

HELLENIC PETROLEUM GROUP'S STRATEGY

“*Updated growth
strategy for
HELLENIC
PETROLEUM*”

DEVELOPMENTS IN THE INTERNATIONAL ENERGY SECTOR

The international environment in the energy sector is changing at an accelerating pace and according to forecasts, is converging towards an energy transition with the following main characteristics:

1. The increase in global demand for primary energy by 2035 will come with a higher participation of renewable energy sources. While the share of hydrocarbons in the energy mix is expected to remain above 50% by 2050, both globally and in Europe, renewable energy sources will exhibit the strongest growth.
2. Doubling of electricity demand by 2050. Renewable energy sources are expected to account for 50% of total power production by 2035.
3. Continued increase in demand for natural gas and its participation in the global energy mix at least until 2035, mainly due to transport and industry.
4. Oil maintains its important role long term, as the second source of primary energy until 2050, immediately after renewable energy sources. Oil demand will peak at 108 million bbl/day after 2030, with petrochemicals accounting for almost 50% of total demand growth by 2040.
5. Reducing carbon emissions, as the use of coal in energy production will drop, however achieving the 2°C decrease in the average global temperatures scenario does not seem likely.

In this context, international industry players are considering a number of options to determine their strategic direction in the midst of this energy transition. These include:

- *Restructuring & strengthening their core portfolios* by streamlining refining capacity and investment to increase complexity, making large investments in petrochemicals and redefining their business model in fuels marketing.
- *Increasing energy efficiency* by enhancing operational excellence and digital transformation.
- *Reducing carbon emissions* based on specific objectives and investing in RES and new low carbon technologies.
- *Diversifying their portfolios* with new activities, e.g. producing “green” energy regarding the basic production process, power trading and e-mobility services.

OUR STRATEGY

A fundamental principle of our strategy is the safe and sustainable operation of our activities, while respecting both the environment and society.


HELLENIC PETROLEUM Group's vision is to facilitate the Energy Transition in the Eastern Mediterranean, maximizing returns on our core activities and developing a diversified energy portfolio.

Based on the above and taking into account the external environment, we have developed a series of initiatives based on three main axes:

1. Improving our core businesses leveraging on operational excellence, digitization, energy efficiency and improving competitiveness, through the following key initiatives:

- Digital Transformation Program applied to the Group's business units and centralized services.
- New procurement optimization program.
- Optimization of the new refining operation model, maximizing the capabilities of all three refineries as well as the synergies between them.
- Energy Transformation Initiatives, with the aim of improving our environmental footprint, as well as financial benefits.
- Supplying our markets with low sulphur marine fuels, according to the new IMO 2020 specifications.
- Expanding the crude slate we process and testing new types of crude oil, aiming at maximizing production flexibility and adapting to market trends.
- Improving operation and cost levels compared to the safest and most competitive refineries in Europe and the wider Mediterranean region.





2. Developing our core activities: Fully utilizing recent major upgrade investments, developing international oil trading activity and route to market along with exploring upgrading existing refining units, as well as developing new ones. More specifically, the initiatives include:

- Growing petrochemical activities through investments to increase vertical integration and expand high value products' output.
- Increasing high value products' output and improving energy efficiency (e.g. increasing Flexicoker capacity, new alkylation feed and/or olefin metathesis unit, CCGT co-cogeneration unit at the Elefsina refinery).
- Growing exports to the Mediterranean and the Balkans and developing international oil trading activity.
- Fuels Marketing Transformation with an emphasis on expanding the COMO petrol station network and non-fuel products and services (NFR).

3. Developing new activities: Gaining a significant share in renewable energy sources, expanding activity in power generation and natural gas, creating strategic choices in hydrocarbon exploration & production and exploring new opportunities associated with energy transition. More specifically, the initiatives include:

- Developing a significant Renewable Energy Sources portfolio, targeting 600MW by 2025.
- Strengthening ELPEDISON's position in power generation, retail sales and the transition to the European Target Model market.
- Participating in commercial natural gas activities.
- Investigating opportunities arising from new fuel technologies (e.g. biodiesel production with cooking oils and/or hydrogen processing of vegetable oils).
- Focusing on Hydrocarbon Exploration in Greece, in collaboration with other international industry players.

OVERVIEW OF INITIATIVES - 2019

Refining, Supply & Trading

Significant progress has been made regarding the Elefsina refinery's operational optimisation and implementing synergies between the three refineries, resulting in production increasing to 15.5 million tons (2018) which has also made a significant contribution to the Group's financial performance. The Group's total production for 2019 reached 14.4 million tons, mainly due to the planned shutdown of the Elefsina refinery for a full maintenance turnaround.

With regards to the Aspropyrgos refinery, all the necessary testing and actions were implemented during 2019, in order to move to the new operating model for the production of VLSFO marine fuel in accordance with the new IMO specifications put in place at the end of 2019. In addition, the conversion of the MTBE and TAME production units replacing the former bio-ethers (bio - ETBE/TAEF production units) was completed, enabling the production of gasoline with a 3.3% bioethanol component.

Petrochemicals

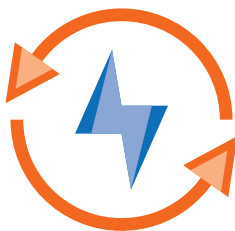
In 2019, the preliminary study for the capacity increase at the polypropylene facilities in Thessaloniki to 320 kta (+ 30%) was completed, while the implementation of an investment of €7 million for the new cast film production line (7 kta) at the Diaxon facilities began, with completion for both projects expected for 2022 and 2020, respectively.

Fuels Marketing

In 2019, domestic marketing activities focused on the development of COMO petrol stations, which currently exceed 240 stations. The market share for auto fuels increased further exceeding 32%.

In terms of international marketing, an extensive petrol station upgrade program is underway in Montenegro, comprising the implementation of new environmental terms, as well as the network's new corporate image, which is expected to be completed during 2020. In addition, the upgrading of the petrol station network's corporate image is underway in both Serbia and Bulgaria.

In Cyprus, following the implementation of the Government Plan which stipulates that industrial facilities move away from Larnaca, a new fuels terminal in Vassilikos is currently under construction, with estimated completion in 2020. Finally, in 2019 the acquisition of the LPG marketing and distribution company "Blue Circle Engineering Ltd" was concluded, in line with the Group's strategy of strengthening its presence in Cyprus.



The energy transition is expected to transform the global energy sector

Renewable Energy Sources

In the field of Renewable Energy Sources, the Group currently has 26 MW projects in operation. In the next few years, the Group is seeking to complete further projects with an installed capacity of 300 MW in photovoltaic, wind and biomass by 2021 and an additional 300 MW by 2024, with a total budget of €410 million.

Hydrocarbon Exploration & Production

Significant developments were also recorded in Hydrocarbon Exploration & Production, where the Group continued to implement its strategy to expand its exploration portfolio in Greece, in collaboration with leading companies in the industry such as ExxonMobil, TOTAL, Repsol and Edison. Specifically, in October 2019, the Group acquired the exploration and production rights for 4 offshore blocks, namely the “West of Crete”, “Southwest of Crete”, “Ionian” and “Block 10” in the Kyparissiakos Gulf.

The Group will continue to invest in opportunities in the E&P sector, with the aim of maximizing shareholder value, taking into account the interests of all stakeholders.

Power Generation & Natural Gas

In 2018, the sale of 66% stake in the share capital of DESFA (HRADF participation: 31%, HELLENIC PETROLEUM S.A.: 35%) to the company “SENFLUGA Energy Infrastructure Holdings S.A.”, which is a joint venture between Snam S.p.A., Enagás Internacional S.L.U. and Fluxys S.A., was successfully completed for the total consideration of €535 million (HELPE participation: €284 million). As part of DEPA's forthcoming privatization, the Group will seek to further clarify its position in the Natural Gas sector, maximizing the value of its participations and focusing on activities that complement its portfolio.