HELLENIC-PETROLEUM

8A Chimarras st., 15125 Marousi

Athens, Greece

Tel.: (+30) 210 63 02 000

Fax.: (+30) 210 63 02 510

"First Quarter 2019 Financial Results" Conference Call

Thursday 16th May 2019

18:00 (GR Time)

Conductors:

Mr. Andreas Shiamishis, Deputy CEO & CFO

&

Mr. Vasilis Tsaitas Investor Relations Officer

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300FAX: + 30 210 94 27 330

Web: www.choruscall.com

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos your Chorus Call operator.

Welcome and thank you for joining the Hellenic Petroleum conference call to present and discuss the First Quarter 2019 Financial Results with the Management of the Company.

At this time, I would like to turn the conference over to Mr. Andreas Shiamishis, Deputy CEO & CFO and Mr. Vasilis Tsaitas, Investor Relations Officer.

Gentlemen, you may proceed.

SHIAMISHIS A: Thank you very much for the introduction. Good afternoon ladies and gentlemen, thank you for joining the call for the First Quarter 2019 Results for Hellenic Petroleum Group. We are here with a group of senior managers who will be assisting in this presentation and they are here to cover any issues which relate to the specific areas of expertise.

Without further ado, let me just go through the presentation Page 2. What we have in the first quarter is a good set of results. We have an EBITDA of a €123 million, adjusted EBITDA for the quarter, which is down versus the respective first quarter last year.

However, taking into consideration the environment and you will see that there are a lot of other refineries who have already published results are equally if not more severely affected by the environment, and a couple of small shutdowns that we had during the first quarter, they are considered to be a good set of results.

In terms of the environment, so explaining a little bit more about the environment. We have one of the lowest complex benchmark margins that we have seen for some time in our region. That's compounded by the crude supply and specific types of crude which have been affected by logistics issues, the transportation of the crude into the Med. And of course, certain producers who are no longer in the market this first quarter compared to last quarter have led to this tightening of the crude market, and of course the effect on margins.

On the positive side, we have a pick up in the heating gas oil demand for Greece. This is mainly weather driven and we have seen some pick up in the aviation and more specifically on the bunkering fuels market which we will see later on.

In terms of numbers, in terms of our results we have the adjusted EBITDA at €123 million. As I mentioned at the beginning we've had lower utilization on some of the refinery units. We haven't seen…we haven't experienced a complete refinery shutdown in the first quarter, but we had various sporadical unit specific maintenance shutdowns which, of course, affect the production and the utilization of the refineries.

The over performance has been to a large extent able to cover the weaker benchmark environment, and of course, a stronger dollar compared to euro has also helped to mitigate the other fact as well.

As you would expect, our 2019 numbers include the IFRS16 impact in all of our captions, and that effectively has an uplift of €9 million on the adjusted EBITDA. It is quite material simply because the marketing business has a lot of petrol stations which are leased rather than owned and hence the reclassification impact between EBITDA, depreciation and interest is material.

On net income basis, we have 2 further things to comment. The first thing has to do with the lower financing charges in the quarter. On a like-for-like basis our financing cost are down by 16% compared to the first quarter of ’18 and the projection is for an even better performance later on in the year.

On the associates, we have a slightly different picture compared to last year, simply because the DEPA group has undergone a number of quite drastic changes in the business model. First of all, we don’t have DESFA in the results. The regional retail and distribution businesses have changed so from equity consolidation we have moved to full consolidation of the EPA Attiki and the EDA Attiki business.

So the comparison between this year and last year is not as straightforward as one would expect. However, the DEPA performance, plus an improvement in the Elpedison performance has helped to give a bigger contribution of associates at the net income line.

On balance sheet level, our net debt remains at similar levels through the year end €1.5 billion of net debt. We are still carrying a sizable amount of cash just over €1 billion, thus going to be reduced in the next few weeks given that we have the repayment of €325 million bond which will be taken care out of our existing cash reserves. So again, that is fixing the balance sheet and, of course, reducing the negative carry of idle cash.

Moving to Page 3, you can see our numbers by business unit and with a little bit more granularity. The main contributor remains to be the Refining, Supply and Trading business which has been affected by the lower utilization and the refinery margins environment.

In terms of petrochemicals marketing and other businesses on a comparable basis we have pretty much a stable performance. Marketing appears to be higher than last year simply because we have the huge impact compared to the baseline of IFRS16 affecting the 2019 numbers. You can see the associates and the financing costs numbers which include…in terms of financing costs include the IFRS number.

So on a like-for-like basis, the benefit on financing cost is actually bigger. We are sort of comparing the €39 million of expense last year with €32.5 million of comparable expenses this year.

Again, on balance sheet basis, you can see the reduction of the capital employed because of the DESFA transaction, and, of course, a different working capital number. And in terms of capital expenditure, we are spending just over €30 million. The projection for the end of the year is clearly in line with what we have given in the past the… I would say €130 million to €150 million of capital expenditure excluding development projects is a number that we expect to see materializing.

Moving on to the Environment Page 5, we have a couple of points to make here, they relate to the crude markets and especially to the crude differentials.

As you see on the bottom part of the page, we have the widening of the Brent-WTI prices which is something that we monitor. We don't see that being a critical factor for refinery utilizations especially in Northern Europe yet, but still it is something which has been happening for the last few quarters, and given time we may see a structural shift in the crude supply into the Med. That might be accelerated by the IMO introduction given that U.S. sourced crudes better suited to produce these… the new bunkering fuel product.

The other thing which is important is the close of the Brent-Urals spread, actually it's not closing; we have for the first time after quite a long time, I don't recall when it was the last time that we had negative Brent-Urals spread. So Brent is actually cheaper than Urals, which affects the benchmark margin calculation given that our benchmarks are calculated on the basis of Brent… of Urals as feed.

That is also seen on the following page where we have the refining margins. Three main messages, you have the light products weakness in terms of cracks on gasoline and naphtha, and you have a relatively stronger diesel and HSFO cracks which more or less would tend to balance out for the configuration that we run.

Different impact on the different refineries, for example, on Aspropyrgos which we see at the top of the page, we have a different impact compared to Elefsina, which does not produce any fuel oil at all. So in a way Elefsina is penalized compared to Aspropyrgos… as a result of that. The underlying trend given that we're using Urals as the source of crude for the calculation of these margins is clearly negative given that the Brent-Urals spread has closed as I explained a minute ago.

On Page 7, we have the domestic market environment. The impact of the heating gasoil is quite evident; we have a 5% increase of market compared to last year. However, it is important to note that the gasoline demand has dropped in this quarter by about 5%. Now, there may be a substitution into diesel which is showing as being flat, but this is something that we need to monitor as we move into the next two quarters which are more important in terms of consumption.

On the bunkering business, you can see this growth which is effectively international freight demand, mainly from Piraeus. And you see a…as more but continuously improving growth on the aviation market as well. And that is something that is driven by tourism as well. So we expect to see the behavior of that in the next couple of quarters.

Moving to Page 9, we have a snapshot of, if you will, a very simple comparison of this year compared to last year's first quarter. We have tried to simplify even if it means that we miss some of the details, but at the end of the day, this is what makes our business tick.

We have refining margins, benchmarks which are worse than last year, so we lose about €20 million that's compensated partly by the foreign exchange and partly by the over performance of the refinery which is included in the performance caption of the page. There we have the giveaway from the small maintenance shutdowns, which is roughly 0.5 million tons of production during the first quarter.

And the other two blocks relate to the IFRS 16 impact and other smaller items, which are grouped under others. So having reported last year €123 million this year despite the shutdowns still a very good quarter.

On Page 10, we have the other important parts of the puzzle, which has to do with the balance sheet and the financing cost. If you recall, a couple of years ago, we communicated that we would be moving from €210 million - €215 million to below €100 million of financing charges in the next 2 to 3 years.

We're actually on track to achieve that. I don't know whether we'll be able to report below a €100 million this year. I think it's unlikely given that the trend or the sort of projection for the full-year is closer to maybe €110 million, €115 million. But it's definitely much better than what it was a couple of years ago. So there's a €100 million of net cash, which has been effectively saved as a result of that and we expect that in the next-year or two to be even better.

The other thing is that we are effectively addressing the inefficiency of the cash balance on the balance sheet by repaying one of the Eurobonds, and in fact we are planning to reduce that even more by taking out some of the more expensive credit facilities probably in the third quarter of this year.

As you can see, the current financing cost or the yield of the bond is significantly lower than the coupons that we issued and so it may be a good opportunity for us to address the markets in due course.

Moving on to Page 12, where we have the domestic Refining Supply and Trading overview, the numbers are pretty much what we have already explained. The volumes from production and sales has been driven by the lower utilization, but at the end of the day, as you can see in the KPIs, the over-performance, which is effectively a systemic thing, we have above a dollar of over performance simply because we do not use the Urals benchmark and at some point in time we will be communicating a more relevant benchmark for the refineries giving you a long enough time you need to be able to adjust your models. But you can see that we have a consistent \$0.7 to \$1 per barrel of better performance than the benchmark margin.

If you add to that the actual over-performance, which is the utilization of the refineries, the actual margin of the refineries, the yield structure of the refineries, and the commercial premium bit it domestic, which is much higher or exports which is lower, we are still able to deliver about \$9 to \$10… \$9.3 to be specific per margin.

Being fully transparent clearly we have a benefit here in the over-performance part of the equation, given that the percentage of the domestic market, in terms of total sales is higher than what it was last year. So that is effectively giving us a slight boost in the over performance number in the realized margins.

Page 13, we have the Production by Refinery. I will not go through the detailed numbers. Even with the shutdowns that we had, we're still producing 80% to 85% of premium products, so we have a very good yield structure. And given that, we are moving into an IMO operation mode in the next 6 months that fuel oil, which is mainly high sulfur fuel oil, will be reduced practically, if not zero, to a very small number.

On the Sales chart, Page 14, we see the same picture that we saw earlier. Marginally down on the domestic market and that is product specific as a trend and significantly up on the aviation and bunkering.

Exports, which account for more than 50% of our total sales nowadays is down on account of the €0.5 million production loss in the refineries.

Page 15, we have the time series for the benchmark margins as we report them, which is mainly on the basis of actual feed of Urals and the over performance, which includes the difference due to the crude slate compared to Urals, which as I mentioned is $0.7 to a $1 and the over performance element, which is how much better we can get from our own… from our existing refineries plus the commercial premium.

Before the end of the year, we will be coming out with a parallel set of benchmarks, which will help you to understand a little bit better the over performance part and effectively be able to factor that into your models. It's effectively calling it sort of revised benchmark compared to over performance; it doesn't change the full picture.

On Page 17, petrochemicals we have a pretty stable performance. Petrochemicals have been a very pleasant part of the picture over the last few years. It is effectively a value chain proposition on the refinery business. However, we have an extension into more specialized petchems like polypropylene and BOPP, which have helped to deliver an EBITDA of roughly €100 million and a cash contribution which is very close to that, given that our CAPEX requirements are not more than maybe €5 million to €10 million on a 5-year cycle per annum.

Moving to Marketing, the Domestic Marketing business is in line with last year. As we have said time…over and over again, the heating gasoil is something which is good for volumes, it absorbs costs, it helps our risk profile, but it does not add a lot of margin at the retail business level, it's a low margin product. So even though we have bigger volumes, we have a 5% increase in volumes mainly driven from the heating gasoil.

The comparable EBITDA is pretty much at the same level as last year. As you know, the first quarter of the year is pretty much a breakeven quarter at the EBITDA level and you get most of the contribution in the second and the third quarter of the year.

On International Marketing again we have a very similar performance to last year, the IFRS 16 impact is much lower because the composition of the network ownership versus leased is different to the domestic market composition.

Moving on to power and gas, we have the Elpedison business which has performed better than last year on account of having the capacity and the flexibility remuneration mechanism in place, which is good. It reflects part of the reality that people have to invest in order to be able to have capacity in the Greek market for energy. And clearly contrary to what others may claim who participate in the market, IPPs are a necessary part of the production generation mix. And they have played a very important role in maintaining the system stability.

Unfortunately, even though this is recognized by pretty much everyone, we still don't have a permanent mechanism for the flexibility remuneration. And in fact, we expect the next few months to go without any remuneration at all at that level, which is not good. Clearly, the capital invested on an equity basis is not that material. However, it is a business, which involves a significant capital. And we would like to see a fair remuneration on that capital invested.

On gas, we have a slightly confusing picture because what we're showing here as DEPA for 2019 has nothing to do as DEPA Group, has nothing to do with 2018. As I mentioned, the DESFA business is no longer part of the reported Group results. We do not have EPA Thessaloniki and Thessaly, which is effectively half of the retail sales and distribution.

And on the other hand, we have a full consolidation of the old EPA Attiki, which is EPA and EDA nowadays. Still the contribution for the Group results is roughly at €17 million for the quarter. And we have an invested capital of €365 million.

So stepping back from this picture it's definitely a much better position given that we can generate the same contribution to the Group and we have taken €300 million off the table. So I think the nat gas performance, even though at first glance, the 17 is exactly the same as last year it's significantly improved from a shareholder and value-based management perspective.

That concludes the quick presentation of the results and we have our group of senior managers here, prepared to take any questions or comments you may have. Thank you.

Q&A

OPERATOR: The first question comes from the line of Grigoriou George with Pantelakis Securities. Please go ahead.

GRIGORIOU G: Yes. Hello, a quick question please on your CAPEX plans, reading in the press that you might acquire Ellaktor stake in Elpedison, you might acquire DEPA commercial or whatever it is called, I don't really know yet. What should we expect for 2019 at least? Thank you.

SHIAMISHIS A: Hello, George, it is true that the… a pattern in shareholder structure is under review, and maybe we will see a change in the next few weeks. Ellaktor has decided that from a strategic point of view, this is something they would prefer to focus away from and moving to other businesses, I think they are going into a much more considerable restructuring. They're merging Anemos with the construction business.

And clearly, as with EDISON, so, the sort of majority shareholders, we are the natural owners of our business. So, effectively it might involve increasing our stake, but it is not that material given that we only have 50% of that business. And if you look at Page 22, the capital invested is under €40 million, so I don't think it's going to be significant from a CAPEX point of view.

GRIGORIOU G: And that's for DEPA emporia – commercial whatever it's called?

SHIAMISHIS A: Let me start, my apologies; now as we have said, the DEPA restructuring has taken place by law, we have DEPA commercial which is wholesale and retail together and then you have DEPA infrastructure. The plans are for DEPA commercial privatization to be launched soon. We have 35% or we will have 35% in both of these entities.

What we have communicated to the market and to the stakeholders is that having a 35% stake is not an ideal situation. We would try to have a controlling stake at the right pricing with the right circumstances, in the right terms or we would prefer to exit.

So, I think it is something that we are looking. We are very open and very transparent about that. It is not value adding for Hellenic Petroleum to be a minority… a constitutional minority, a 35% shareholder there.

So we either buy the thing or we sell with the privatization fund. And I think from the messages that we get from the market, a clean transaction is probably better than having a massive shareholding structure, given the constitutional minority percentage that we have.

GRIGORIOU G: Okay. So, you have gone about €30 million in the first quarter as CAPEX, what do you see the full year number being, please? Thank you.

SHIAMISHIS A: We would expect to see roughly €130 to €150 million excluding any material development plan. The maintenance CAPEX is usually around €100 million, give or take €10 million depending on the shutdown, from the turnaround, from the various bigger maintenance projects. But, that's pretty much the number that we have in mind, roughly €130 to €150 million.

GRIGORIOU G: Okay. Thank you.

OPERATOR: The next question comes from the line of Gkonis Argyrios with AXIA Ventures. Please go ahead.

GKONIS A: Good afternoon, gentlemen. Could you give us some further color on the trends in the refining market for the second quarter, what are you seeing in terms of those crude differentials, and product cracks?

And when do you expect the effect of the IMO regulation to start kicking into the market? Thank you.

SHIAMISHIS A: Thank you. I will ask Dinos Panas, who is the head of our Supply & Trading and probably one of the most experienced people in Greece to sort of comment on that.

PANAS D: Well, we had a weak start for the year and significant pressure on gasoline and naphtha cracks which actually continues, gasoline is a little bit better currently. But now we are starting to go into the driving season and we see signs from the United States that gasoline might be a little bit more at the high side than we have seen until now. What we have seen in the last few weeks is that the total stocks of gasoline in the United States have fallen significantly from 260 million barrels in February, now they are around 225. And let's say the total US gasoline base cover now is below its 5-year average.

So, based on that and based on the fact that second half of the year is a period with the higher demand than the first half globally by around 1 million barrels a year, we would expect better margins in the second half of the year. Now, when the IMO will kick-in and what is the magnitude, it's very hard to answer. Most probably sometime in the first half of the year you will see the impact coming in.

And what is the magnitude of the impact, you know how they affect the different products, the consensus is that the middle-distillates margin we will see an uplift while there will be pressure on the HSFO. There will be more or less a decent start, but what exactly the numbers are going to be, well, it remains to be seen.

GKONIS A: Thank you very much. Taking back, taking you back on the near quarter outlook, do you see diesel remaining at current level, so facing any pressures before or ahead of the IMO season?

PANAS D: Well, second quarter most probably will be similar to the first I think. So, if this is the question about the Middle East distillates on the second quarter, the cracks more or less will remain as they were in the first half. There is a market that it is rather tight, I would say, and there will be some increase in demand due to agricultural business, so it could be safe to assume that we will be somewhere we were in the first quarter.

GKONIS A: Thank you very much and last question from my side, if you could comment a bit on crude differentials environment that you are currently seeing?

PANAS D: Well, crude differentials currently are, you know a little bit worse, I would say than the first quarter as you know. Then, the Saudis have the lower piece, at the highest level since 2013 I think.

Now, with the Urals contamination in the north, we have seen Urals being more expensive and that is more or less the overall trend. What I would say is that we start seeing more CPC coming into the market the following month and more crude from the United States that… so the lighter crudes would be a little bit better for us. The middle density crudes like Urals are going to be more expensive.

GKONIS A: Thank you very much.

OPERATOR: Ladies and gentlemen, there are no more questions registered at this time. You may now proceed with your closing statements. Thank you.

SHIAMISHIS A: Thank you very much for attending our first quarter results call. As I mentioned at the beginning, it's a good quarter against a weakening refining backdrop. We expect to see similar challenging refining environment in the second quarter. However, things are beginning to look up and especially as we move into the driving season as Dinos said, we expect to see a pickup in performance.

Our job is to make sure that we refocus in getting the business performing at 100%, this means operational efficiencies, it means commercial aggressiveness and taking advantage of opportunities, and of course, we are monitoring and effectively assessing the opportunities that we talked about with you on natural gas and power generation closely.

On that front, what I would like to highlight is that we see nat gas and power as opportunities to include a bit of non-refining margin impact in our portfolio. It doesn't mean that it is going to change the big picture. We are still a downstream business.

However, we need to expand into other business as well. To do that we need to make sure that we have the appropriate metrics from evaluation point of view to ensure that we can maintain the performance of the company and the return to the shareholders at reasonable levels, so we will not sacrifice that.

And of course, we need to have the right governance and corporation structure in place to ensure that if and when we move into new businesses, we will be comfortable that we will be able to run them in the appropriate way.

With that, I thank you once again and we look forward to touching base again in the next quarter. Thank you.