

## **HELLENIC PETROLEUM: The leading Energy Group in Southeastern Europe, in an environment of intense competition and significant opportunities**

### **A. The Group**

HELLENIC PETROLEUM, founded in 1998, is one of the leading energy groups in Greece and in South East Europe.

- Supply and Refining of crude oil and Trading of petroleum products
- Petrochemicals/Chemicals Production and Trading
- Fuels Marketing, both in Greece and abroad
- Oil & Gas Exploration and Production
- Provision of Consulting and Engineering services to hydrocarbon related projects (Asprofos Engineering)
- Power Generation and Trading ( ELPEDISON)
- Supply, Transportation and Trading of Natural Gas (DEPA-DESFA)
- Renewable Energy Sources

The Group of HELLENIC PETROLEUM has successfully completed a major investment program amounting to €3bn, in an unprecedented international and domestic economic crisis. With regards to this investment plan, HELLENIC PETROLEUM completed the largest private manufacturing investment, in Greece, the upgrade of the Elefsina Refinery, worth €1.8 billion, enhancing its competitive position and export-orientation, with exports now being more than 55% of its total production. The new refinery has a significant impact on the Group's profitability, while accruing multiple benefits for the environment, employment and the national economy.

The Group also implemented a series of efficiency improvement programs in all business units, achieving annual benefits over 350 million euros, thus improving its competitive position.

## **B. The Oil environment in Europe – International Competitiveness**

The economic crisis resulted in a sharp decline in demand of petroleum products and refining margins, with a direct impact on the profitability of the industry worldwide.

The refining sector has entered a period of reorganization and redeployment worldwide. The economic crisis has forced many oil companies (such as ENI, Shell, Total, INEOS) to reevaluate their strategy by deciding to reduce their activities in certain countries, either by shutting down/selling less competitive refineries or by turning their refineries into repositories.

Especially in Europe, 22 refineries of total capacity of 2.6 million barrels per day have terminated their operations since 2008, which amounts to 13% of Europe's total refining capacity, of which 1,8m barrels per day involve EU Countries. Increased competition in the Mediterranean area is of particular importance for the competitive presence of the Greek refineries.

According to analysts, an important reason for the loss of competitiveness of the refineries in Europe is the cost of compliance with EU legislation. This affects particularly the refineries in southern Europe, which experience increased competition from the refineries of Middle East due to their proximity. This fact combined with the absence of such standards in the non-EU markets, to which the majority of the industry's products is addressed, burdens European and Greek refineries, with the unfavorable prospect that this situation will worsen in the near future.

According to data, included in the fitness check EU study, the cost affecting the sector due to European legislation is estimated at \$ 0.47 per barrel and is responsible for 25% of the sector's competitiveness loss – at margin levels - during the period 2000-2012. Compliance cost is estimated even higher, if we consider the legislative initiatives after 2012. According to calculations, this will be increased by \$ 1.5 per barrel by 2020.

Fuels Europe reports that, between 2014 and 2020, the total loss of competitiveness in relation to the countries of the Middle East is expected to reach \$ 4.4 per barrel, creating major concerns to the industry.

### **C. Vision**

The companies of the future must - as a minimum - satisfy the following:

- **co-innovation**
- **competitiveness**
- **extroversion**
- **people**
- **social awareness**

### **D. HELLENIC PETROLEUM 's role and strategy**

In this difficult business environment, HELLENIC PETROLEUM Group has set its strategy, with the main pillars; Sustainable Development, Competitiveness and Safety.

The Group's strategic priorities are listed below:

1. Implementation of holistic safety program in all of our operations
2. Leveraging Investments to Improve Results
3. Deleverage Group & Reduce Borrowing Costs
4. Maximize Value in Activities Portfolio
5. Focus on Human Resources Development and Corporate Social Responsibility

The strong pressures on the refining industry mentioned above, highlight but also impose as the Group's main medium-term objective, to ensure international competitive presence in the refining sector, which is a prerequisite for any planning or role searching in the recovery endeavor.

As a result, the main levers to achieve the objectives are:

- Increased extroversion (exports > 50%)
- Exploiting all opportunities that arise in the international supply and marketing industry (liquid fuels, hydrocarbon exploration and production, natural gas, electricity, foreign subsidiaries etc.) In this context agreements were made with NIOC to cover 25% of the Group's needs in Iranian crude oil

and with Rosneft, SOMO and EGPC for the supply of crude oil and petroleum products. The aim is a balanced basket to be created of 50%-50% supplies from traders and oil producers, for the optimal impact on margins and results and in all our activities

- Maximizing efficiency of industrial plants
- Customer focus and satisfaction of its future needs
- Improving competitiveness

**In fact, HELLENIC PETROLEUM adjusts its strategy to maintain high competitiveness and increased flexibility.**

In the context of the medium term planning, Hellenic Petroleum Group adapts the European positions on the transformation of the energy system, innovative business models and reorientation towards actions related to energy and products of a new era (RES, gas networks, and electricity), while at the same time it strengthens its position in the oil industry as it is defined in the context of the European energy transformation.

**HELLENIC PETROLEUM has decided to play a major role in the whole of the energy sector and take advantage of any opportunity that arises to further strengthen its position as the leading Energy Group in Southeastern Europe.**

**Greece is the “energy gate” for Europe.**

Apparently, our country has a particularly advantageous geographical position near or within the current and future energy corridors for the distribution of energy coming from the Middle East, Central Asia and North Africa to Europe, and should be exploited.

This exploitation may provide important geopolitical and economic benefits such as the accession in international energy networks (pipelines and terminals for gas stations, hydrocarbon research, and development of regional energy markets). Very significant projects are taking place in the region, characterized as Projects of Common Interest (PCI) by the EU. Among them, the Trans Adriatic Pipeline (TAP) from Greece to Italy via Albania, Greece-Bulgaria Interconnector (ICGB) and the

Euro-Asian electricity and gas interconnectors that will connect Greece with Cyprus and Israel. Their construction will contribute to diversification and thus to security of supply, and will make Southeast Europe an “energy-safe” area and Greece will become a major energy hub in the region.

HELLENIC PETROLEUM participates in the sectors of natural gas and electricity through their holdings by 35% in DEPA Group and by 38% in Elpedison and closely monitors all developments.

In addition, the areas of renewable energy sources (RES), energy saving and energy networks, gather a strong investment interest, as specific policies and support measures have been adopted and applied or will be applied for the transformation of the structure and organization of domestic energy markets and the energy system. HELLENIC PETROLEUM is involved in this sector through its subsidiary "Hellenic Petroleum Renewables".

In E&P sector, HELLENIC PETROLEUM has investigated 29 potential hydrocarbon areas in Greece and abroad as an operator. HELPE has also gained significant experience in Exploration & Production activities, being a partner in 17 joint ventures with reputable oil companies during the last few years and having conducted extensive investigations in Libya, Egypt, Albania and Montenegro.

The discovery and production of oil and natural gas in Greece is a strategic target to look forward and invest. We rely on our large competitive advantages which include the huge accumulated experience of our people, the knowledge of Greece’s terrain, the acquisition of important know-how and our geopolitical position.

More details will be given by Mr. Yannis Grigoriou, Exploration and Production of Hydrocarbons General Manager, in his speech later on.

It is clear that the continuous improvement of competitiveness is vital and is a key priority for HELLENIC PETROLEUM, in order to maintain its position as one of the most dynamic energy Groups in Southeast Europe and the Mediterranean. HELLENIC PETROLEUM will continue its path of enhanced competitiveness, by focusing on exports, thereby mitigating the impact of the current economic recession and keeping profitability in high levels.