

HELLENIC PETROLEUM S.A.

May 18, 2018

[Bloomberg Ticker: HELPE:GA] [Reuters Ticker: HEPr.AT]
Listed on Athens Stock Exchange, Greece

Greek Equities | Energy Sector
VRS Research Team | www.vrs.gr

Earnings Estimates Update
STOCK PRICE € 7.77 | MKT CAP € 2,374.78 MN

Business Overview

- Hellenic Petroleum S.A. (HELPE) operates in 5 major business segments: refining, fuels marketing, petrochemicals, oil exploration and electricity production.
- Key elements of the three refinery plants owned and operated by HELPE:
 - **High Nielson Complexity Index** (9.3 on average) which leads to constantly higher **refining margins above benchmark (4.5-6\$/bbl margin premium)**
 - **Strategic location** in the Southeastern Mediterranean adding flexibility in the sources of crude oil supply
 - Annual combined refining capacity of 17 million MT making the **65% of the refining capacity of Greece**
- HELPE through its subsidiaries operates a **wide retail network of 1,760 (201 COCO) fuel stations** (as of 2017) for the distribution and sales of fuels in Greece under the brand names “EKO” and “BP”.
- The petrochemicals infrastructure of HELPE provides the capacity of polypropylene production around 243 MT/year (as of 2017) with a **market share in Greece exceeding 50%**.

Financial Highlights & Investment Considerations

- We have estimated a **-7% 2Y EBITDA CAGR (FY2017-FY2019)** driven mostly from the reduction of the refining segment profitability due to the **shrinking benchmark refining margin**.
- Despite the declining EBITDA, group turnover is expected to follow an upward trend driven by the **projected increase in the average price of crude oil in 2018** compared to 2017.
- Taking into account the strong cash flow generation of the company (1.09x CFO/Net Income Ratio, FY2017), we have estimated a **dividend of €0.35/share** to be distributed to the shareholders from the profits of FY2018, implying a **dividend payout ratio of 38%**.
- **Capital Expenditures** for the projected period are expected at €171 million per year, oriented mostly to cover the need for continuous improvement and maintenance of the refinery plants.
- The gradual repayment of loans is estimated to change the **capital structure leading to a 0.93x D/E ratio in FY2019 from 1.22x in FY2017**.
- We have also incorporated in our assumptions a **reduction in the average financial cost** which, in conjunction with the gradual deleverage, will counterbalance the effect from the declining EBITDA on the **Interest Coverage ratio (5.02x FY2017, 5.33x FY2019)**.

HELLENIC PETROLEUM S.A. – Summary of Consolidated Financials

May 18, 2018

(in € mn)	TURNOVER	EBITDA	EBT	EATAM	EQUITY	BANK DEBT	DEBT/EQUITY (x)	P/E (x)	P/BV (x)	EV/EBITDA (x)	ROE %
2009	6,756,666	390,090	242,414	176,262	2,367,294	1,912,648	0.81	13.47	1.0	9.7	7%
2010	8,476,805	500,707	298,713	187,419	2,386,884	2,430,694	1.02	12.67	1.0	8.4	8%
2011	9,307,582	334,606	163,429	117,666	2,397,597	2,674,189	1.12	20.18	1.0	12.1	5%
2012	10,468,870	300,214	116,348	82,582	2,374,747	2,758,371	1.16	28.76	1.0	14.1	3%
2013	9,674,324	28,761	-338,126	-272,465	2,098,955	2,650,188	1.26	-8.72	1.1	141.4	-13%
2014	9,478,444	-83,982	-484,895	-368,590	1,618,142	2,989,640	1.85	-6.44	1.5	-41.9	-23%
2015	7,302,939	444,144	38,964	45,027	1,684,316	3,230,987	1.92	52.74	1.4	7.9	3%
2016	6,679,923	835,749	465,671	328,735	2,039,760	2,842,503	1.39	7.22	1.2	4.9	16%
2017	7,994,690	851,059	519,785	383,923	2,308,659	2,820,503	1.22	6.19	1.0	4.9	17%
2018	8,634,265	725,132	396,379	281,429	2,480,616	2,540,000	1.02	8.44	1.0	5.5	11%
2019	8,979,636	736,669	414,392	294,218	2,665,361	2,490,000	0.93	8.07	0.9	6.6	11%

Source: The Company, VRS Estimates

Please see important disclosure and disclaimer statements at the end of this report.

Important Note:

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Notes: Projections are based on IFRS consolidated accounts. Projected years concern the period 2018 – 2019.

Income Statement

Source: Company, VRS Estimates.

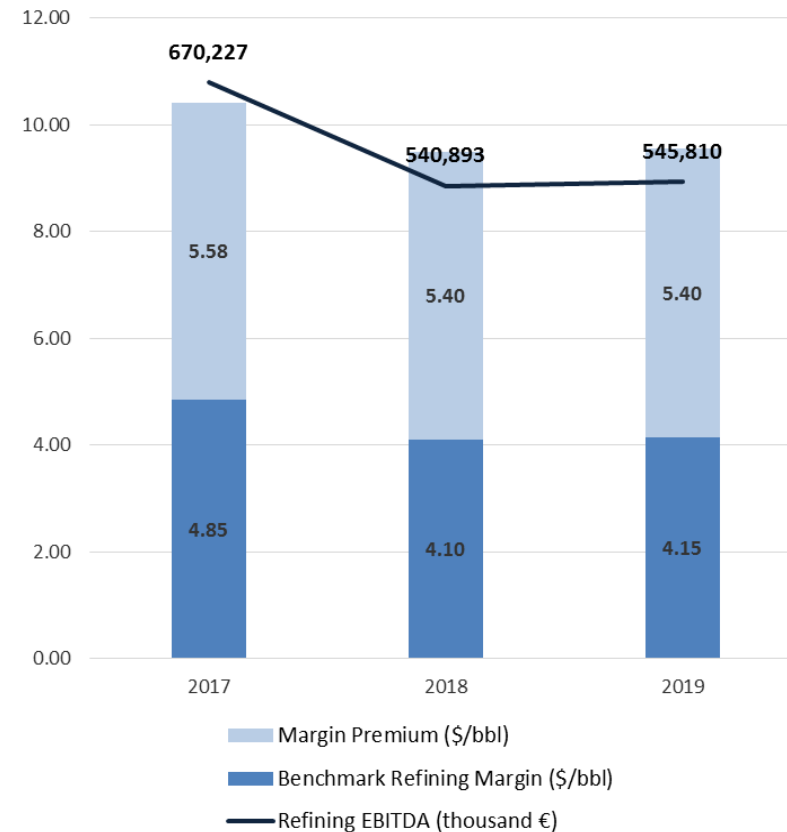
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Turnover		6,756,666	8,476,805	9,307,582	10,468,870	9,674,324	9,478,444	7,302,939	6,679,923	7,994,690	8,634,265	8,979,636
	y-o-y Change %	-33.3%	25.5%	9.8%	12.5%	-7.6%	-2.0%	-23.0%	-8.5%	19.7%	8.0%	4.0%
Cost of Sales		6,042,836	7,666,726	8,657,489	9,901,754	9,369,172	9,333,608	6,608,357	5,672,795	6,907,198	7,641,325	7,991,876
	% of Turnover	89.4%	90.4%	93.0%	94.6%	96.8%	98.5%	90.5%	84.9%	86.4%	88.5%	89.0%
	y-o-y Change %	-38.8%	26.9%	12.9%	14.4%	-5.4%	-0.4%	-29.2%	-14.2%	21.8%	10.6%	4.6%
Total Gross Operating Results		713,830	810,079	650,093	567,116	305,152	144,836	694,582	1,007,128	1,087,492	992,940	987,760
Gross Operating Margin		10.6%	9.6%	7.0%	5.4%	3.2%	1.5%	9.5%	15.1%	13.6%	11.5%	11.0%
	y-o-y Change %	176.0%	13.5%	-19.7%	-12.8%	-46.2%	-52.5%	379.6%	45.0%	8.0%	-8.7%	-0.5%
Operating Expenses		452,603	466,166	475,084	445,563	500,464	433,748	449,338	380,857	425,709	470,982	459,543
	% of Turnover	6.7%	5.5%	5.1%	4.3%	5.2%	4.6%	6.2%	5.7%	5.3%	5.5%	5.1%
	y-o-y Change %	211.1%	3.0%	1.9%	-6.2%	12.3%	-13.3%	3.6%	-15.2%	11.8%	10.6%	-2.4%
EBITDA		390,090	500,707	334,606	300,214	28,761	-83,982	444,144	835,749	851,059	725,132	736,669
EBITDA Margin		5.8%	5.9%	3.6%	2.9%	0.3%	-0.9%	6.1%	12.5%	10.6%	8.4%	8.2%
	y-o-y Change %	67.3%	28.4%	-33.2%	-10.3%	-90.4%	-392.0%	-628.9%	88.2%	1.8%	-14.8%	1.6%
Depreciation		128,863	156,794	159,597	178,661	224,073	204,930	198,900	209,478	189,276	203,173	208,452
	% of Turnover	1.9%	1.8%	1.7%	1.7%	2.3%	2.2%	2.7%	3.1%	2.4%	2.4%	2.3%
EBIT		261,227	343,913	175,009	121,553	-195,312	-288,912	245,244	626,271	661,783	521,959	528,217
	% of Turnover	3.9%	4.1%	1.9%	1.2%	-2.0%	-3.0%	3.4%	9.4%	8.3%	6.0%	5.9%
	y-o-y Change %	131.0%	31.7%	-49.1%	-30.5%	-260.7%	47.9%	-184.9%	155.4%	5.7%	-21.1%	1.2%
Net Financial Results		-18,813	-45,200	-11,580	-5,205	-142,814	-195,983	-206,280	-160,600	-141,998	-125,580	-113,825
Net Results Before Taxes		242,414	298,713	163,429	116,348	-338,126	-484,895	38,964	465,671	519,785	396,379	414,392
EBT Margin		3.6%	3.5%	1.8%	1.1%	-3.5%	-5.1%	0.5%	7.0%	6.5%	4.6%	4.6%
	y-o-y Change %	1338.1%	23.2%	-45.3%	-28.8%	-390.6%	43.4%	-108.0%	1095.1%	11.6%	-23.7%	4.5%
Income Tax		66,152	111,294	45,763	33,766	-65,661	-116,305	-6,063	136,936	135,862	114,950	120,174
	Effective Tax Rate	27.3%	37.3%	28.0%	29.0%	19.4%	24.0%	-15.6%	29.4%	26.1%	29.0%	29.0%
Net Results After Taxes		176,262	187,419	117,666	82,582	-272,465	-368,590	45,027	328,735	383,923	281,429	294,218
EAT Margin		2.6%	2.2%	1.3%	0.8%	-2.8%	-3.9%	0.6%	4.9%	4.8%	3.3%	3.3%
	y-o-y Change %	507.1%	6.3%	-37.2%	-29.8%	-429.9%	35.3%	-112.2%	630.1%	16.8%	-26.7%	4.5%
Net Results (a.t.&m.i.)		176,262	187,419	117,666	82,582	-272,465	-368,590	45,027	329,760	381,372	278,929	291,718
Net Margin		2.6%	2.2%	1.3%	0.8%	-2.8%	-3.9%	0.6%	4.9%	4.8%	3.2%	3.2%
	y-o-y Change %	507.1%	6.3%	-37.2%	-29.8%	-429.9%	35.3%	-112.2%	632.4%	15.7%	-26.9%	4.6%

Revenues from refinery activity

Source: Company, VRS Estimates

Important Assumptions:

- Key driver of the refining EBITDA decrease is the expected **decline in the benchmark refining margin from 4.85 \$/bbl (FY2017 average) to 4.1 \$/bbl** in FY2018. The projected decrease could be partially attributed to the increase of the global refining capacity that is estimated to exceed the increase in demand for refined products (EIA Oil Market Report 2017).
- The premium that HELPE achieves on the benchmark margin due to the comparative advantages over its competitors ranges between 4.5 \$/bbl and 6 \$/bbl (from historical data). Taking into account the 5.6 \$/bbl margin premium in FY2017 we have assumed a **slightly more conservative premium of 5.4 \$/bbl for FY2018 and FY2019**.
- Another factor to push the refining EBITDA even lower in FY2018 is the **estimated 1.2€/€ average exchange rate** compared to 1.13€/€ during FY2017.
- **The refined quantity** is expected to remain relatively flat around **16,100 MT** taking into account the maintenance schedule and the combined capacity of the three refinery plants. So, the refined quantity is not expected to cause any significant change in the refining EBITDA.



Revenues from other activities

Source: Company, VRS Estimates

Marketing EBITDA

Almost half of the marketing EBITDA comes from the sale and distribution of fuels in Greece and consequently it is subject to the Greek macroeconomic environment. Taking into account the projected recovery of the Greek GDP and the subsequent increase in purchasing power we have assumed a **2.3% 2Y EBITDA CAGR in the Greek market of fuel sales.**

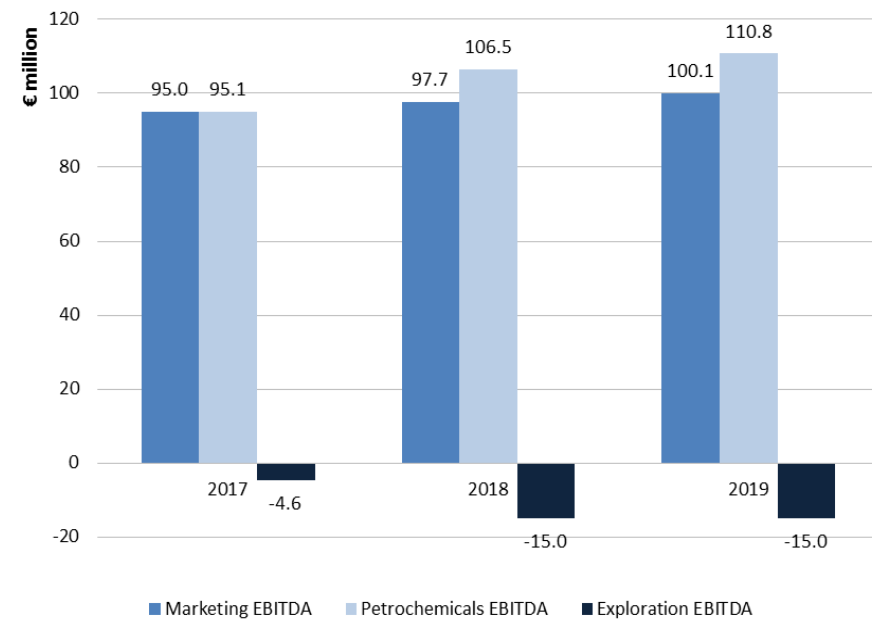
The rest of the Marketing EBITDA comes from the sale and distribution of fuels in five countries: Cyprus, Serbia, Bulgaria, Montenegro and FYROM. The improvement of key macroeconomic measures in these countries is expected to be more rapid leading to an estimated **3% 2Y EBITDA CAGR from fuel sales excluding the Greek market.**

Petrochemicals EBITDA

The projected **7.9% 2Y EBITDA CAGR in the Petrochemicals business segment** is a result of: (i) **the expected increase of polypropylene margin from 538 \$/MT (FY2017) to 600\$/MT (FY2018)** and (ii) **the estimated increase in the produced quantity of polypropylene from 243 MT (FY2017) to 255 MT (FY2018).**

Exploration EBITDA

The upcoming exploration for hydrocarbons is expected to push **exploration EBITDA from € -4.6 million (FY2017) to € -15 million (FY2018).**



Balance Sheet – Asset Side

Source: Company, VRS Estimates.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets											
Intangible Assets	343,086	385,572	380,400	381,784	384,803	394,890	398,723	404,974	409,360	414,360	419,360
Accumulated Depreciation	159,037	180,564	202,525	224,080	240,962	262,912	281,661	296,680	303,676	312,737	321,908
Net Intangible Assets	184,049	205,008	177,875	157,704	143,841	131,978	117,062	108,294	105,684	101,623	97,452
Tangible Assets	3,827,064	4,494,124	5,152,705	5,664,184	5,741,231	5,855,273	6,017,150	6,117,909	6,311,085	6,477,085	6,641,085
Accumulated Depreciation	1,712,305	1,825,629	1,948,609	2,094,627	2,278,112	2,457,103	2,631,880	2,814,986	2,999,192	3,187,304	3,380,586
Net Tangible Assets	2,114,759	2,668,495	3,204,096	3,569,557	3,463,119	3,398,170	3,385,270	3,302,923	3,311,893	3,289,781	3,260,499
Other L-term assets - Deferred Tax	683,585	689,538	734,361	783,139	863,063	995,458	1,003,720	883,337	864,473	860,000	860,000
Total Non-Current Assets	2,982,393	3,563,041	4,116,332	4,510,400	4,470,023	4,525,606	4,506,052	4,294,554	4,282,050	4,251,404	4,217,951
% Total Assets	51.75%	51.90%	57.26%	60.92%	62.28%	58.63%	56.13%	59.74%	59.80%	59.57%	57.44%
Inventories	1,373,953	1,600,625	1,141,191	1,200,647	1,005,264	637,613	662,025	929,164	1,056,393	1,130,497	1,182,360
Trade Receivables	915,683	937,879	945,818	790,460	737,250	708,227	752,142	868,331	791,205	851,599	885,663
Other Items	0	167,968	0	840	5,263	0	0	15,192	11,514	12,000	12,000
Cash in Bank and at Hand	491,196	595,757	985,486	901,061	959,602	1,847,842	2,108,364	1,081,580	1,018,913	891,217	1,044,669
Total Current Assets	2,780,832	3,302,229	3,072,495	2,893,008	2,707,379	3,193,682	3,522,531	2,894,267	2,878,025	2,885,313	3,124,691
% Total Assets	48.25%	48.10%	42.74%	39.08%	37.72%	41.37%	43.87%	40.26%	40.20%	40.43%	42.56%
TOTAL ASSETS	5,763,225	6,865,270	7,188,827	7,403,408	7,177,402	7,719,288	8,028,583	7,188,821	7,160,075	7,136,717	7,342,643

Balance Sheet – Liability Side

Source: Company, VRS Estimates.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equity & Liabilities											
Share Capital	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081	1,020,081
Share Premium Account	0	0	0	0	0	0	0	0	0	0	0
Reserves & Profit Carried Forward	1,347,213	1,366,803	1,377,516	1,354,666	1,078,874	598,061	664,235	1,019,679	1,288,578	1,460,535	1,645,280
Minority Rights	141,246	144,734	132,393	121,484	115,511	110,404	105,954	101,875	62,915	62,915	62,915
Total Equity	2,508,540	2,531,618	2,529,990	2,496,231	2,214,466	1,728,546	1,790,270	2,141,635	2,371,574	2,543,531	2,728,276
% Total Equity & Liabilities	43.53%	36.88%	35.19%	33.72%	30.85%	22.39%	22.30%	29.79%	33.12%	35.64%	37.16%
L-Term Bank Loans	607,805	1,133,196	1,142,296	383,274	1,311,804	1,811,995	1,597,954	1,456,204	920,234	1,736,000	1,686,000
Provisions	148,464	143,414	113,991	102,330	87,429	92,728	95,362	110,912	131,256	130,000	130,000
Deferred Tax Liabilities	53,613	50,796	49,134	84,599	45,405	40,953	45,287	42,736	131,611	100,000	100,000
Total L-Term Liabilities	904,079	1,441,196	1,415,167	605,677	1,475,406	1,973,761	1,767,682	1,878,802	1,220,172	2,003,000	1,953,000
Suppliers	1,033,852	1,472,712	1,640,595	1,872,626	2,125,435	2,679,199	2,795,378	1,777,909	1,661,457	1,779,487	1,850,666
Banks	1,304,843	1,297,498	1,531,893	2,375,097	1,338,384	1,177,645	1,633,033	1,386,299	1,900,269	804,000	804,000
Taxes-Duties	9,041	119,227	68,758	52,101	22,404	34,901	6,290	3,534	5,883	6,000	6,000
Other Payables & Prepayments	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	2,350,606	2,892,456	3,243,670	4,301,500	3,487,530	4,016,981	4,470,631	3,168,384	3,568,329	2,590,187	2,661,366
Total Liabilities	3,254,685	4,333,652	4,658,837	4,907,177	4,962,936	5,990,742	6,238,313	5,047,186	4,788,501	4,593,187	4,614,366
% Total Equity & Liabilities	56.47%	63.12%	64.81%	66.28%	69.15%	77.61%	77.70%	70.21%	66.88%	64.36%	62.84%
TOTAL EQUITY & LIABILITIES	5,763,225	6,865,270	7,188,827	7,403,408	7,177,402	7,719,288	8,028,583	7,188,821	7,160,075	7,136,717	7,342,643

Cash Flow Statement

Source: Company, VRS Estimates.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Profit after Tax	176,262	187,419	117,666	82,582	-272,465	-368,590	45,027	328,735	383,923	281,429	294,218
Plus: Change of Depreciation	229,615	134,851	144,941	167,573	200,367	200,941	193,526	198,125	191,202	197,173	202,452
Plus: Depreciation Differences from sales/acquisitor	0	0	0	0	0	0	0	0	0	0	0
Gross Cash Flow	405,877	322,270	262,607	250,155	-72,098	-167,649	238,553	526,860	575,125	478,602	496,671
Change in:											
(-) Trade Debtors	-13,921	22,196	7,939	-155,358	-53,210	-29,023	43,915	116,189	-77,126	60,394	34,064
(-) Other Receivables	0	167,968	-167,968	840	4,423	-5,263	0	15,192	-3,678	486	0
(+) Trade Creditors	242,308	438,860	167,883	232,031	252,809	553,764	116,179	-1,017,469	-116,452	118,030	71,179
(+) Liabilities for Taxes	-10,337	110,186	-50,469	-16,657	-29,697	12,497	-28,611	-2,756	2,349	117	0
(+) Other Short - Term Liabilities	0	0	0	0	0	0	0	0	0	0	0
Change in Working Capital	-107,281	132,210	736,877	310,436	467,282	968,198	19,241	-1,418,745	-160,528	-16,838	-14,747
Operating Cash Flow	298,596	454,480	999,484	560,591	395,184	800,549	257,794	-891,885	414,597	461,765	481,924
Change in:											
(-) Intangible Assets	70,243	42,486	-5,172	1,384	3,019	10,087	3,833	6,251	4,386	5,000	5,000
(-) Tangible Assets	888,870	667,060	658,581	511,479	77,047	114,042	161,877	100,759	193,176	166,000	164,000
(-) Other Long - Term Receivables	-66,175	5,953	44,823	48,778	79,924	132,395	8,262	-120,383	-18,864	-4,473	0
(+) Other Long - Term Liabilities	-3,491	11,726	-35,129	-50,468	-58,801	-1,836	7,962	252,870	-122,660	-32,938	0
(+) Cons. Diff. / Minority Interests	-7,536	3,488	-12,341	-10,909	-5,973	-5,107	-4,450	-4,079	-38,960	0	0
Cash Flow from Investment	-903,965	-700,285	-745,702	-623,018	-224,764	-263,467	-170,460	262,164	-340,318	-199,465	-169,000
Net Cash Flow before Financing Activities	-605,369	-245,805	253,782	-62,427	170,420	537,082	87,334	-629,721	74,279	262,300	312,924
Net Change in Reserves	-133,852	-76,138	30,583	-59,587	-3,327	-112,223	21,147	86,811	9,781	0	0
Change in Long - Term Debt	159,721	525,391	9,100	-759,022	928,530	500,191	-214,041	-141,750	-535,970	815,766	-50,000
Change in Short - Term Debt	194,488	-7,345	234,395	843,204	-1,036,713	-160,739	455,388	-246,734	513,970	-1,096,269	0
Other Items and Dividends	328	91,542	138,131	46,593	369	-123,929	89,306	96,415	122,176	106,992	106,972
Minority Interests on Profit	0	0	0	0	0	0	0	-1,025	2,551	2,500	2,500
Net Cash Flow from Financing	220,029	350,366	135,947	-21,998	-111,879	351,158	173,188	-397,063	-136,946	-389,995	-159,472
Cash at Beginning	876,536	491,196	595,757	985,486	901,061	959,602	1,847,842	2,108,364	1,081,580	1,018,913	891,217
Change in Cash and Marketable Securities	-385,340	104,561	389,729	-84,425	58,541	888,240	260,522	-1,026,784	-62,667	-127,696	153,451
Cash at End	491,196	595,757	985,486	901,061	959,602	1,847,842	2,108,364	1,081,580	1,018,913	891,217	1,044,669

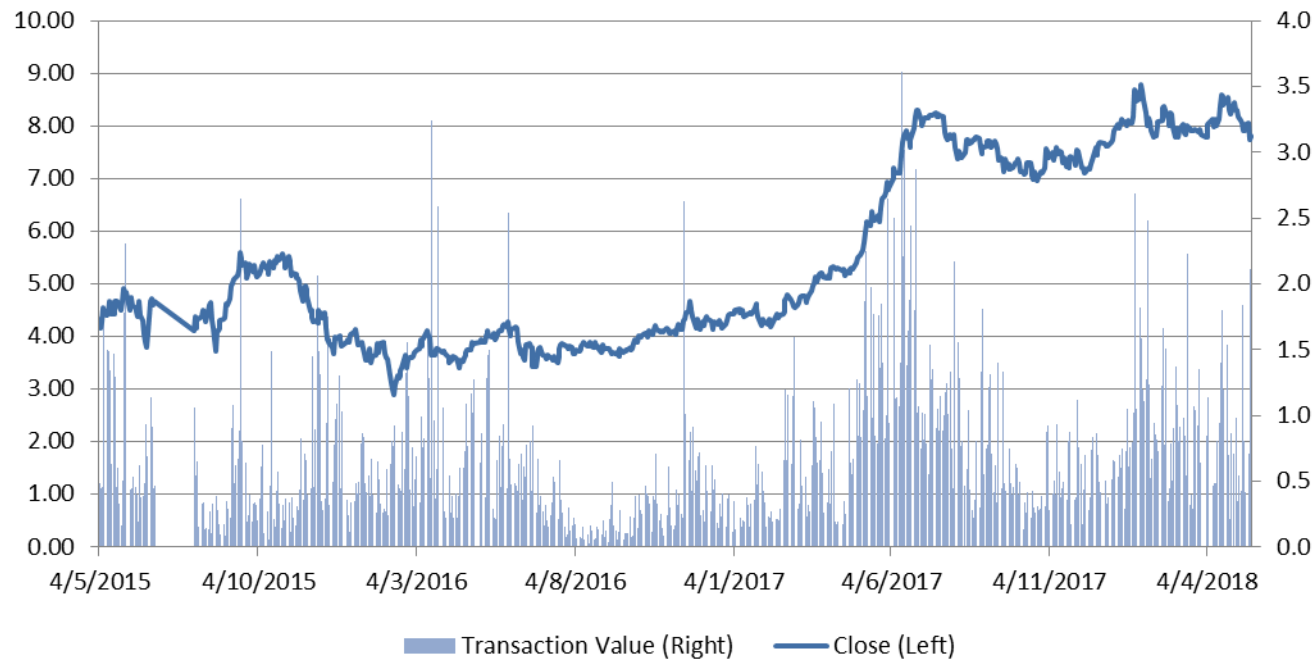
Financial Ratios

Source: Company, VRS Estimates.

PROFIT MARGINS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Margin	10.56%	9.56%	6.98%	5.42%	3.15%	1.53%	9.51%	15.08%	13.60%	11.50%	11.00%
EBITDA Margin	5.77%	5.91%	3.59%	2.87%	0.30%	-0.89%	6.08%	12.51%	10.65%	8.40%	8.20%
EBIT Margin	3.87%	4.06%	1.88%	1.16%	-2.02%	-3.05%	3.36%	9.38%	8.28%	6.05%	5.88%
Pre-Tax Profit Margin	3.59%	3.52%	1.76%	1.11%	-3.50%	-5.12%	0.53%	6.97%	6.50%	4.59%	4.61%
Net Profit Margin	2.61%	2.21%	1.26%	0.79%	-2.82%	-3.89%	0.62%	4.94%	4.77%	3.23%	3.25%
BALANCE SHEET RATIOS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Stock Days	83	76	48	44	39	25	37	60	56	54	54
Debtors Days	49	40	37	28	28	27	38	47	36	36	36
Creditors Days	62	70	69	69	83	105	154	114	88	85	80
Total Liab. / Total Equity	1.37	1.82	1.94	2.07	2.36	3.70	3.70	2.47	2.07	1.85	1.73
Bank Loans / Total Equity (D/E Ratio)	0.81	1.02	1.12	1.16	1.26	1.85	1.92	1.39	1.22	1.02	0.93
Current Ratio	1.18	1.14	0.95	0.67	0.78	0.80	0.79	0.91	0.81	1.11	0.68
Quick Ratio - Acid Ratio	0.60	0.59	0.60	0.39	0.49	0.64	0.64	0.62	0.51	0.68	0.42

Stock Price

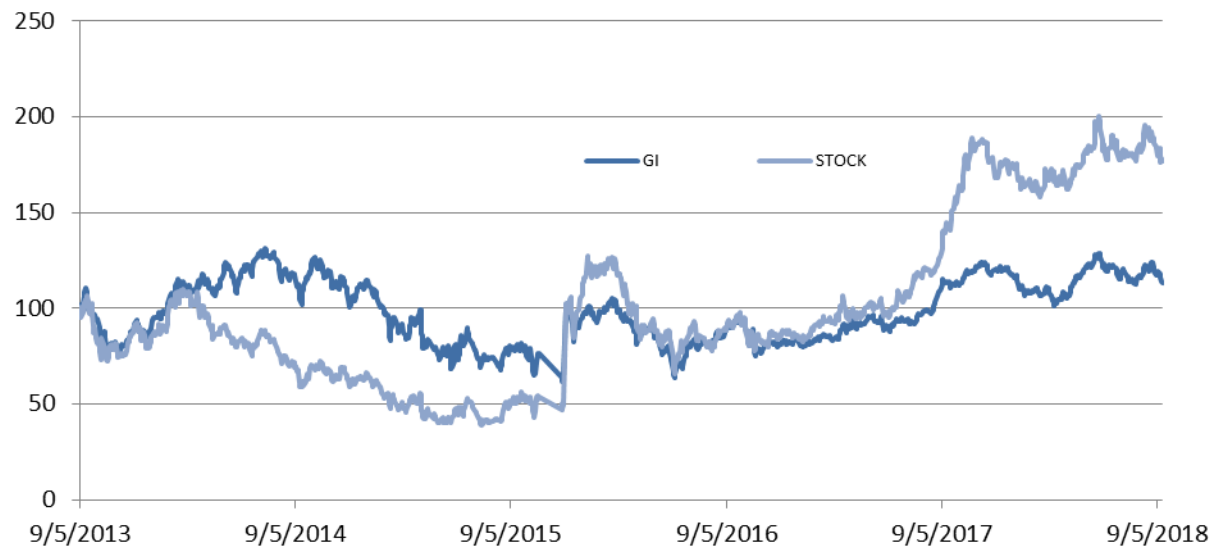
Period May 2015 – May 2018 | € (Euro) | Period as day/month/year



Source: Athens Stock Exchange.

Stock versus Athens Exchange General Index

Period May 2013 – May 2018 | Basis = 100 | Period as day/month/year



Source: Athens Stock Exchange.

NOTES

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
HELLENIC PETROLEUM S.A.	HELPE:GA	HEPr.AT	€ 7.77	May 18, 2018	2, 3, 6

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- VRS has changed the contents of the initially sent report, with respect to: only factual changes have been made.
- VRS has received compensation from the covered company for the preparation of this research report.
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