021 financial results

Improved operating results in 2Q21, due to increased Petchems and Retail sales contribution; Record refined product exports

HELLENIC PETROLEUM Group announced its 2Q21/1H21 financial results, with Adjusted EBITDA up 26% at €79m and the corresponding Adjusted Net Income amounting to €10m. Results are also improved vs LY and 1Q21, as gradual market recovery leads to marginally improved international environment.

The improvement in operating profitability came mainly from the record high Petchems results, where reduced international polypropylene supply led to very strong benchmark margins. Fuels Marketing also reported improved performance, as the auto-fuel market recovers with the gradual lifting of transportation restrictions.

Refining, Supply & Trading delivered a positive operating performance, with record exports, which in 2Q21 accounted for 67% of total sales. These partially offset the negative impact of Med crude oil pricing, the maintenance slow-down at the Elefsina flexicoker due to the power grid issues last February. During the quarter, results were also impacted by higher CO_2 emission cost and power tariffs increase.

The contribution of ELPEDISON, as well as of DEPA Commercial and Infrastructure companies was positive, mainly due to improved conditions in the power market, as well as the realisation of commercial opportunities in natural gas.

The recovery of international oil prices for yet another quarter, had a positive impact on the inventory valuation gains, with Reported EBITDA at €133m, while the IFRS Reported Net Income amounted to €54m, with 1H21 at €206m. It is noted that the accounting treatment of CO_2 emissions under IFRS does not provide for the quarterly accrual, resulting to an uneven reporting and deferral of cost from the first half of the year to the second. This impact is adjusted for comparability purposes in Adjusted Results, in order to better reflect underlying quarterly business performance.

Strategy update – Main developments

During 2Q21, the AGM approved the required amendments in the Articles of Association and elected the new Board of Directors, with 4 independent members, applying a new fit and proper policy. In 3Q21 the company complied with the new law 4706/2020, putting in place an improved corporate governance framework.

On July 29, 2021, the HELLENIC PETROLEUM BoD initiated the process of changing the Group corporate structure, with the spin-off of Refining, Supply & Trading and Petrochemicals activities and establishment of a holding company, which will be implemented in the coming months, subject to required approvals. The new structure supports implementation of our strategy, including growth in clean energy activities.

Regarding the 204 MW PV park in Kozani, the works continue according to plan, with c. 65% of the construction already completed, targeting operation in 1Q22. In 2Q21 Kozani project represented 45% of the Group's investments.

With reference to the sale process of DEPA Infrastructure (65% HRADF - 35% HELPE), in which the Group participates as a joint seller with the HRADF, binding offers were submitted by EP INVESTMENT ADVISORS and ITALGAS SpA and the assessment of the bids is in progress. It is expected that with this process will be completed soon, with the announcement of the preferred investor.

In E&P, the Group notified the Hellenic Hydrocarbon Resources Management Company about its intention not to proceed with further exploration activities in the onshore areas of "Arta-Preveza" and "NW Peloponnese". The Group is assessing and focusing on higher prospect areas and reviewing its plans with its international partners.

In 2Q21, the Group completed the strategic cooperation agreement with VLPG Plant Ltd. for LPG logistics and distribution in the Cypriot market, through the Group’s participation in VLPG Plant Ltd.

Furthermore, significant progress has been recorded in upgrade and expansion works of our international retail network, which considering the impact of the crisis, has led to a material improvement of the Group’s international business performance.

Andreas Shiamishis, Group CEO, commented on results:

“*During the second quarter, we saw the first signs of recovery in our core business, with the gradual lifting of restrictive measures, however the environment remained particularly weak, as evidenced by benchmark margins close to historic lows.*

Our results are improved both y-o-y and q-o-q in almost all our activities. We took advantage of the opportunities presented in the international market, with record fuel exports, while Petrochemicals reported exceptional contribution for another quarter, benefitting from the high international margins and vertical integration with refining. Our Marketing subsidiaries, both in Greece and internationally, increased profitability, with market shares improvement and new products launch. At the same time, our Power & Gas Associates also improved performance.

While we remain optimistic for the coming quarters, the short-term outlook is highly dependent on pandemic developments, which affect the macroeconomic environment and fuels demand.

Regarding the implementation of our strategy, we took important steps over the last months in the context of "VISION 2025”, through the alignment of corporate governance with the regulatory framework, the process of changing the Group corporate structure, as well as number of other projects for operational improvements. The approval by our shareholders of a new strategic direction is timely and extremely important, as it will enable improvement of existing activities, but also growth in a second pillar of cleaner energy, improving the Group’s position in a changing environment.”.

Crude oil prices recovery continued, while refining margins remained weak. Further increase in CO_2 emission allowance prices

International crude oil prices continued to recover in the second quarter, as global demand increased further, with a deficit in supply, due to the OPEC+ crude oil production cut agreement; Brent prices averaged at $69/bbl in 2Q21.

The US Dollar/Euro exchange rate remained at the same levels vs 1Q21, at 1.20 on average, compared to 1.10 in the corresponding period last year, negatively affecting export-oriented sectors such as refining, whose margins are USD driven and denominated.

CO_2 emission allowance prices continued to increase significantly, amounting to €52/tonne, 132% higher compared to 2Q20; combined with the reduction of allowances for European manufacturing in phase 4 (2021-2025) of the European Emissions Trading Scheme, has a negative impact on European refining competitiveness.

The gradual lifting of travel restrictions led to an additional increase in gasoline cracks, while the weak aviation recovery kept middle distillates cracks close to multi-year lows, while the Brent-Urals spread averaged at $1.7/bbl. The above led to a slight improvement in the benchmark margins, which remained low, with FCC margins at $2.3/bbl and Hydrocracking at $0.1/bbl.

Recovery of domestic market auto-fuel demand

The gradual lifting of mobility restrictions led to 20% higher auto-fuels demand, compared to 2Q20, while June consumption approached 2019 levels. Total demand decreased by 9% compared to last year to 1.4m MT, due to the particularly high demand for heating oil in 2Q20, which normalized this year. In the duty-free market, bunkering fuel demand increased to 582k MT (+17%), while aviation fuel consumption, although increased compared to last year, remains 72% lower vs 2Q19.

Reduced financing cost

Financing cost continued to decline, improving by 8% in 2Q21, to €24m, following the refinancing of €900m credit facilities, which took place in the 4Q20. The Group will proceed with the update of its financial strategy and capital structure, in the context of "Vision 2025" including the potential of a new bond issue in the coming period, while it will proceed with the repayment of its €200m October '21 bonds.

Net Debt in the 2Q21 came in at €1.8bn, at the same levels as last year.

Key highlights and contribution for each of the main business units in 2Q21 were:

<u>REFINING, SUPPLY & TRADING</u>

- Refining, Supply & Trading 2Q21 Adjusted EBITDA at €12m.
- Production at 3.7m MT (+1%), while sales increased by +11% at 4.1m MT, with exports at 2.7m MT (+20%) accounting for 67% of total.

PETROCHEMICALS

- Petrochemicals achieved its highest profitability for the second consecutive quarter, capturing strong PP margins, with Adjusted EBITDA amounting to €45m (+181%) in 2Q21 and €81m in total in 1H21 (+125%).

MARKETING

- In domestic marketing, auto-fuels demand recovery, improved market shares and the high premium fuels penetration led 2Q21 Adjusted EBITDA to €9m.
- In international marketing, the results were mainly affected by the fuel demand recovery in retail due to the gradual lifting of lockdown restrictions, with 2Q21 Adjusted EBITDA at €15m (+47%).

ASSOCIATE COMPANIES

- DEPA Commercial and DEPA Infrastructure contribution to 2Q21 consolidated Net Income came in at €4m.
- ELPEDISON 2Q21 EBITDA almost doubled, to €21m, due to the increase in wholesale prices and the improved performance of the upgraded Thessaloniki plant.

HELLENIC PETROLEUM GROUP

Key consolidated financial indicators (prepared in accordance with IFRS) for for 2Q/1H21 are shown below:

€ million	**2Q20**	**2Q21**	***% Δ***	**1H20**	**1H21**	***% Δ***
P&L figures						
Refining Sales Volumes ('000 MT)	3,623	4,056	12%	7,506	7.467	-1%
Sales	1,067	2,235	-	2,986	3.957	33%
EBITDA	76	133	76%	-341	391	-
Adjusted EBITDA [1]	**63**	**79**	**26%**	***191***	***139***	***-27%***
Net Income	5	54	-	-336	206	-
Adjusted Net Income [1]	**-22**	**10**	**-**	***21***	***12***	***-42%***
Balance Sheet Items						
Capital Employed				3.658	3.769	3%
Net Debt				1.752	1.751	0%
Debt Gearing (ND/ND+E)				48%	46%	-

Notes:

1. Calculated as Reported adjusted for inventory effects and other non-operating items.

Further information:

V. Tsaitas, Investor Relations Officer
Tel.: +30-210-6302399
Email: vtsaitas@helpe.gr