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 S.A.
First Quarter 2024 Financial Results
Conference Call

Thursday, 16th May 2024, 18:00 (GR Time)

Conductors:

Mr. Andreas Shiamishis, CEO

Mr. George Alexopoulos, Deputy CEO, GM Group Strategic Planning & New Activities

Mr. Vasilis Tsaitas, Group CFO

Mr. Dinos Panas, GM, Oil Supply & Sales

Mr. Nikos Katsenos, Investor Relations Manager

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300

FAX: + 30 210 94 27 330

Web: www.choruscall.com

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Popi your Chorus Call Operator. Welcome and thank you for joining the HELLENiQ ENERGY Holdings Conference Call and Live Webcast to present and discuss the First Quarter 2024 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, Investor Relations Manager.

Gentlemen, you may now proceed.

SHIAMISHIS A: Thank you very much. Good afternoon. Welcome to our First Quarter '24 Results Announcement and a discussion on the Business Performance and Developments for the First Quarter.

Without further ado, I would ask you to go to Page 4, where we have the Key Highlights of the First Quarter. We've tried to put down the sort of 4 main pillars that we think are important to discuss during this call, starting with the Market, the Market Performance. We've seen a leveling of the crude oil prices and a material reduction on the absolute levels for gas and power, of course, including CO_2 costs. Benchmark margins are down compared to last year, but they are still at healthy levels, a bit lower following the first quarter, but at healthy levels for the First Quarter.

And what we do see, at least in the Domestic Market, is a continuous increase in the demand for other fuels, which is effectively the backbone of the consumption. Against that backdrop, we have improved our operations with increased utilization of the refineries. It meant that the additional volume was channeled partly to the increased demand for most products, not forgetting gas oil, but for most products in Greece. And at the same time, we saw an increase in volumes, which is effectively the result of the opening up we've had over the last few years. So, it does signal how important the Exports Markets are for us. And the importance that we have to get to those markets.

In terms of our Performance in the Refineries, how we can improve the netback in the refineries, we have an $18 per barrel realized margin, which is up from previous quarters. Part of that over performance is down to the crude selection process. We've seen fewer opportunities during this quarter compared to last year to take advantage of crude differentials in terms of what the price of the barrel is compared to the netback of that barrel. So, it meant that we lost a little bit of the ups that we had last year, but it is still a very positive over-performance.

On the Marketing side, we see increase in premium products across our markets. And it is something which had it not been for the Regulatory price cap increase and a relatively higher-than-expected percentage of petrol stations not delivering -- not in our network, of course, but overall in the market, not delivering the right quantity of products, I think we would be able to have much better results on the Greek marketing business.

On the Renewables, numbers are improving at the back of increased capacity in operation, which is just under 0.4 gigawatt at the end of the quarter. And we -- as we will see a little while later, subject to load factors, curtailments and operating issues, we are progressing as planned. As a result of that, we have a very healthy adjusted EBITDA number at just under EUR340 million for the quarter, a bit lower than last year, but still a very good number. And Adjusted Net income of EUR164 million. On the reported side, results are even better, around EUR 350 million. Compared to last year, we have a lower inventory negative impact because of the losses we reported last year, which is good.

Cashflow wise, adjusting for the increased working capital we have due to the Red Sea route problems, necessitating higher number of barges on water. We have a very strong cash generation, and that is something which is being put to good use when it comes to the refinancing and the refinancing discussions of the Group's net debt. So overall, a very good quarter, which sets the scene for another good year for 2024.

The Outlook looks a little bit weaker than the First Quarter. April -- at the beginning of May, we've seen refining benchmark margins being at lower levels, still healthy, but not as high as we've seen them in the past. And we are progressing our initiatives on all fronts. So as an outlook, I would still maintain a positive outlook even though we don't expect it to be at the 2022 and 2023 levels. It's still a very good year.

All of our projects are progressing well in terms of digital optimization and transformation of the business, expansion of our international business, growing in the second pillar in the renewables space and of course, improving our internal operations. So this is, in a nutshell, the big picture for the quarter.

I would ask Dinos Panas now to discuss the environment and the market background, please.

PANAS K: Okay. Thank you, Andreas. Good afternoon, everybody. On Page 6, you can see the numbers for the Crude oil, the FX and Natural gas and the CO_2 emissions cost. Crude for the quarter at $83 very, very similar to the First Quarter of the previous year. We see natural gas and electricity prices being down 50% compared to 2023 and CO_2 emissions at the lowest cost for quite a few time now. Okay. Currently, we are trading at around 70, 68-point something.

Going on to the Oil Business in the next slide, number 7. We had benchmark margin at $8.8 per barrel a little bit higher than the average of the Full year 2023, but definitely lower than the First Quarter of the previous year, mostly because of the weakness in gasoline, ULSD and naphtha. While on the other hand, the HSFO crack improved significantly from minus $24 to minus $15 per barrel.

And finally, on Page 8, we see that the Greek market is still growing, especially in automotive fuels. We see a 3% increase in the gas and consumption, a 5% increase in the diesel consumption, the overall market grew by 2%

quarter-over-quarter, year-over-year. We see a big increase in the aviation consumption by 19% and the significant increase also in the bunkers' consumption by 9%.

And with this, I will pass it to Vasileios Tsaitas to discuss the Group performance.

TSAITAS V: Thank you, Dinos. Good afternoon. Moving on to Page 10 to discuss about our Results in more detail. So as mentioned before, Refining sales are high by 8%, high cost for some time in the last few quarters. In terms of EBITDA, a total adjusted EBITDA of EUR338 million, driven mainly by Refining. Certainly a little bit lower than last year, given the fact that Q1 '23 was, let's say, the last quarter affected by the energy crisis.

We've seen the normalization and a level of macro fundamentals more or less stabilized in the last few quarters. However, the EUR338 million is 50% higher versus the Fourth Quarter, the previous quarter so quarter-on-quarter. In terms of Associate contribution, these are also affected by the environment, both Elpedison and DEPA reported much lower results than last year.

Looking at Finance cost, there is almost flat, flat and lower than Q1 '23. We have to consider the fact that base rates versus the same period last year are 1.5% higher. We've been able to fully offset this by reducing the spreads on our banking facilities through the refinancing that have undertaken last year, the reduction of debt, as well as the better use of our cash balances.

Reported results driven by the impact of crude and product prices on inventory valuation are higher than last year because of higher loss occurred in the First Quarter of '23, resulting to an overall better results. In terms of capital employed, the comparison versus last year is mainly driven by working capital.

Andreas mentioned before, the impact of the distraction of the route due to the Red Sea crisis. As well as the tax liabilities, which were much higher in the First Quarter last year and have been repaid in the meantime. And that also affects net debt, which is a bit higher versus the end of the year.

Moving on to Page 11. We see a visualization of what we already discussed the elements of the environment mostly benchmark refining margins and the crude differentials that are much tighter that have affected results. This is partially offset by lower pricing of CO_2 and electricity and certainly, a very good operational performance at our refineries and the rest of the business. Most in the form of higher production, increased sales in terms of volumes, as well as a premium.

On Page 12, we are in the process, we are finalizing the process of refinancing around EUR1 billion of bank facilities that will be completed in the next few weeks. So, we're showing pro forma how the maturity profile will be shaped by the end of the Second Quarter. So effectively, we're clearing the maturities for the next three years, moving all to '28 and '29.

We are converting part of our loan portfolio to fixed rate, taking advantage of low rates versus the previous quarters. So a better risk perception of our balance sheet, much lower spreads, even lower than those that are being reflected in the First Quarter. So overall, a much more stronger balance sheet.

The last maturity to address for '24 is our Eurobond notes maturing in October. We are considering our options and finalize our decision in the next few months. There is plenty of capacity certainly to refinance from bank debt, it's around 1.5 billion of headroom, but we'll finalize our plans in the coming months.

Now moving on to individual, to discuss individual Business segments, starting from our Refining, Supply & Trading business. We mentioned production of 3.8 million tons for the quarter. This is the highest quarterly performance in the last four years. So we're very happy with the operation of our refineries.

That has certainly driven sales volumes higher and Adjusted EBITDA of 290 million, more or less, which is 25% higher quarter-on-quarter. Capex reflects the usual maintenance at the refineries plus the progress of growth initiatives, mostly in energy autonomy and energy efficiency projects in the three refineries.

On Page 16, we discuss about production, which reflects high utilization in all our three plants. In terms of sales, all market channels have grown in terms of sales, reflecting also some market share gains in the domestic deliveries. Exports are the highest in the last three years and represent a total of 62% of sales, while crude sourcing reflects the environment available opportunities to take advantage of the opportunities, which were much more limited, given the tighter market in the region.

Moving on to Page 17. Our total realized margin of $17.7 per barrel, this is higher than the last quarter and reflected also in the adjusted EBITDA numbers, driven by the benchmark margin and certainly our ability to sustain and even increase a bit the over-performance. This is mostly driven by higher exports and very good export premia during the quarter.

Moving on to Page 19. Our Petrochemicals business with very good operations and an adjusted EBITDA performance of 23 million. That is driven by the recovery of petrochemicals's polypropylene versus propane spread. That is the main driver of our performance.

After several quarters of results at a quarterly run rate of anywhere between 10 million to 15 million, it appears that this is, at least for the moment, driven from the Red Sea crisis and the cost of importing polypropylene from Asia, which has risen given the rerouting of the cargoes around the Cape.

Moving on to our Fuels Marketing Business on Page 21. EBITDA is higher than last year mainly due to the inventory valuation and on an adjusted basis, it's flat. Our Marketing business is delivering better performance in terms of sales volume, which is actually higher than the market, reflecting the market share gains across most of the products, increased penetration of differentiated products, our 98 and 100-octane gasoline and the premium diesel.

However, despite the fact that you know the prices have stabilized at current levels for the last few quarters, the regulatory caps on retail margins remain in force. And given also the inflationary pressure on OPEX they do continue to affect our numbers.

Our International Margin on Page 22 again a very good performance versus last year we need to consider first of all again the wholesale performance of our OKTA business which last year we still had the additional volumes of fuel oil for power generation that are not -- that are not there anymore. And at the same time, OPEX has increased mainly driven by network development across our portfolio across our countries, which are expenses that will gradually yield better results as the networks, the new business development matures in the coming quarters.

So at this point, I'll pass you over to Georgios Alexopoulos who will discuss our renewables and power business. George?

ALEXOPOULOS G: Thank you, Vasili. Good afternoon, everybody. On the Renewables business, we have reached 381 megawatts of installed capacity at the end of the quarter. So this is not yet reflected in the results. EBITDA year-on-year increased to 11 million. We did observe somewhat lower PV load factors partially due to the weather, but also due to curtailment which has increased over last year.

If we move to Page 25. We are progressing towards our goal 1 gigawatt of installed capacity by the end of next year. We have secured that goal through a number of projects which are currently under construction or about to begin construction. And we are focused on developing our pipeline which is maturing gradually, currently standing at 4.3 gigawatts and expected to deliver in the short term the necessary megawatts to reach the 1 gigawatt goal for the end of next year.

If we move to the next page on Elpedison, this has been a quarter which is lower in performance compared to the same quarter last year which was an exceptionally good quarter. The performance is more or less in line with the last couple of quarters.

The Thisvi unit is back in service, but it wasn't for most of the First Quarter. And in general the market conditions have not been as favorable. EBITDA of 18 million and contribution to the Group net income of 4 million for Elpedison. And I believe with this, we conclude the presentation and we can turn it over for questions.

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

ATHANASOULIAS N: Hello Gentleman. Thank you very much for your presentation. I have three short questions. The first one is regarding the gross production. I see that the utilization rate right now was 109% namely well above nameplate capacity. What are the limitations of that? And what's the ceiling that we should expect regarding production?

The second question is regarding the over performance of the realized refining margin compared to the benchmark. Even if the refining margins continue to drop in the coming quarters, should we now expect more resilient over performance due to improved operations?

And last one, last question is, should we take it as a sign of there's no slide for the DEPA Commercial or what are your plans on that end? Are you seeing maybe a potential sale of the stake or you having something like that?

SHIAMISHIS A: Ok, I think three questions noted. So the first one on the production capacity. The actual production of the refineries is driven by the availability, but also by economics. So what we are reporting is better utilization because of availability and economics which were pretty much consistent with full utilization of those refineries.

We expect to see similar levels of utilization throughout the year, but it's going to be driven by economics rather than anything else. We do have the shutdown of individual units which is part of the normal maintenance routine, but I wouldn't expect to see anything major.

On the refining margins, the over performance part that we have there which is $8.9 I would expect that to be relatively consistent throughout the year. Now if that is at a dollar up or down, it's very difficult for me to project because there are a number of constituents in this overperformance. You have the commercial margins in the domestic market. You have the trading margins on the international business. You have the crude supply optimization plus any overperformance on the actual refineries. So I would expect that number to be at similar levels. Definitely, not materially different.

Now the third question is about DEPA and why we don't have a page on DEPA. As you may have seen in the press, there is a lot of uncertainty on how they're dealing with the applications or the claims between DEPA and Gazprom. Given that uncertainty and the fact that the visibility to this issue is not available to us in terms of how they negotiating -- how DEPA is negotiating with Gazprom and what is going to be the final impact, we chose to include DEPA in our results.

So DEPA is included in the results in the associates. There is a small loss reported for the First Quarter which you can see in our accounts. But we did not want to go into a detailed analysis of the performance given that it is something we are not -- we don't feel comfortable with, especially during the First Quarter where numbers are not audited.

ATHANASOULIAS N: Okay. Great, thank you. And one follow-up on the utilization rate. So I guess this is the ceiling, if you say that we can normally see similar levels of utilization rates in the future?

SHIAMISHIS A: No. I mean, for the remaining part of the year, we don't have any major stoppages scheduled. And assuming the benchmark projections that we see and expect to be available, utilization rates are going to be very similar to the ones we've seen in the First Quarter.

ATHANASOULIAS N: Ok, that’s clear, thank you.

SHIAMISHIS A: Thank you

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

TZIOUKALIA F: Hi, hello and thank you for the presentation. Two questions from my side. If you could please, first reiterate the CAPEX for the year. And secondly, what do you expect to be the megawatt capacity installed by the end of this year?

SHIAMISHIS A: Vasilis will take the first question and then maybe George can take the second.

TSAITAS V: Sure. Thank you, Fani, for that question. In terms of the CAPEX for the year, if you look at refining -- downstream CAPEX should be in the 200 million to 250 million area, reflecting maintenance requirement CAPEX although there is no major turnaround scheduled for '24, as well as the expected progress on polypropylene plant, as well as the other growth projects in refining. And on renewables, that will mainly depend on the pace of the addition of new capacity. George will tackle the numbers in terms of the capacity that will be added during '24.

ALEXOPOULOS G: Yes, hello Fani. We expect, based on the current progress of the projects under construction, we expect to be between 500 megawatts and 600 megawatts installed capacity, probably closer to the 600 number.

TZIOUKALIA F: Brilliant. Thank you all.

OPERATOR: The next question comes from the line of Zouzoulas, Constantinos with Axia Ventures. Please go ahead.

ZOUZOULAS C: Hello. Thank you for the presentation. Just to confirm that the working capital will be normalizing given the fact that in the First Quarter was impacted by the route disruption. And my other question has to do with the regulatory caps. Is there any visibility what's going to happen there?

TSAITAS V: Thank you, Costa. On working capital, effectively, no, this is a temporary effect. However, we don't know when it's going to be resolved. As long as the Suez Canal is effectively closed or highly risky to pass cargoes through Suez, any crude arriving from the Middle East will have to take a much longer route. We're talking mostly about Iraqi crudes listed from Basrah terminal. So for every cargo we deliver in process at our refineries we need to have one going around the Cape. So that burden which could be anywhere between EUR100 million and EUR150 million, perhaps more if we increase the sourcing from Iraq. And these are cost benefit analysis of pricing or the relative pricing of Iraqi crude versus the financing cost of additional working capital will be sustained.

ZOUZOULAS C: And on the regulatory caps?

SHIAMISHIS A: Well, the idea for regulatory caps, which was the second part of the question is that they should have been lifted by now. They remain in place. I can only express an expectation that they will be lifted in the next few months. However, this is something which the government has to decide. And it's not up to us. Unfortunately, the rhetoric around inflation and cost increases, confuses real domestic cost increases with the cost of imported raw materials, in which is the case for our own products. So we'll see. Unfortunately, I cannot be more specific on that.

ZOUZOULAS C: Okay, thank you very much.

OPERATOR: There are no further audio questions at this time. And 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 a written question from Nicholas Paton from Edison. On working capital increase and Red Sea issues, are you expecting solution to the situation there and if so, over what time scale? And has this changed your sourcing strategy?

Regarding the outlook in terms of benchmark margins, Nicholas also asks, April benchmark margins are at lower levels but still healthy. Do you have an estimate for margins for Full Year '24 versus Full Year '23. And another question on aviation, what has driven the strong growth in volumes year-over-year?

TSAITAS V: Thank you, Nikos. And Nicholas, on the first question on working capital, I believe that we have covered that already was a similar question from before. In terms of outlook, as we mentioned before, Second Quarter margins are seasonally lower as it was the case last year. However, they are at least $1, $1.5 higher versus the same quarter. So that should reflect to a positive read across on our results, at least up until now.

In terms of outlook for the year, we do expect some further moderation versus '23, but still at good levels and above mid cycle. In terms of aviation volumes and sales of both refining and marketing, this is driven by increased aviation traffic at the Greek airports. I guess it's a good indicator about reflecting the very positive outlook for the tourist season upcoming in the Second and Third Quarter, given that the First Quarter, seasonally, it's the lowest of the year.

So hopefully, that gives optimism about stronger air traffic versus last year for the upcoming quarters.

KATSENOS N: No further questions from the webcast. Operator, back to you.

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

SHIAMISHIS A: Thank you very much for your time in attending our call today. As I said at the beginning, it's a strong start to the new year. We expect that to remain at relatively strong levels throughout the rest of the year, albeit at marginally lower levels. But in terms of financial performance, I would say that we expect to see a positive year, yet another positive year. In terms of the strategic initiatives or in terms of the operational excellence initiatives, we are progressing with all of them.

There are issues, availability of human capital is becoming a bigger issue, not only for us, for the whole of the market. especially if you operate in a highly specialized industry like ours. So it is an issue which I think everybody in Greece is facing. But we are committed to actually move forward and make changes to the way we operate our business.

In terms of the strategic initiatives, we have focused in expanding our international portfolio, be it in our traditional business and hopefully, over the next few months, we will be able to announce a couple of important, maybe not all material, but important transactions and changes that will expand our international portfolio.

And also in terms of expanding in our new energy portfolio with the opening up of our green utility trading platform in Cyprus, and also the close to delivery of the first part of the PV projects in Romania. We are committed to operate the business with a value creation perspective. I think the recent transaction of 11% has helped the stock price to sort of elevate to a higher level. And we prepare for our AGM in about a month from today, which will effectively coincide with the completion of the board tenure. So we'll be able to have a bigger presentation and discussion on what has happened over the last three years.

Thank you very much, once again, and we look forward to presenting our results for the Second Quarter.