HELLENIC-PETROLEUM

8A Chimarras st., 15125 Marousi

Athens, Greece

Tel.: (+30) 210 63 02 000

Fax.: (+30) 210 63 02 510

"Full Year 2018 Financial Results" Conference Call

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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 Gelly your Chorus Call operator.

Welcome and thank you for joining the Hellenic Petroleum conference call to present and discuss the Full Year 2018 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 now proceed.

SHIAMISIS A: Thank you very much for the introduction. Good afternoon to the participants. We are here with members of the Management team with George Alexopoulos, Dinos Panas**,** Steve Poulitsis and Vasilis Tsaitas, to present and go through the presentation of our Full Year Results, Fourth Quarter and Full Year Results for 2018. I'd like to apologize before I start because I have a slightly sore throat, so if I need to pause for a minute, don't think of it as being impolite.

Without further ado, I'll turn on to Page 2, where we have the Key Highlights for the Year and the Quarter. We see our performance in 2018 as a strong performance. Clearly, it's lower in terms of adjusted and reported numbers on 2017 but that was expected because of the refining margins and the refining environment.

However, even with a not so great environment, the company has been able to deliver close to 3 quarters of a billion of clean EBITDA and adjusted net income of roughly €300 millions.

The key drivers to this performance which we will see in a few pages has been the mechanical availability compared to 2017, given that we did not have a major stoppage like we had in 2017 for Elefsina and the fourth quarter of 2018 was affected by relatively smaller and scheduled shutdown in Thessaloniki.

In terms of reported results, we have a number of items affecting our full year performance, but as you can appreciate one of the biggest numbers that affects the reported results versus the adjusted numbers has been the inventory valuation impact.

As we have said in many occasions, we track our performance in two sets of numbers, we have IFRS numbers where the costing measure is on a moving weighted average, so it takes into account all of the volatility and fluctuations of crude oil and product prices on our inventory which is over 2 million tons of crude oil and products and we also report the clean numbers which effectively aim to strip out the impact of changing prices. So it’s like showing a simulation of what the results would have been in a flat price environment.

So in 2018 fourth quarter led to a very big devaluation of our stock of about €143 million, and we have also had a number of one-off accounting provisions. As you know we have completed and sold the investment in DESFA right at the end of the year which is very good news.

It's a transaction which we have been working on for if I am not mistaking close to seven years. We managed to get a good transaction in. We've collected €284 million as a result of the sale of our indirect Holding of 35% of DESFA.

Unfortunately, that led to an accounting impairment given that the current value of DESFA in our books was about €329 billion, so there was a delta of about €45 million which has been recorded as an impairment. And also the treatment in the way the transaction was structured led to the Group having to recognize a deferred tax on a potential profit on the sale of DEPA.

It's an accounting provision to take into account what might happen on the sale of DEPA. I think if we manage to go through the transaction and sell DEPA, I am not saying that we will, but if we manage to do that, we will have to consider what the tax liability will be at that point in time. For the time being it's just a deferred tax provision.

At the same time we had a number of other one-offs which have to do with impairment. They had to do with CO2 provisions, given that the price has gone up from…under €10 per ton to over €20 during the year. Provisions for accounts receivable, given that the crisis in Greece has led to a significant deterioration of collateral values, especially when you have real estate as collaterals in our retail business. So we have booked additional impairment provisions there.

On financing cost, we have a further improvement by 12% versus last year. Clearly, it's a result of improved cash flows and reduced debt, and it's also a result of a major refinancing exercise of almost €1 billion that took place at the end of 2017 beginning of 2018. This is an area where we expect to see further improvements going into 2019 and 2020.

As I just mentioned, the balance sheet is significantly improved on the back of operating performance. Our operating cash flow which is a KPI that we use internally and is the adjusted EBITDA minus CAPEX given that you cannot model or predict working capital changes due to price volatility is just under €600 million which is a very healthy number. And on top of that you have the DESFA proceeds of €284. Now, that brings our gearing and our leverage at levels which we believe are well within the comfort zone of our financing strategy.

Taking all of the above into account, the Board approved earlier today a final dividend of €0.5 per share which brings the total dividend for the year to €0.75. Clearly, that includes an element of a special distribution on account of the DESFA transaction which we estimate at €0.25 per share which is, if you will, an internal allocation of the process from DESFA.

Moving on to Page 3, we have our number there. You can see that for the full year performance the main driver compared to last year is the refining supply and trading business whereas you will see it is mainly driven by the lower benchmarks and the euro/dollar environment in 2018.

As I mentioned earlier, financing costs are tracking at a 12% lower than last year, and you can see that on our balance sheet. The lower debt just under €1.5 million is clearly a significant improvement on what we had in the previous years. Our capital expenditure for the year is just under €160 million. It's a number that we would expect to be broadly a reasonable number for the next two to three years, if we do not have any major expansion projects or any major development in our business.

Moving on to the Industry Environment, Pages 5, 6, 7 and 8, the first one has to do with the crude oil price environment. As we have seen, the deterioration of prices, the reduction of prices in the fourth quarter has led to a fairly material write-off of value on our balance sheet. We have the Brent-WTI spreads increasing in the last quarter. That is an indicator that we monitor, even though it doesn't have a direct bearing on our business per se. We are driven by East-Med crude and refining markers.

However we have seen in previous years that this spread has a bearing on the North European refinery operations and also has a bearing on crude oil imports and exports from the U.S., which is becoming more relevant.

In terms of Margins on Page 6, we depict a benchmark margin series which is a calculation that we do on the basis of our own complexity and a standard crude slate which is mainly urals. We do that for consistency purposes and effectively we try to demonstrate the impact of the environment on the expected profitability of our business, clearly to the extent that we do not use urals in our feedstock.

This is less relevant, but it is a number that we track for consistency purposes. Projecting forward to the next couple of quarters, this time series will most likely be augmented to include the more appropriate crude slate that we now have in the Group, which is not so much geared towards Urals.

Now on the product cracks, we have seen a very strong diesel environment which unfortunately is not the case for the Gasoline/Naphtha cracks, and as expected, you can see that the gasoline geared refinery of Aspropyrgos has reported a lower benchmark margin, whereas Elefsina which is hydrocracking, flexicoking with mainly diesel and Naphtha production has reported an improved benchmark margin.

In terms of the Domestic Market you can see on that Page 7 and 8. The fourth quarter is affected by a weaker heating gasoil…heating oil consumption. I would say that this is a trend that we expect to see in years to come, its weather driven of course but it is also a slightly more structural change as we see other types of heating fuel replacing heating diesel. And, of course, as we see…as we have seen a massive reduction in the purchasing power of average Greek Households which clearly has it's bearing on heating oil consumption as well.

On the other hand, Greece has… had 30 million tourists during the last season. It's a number which needs to travel go to the various islands, take the ship to go through the islands of fly there. So the market which is aviation and bunkering fuel has grown significantly during the last year, and it is something that we expect to see at reasonably high levels in 2019 as well.

Page 8, just shows you a longer term depiction of our sales of the domestic market demand, and effectively you can see here a couple of trends. Auto-fuel is marginally up versus last year. The more noticeable trend is a switch between diesel and Mogas, 2014 just over 2.5 million tons of gasoline, 2018 just under 2.3 million tons of gasoline, and the opposite applies for diesel. So it's a clear substitution effect of gasoline with diesel.

If we go to Page 10, the Quarterly Results comparison for 2018 versus 4Q, 2017 is graphically depicted here. It is a simplified version of our performance which, we find it quite useful because it explains the deltas in two big blocks what we see as environment driven where not a lot can be done by the company and what we see as performance driven which includes the availability, the commercial decisions, the utilization and our management of the businesses.

So you can see that effectively during the fourth quarter, we gave away about €10 million of contribution in EBITDA, because it is mainly gross margin, as a result of the Thessaloniki shutdown for about…if I am not mistaken 13 to 15 days which is shown on this page.

If we go to the full ear page which is Page 11, we are reporting a number of 730, which is effectively our clean EBITDA for the year against 830 for last year. You can see that, the main driver for this drop has been market performance, benchmark margins and the translation impact of euro/dollar.

Whereas on the positive side, the good news came from the fact that Elefsina which led to almost €90 million of lost EBITDA in 2017 was pack… in almost full swing during the year. There were more shutdowns during the year in Elefsina, but it was a very small one compared to what we had in 2017 and it was part of the scheduled program.

Page 12, we have the Cash Flow Profile of the Group, giving you a very high level explanation of how cash flows moves from the beginning of the year to the end of the year, and how net debt was reduced to €1.5 billion. You can see that the big drivers have been, first of all a very strong performance, we are showing reported EBITDA here, not clean EBITDA so there is an impact in the working capital as well. The interest tax and dividends that we've paid which is €290 million.

CAPEX plus small acquisition during the year we increased our stake at a subsidiary which we did not control 100% that's ELPET BALKANIKI is the company that holds the share to the OKTA Refinery in Northern Macedonia and the pipeline going from Thessaloniki to the OKTA Refinery.

So we both have the minority stake in that company hence the increase in that line, and the change in working capital most of which is driven by the normalization of old payables that we have… we had in the balance sheet.

DESFA sale we talked about this €284 million and dividends from associates which mainly relate to DEPA and to a large extent they will form part of the future plans as well.

Page 13, is slightly more technical depiction of impact of DESFA, I will go through it very quickly. We received €284 million that compares to a carrying value in our associates line of €329 million hence the €45 million of impairment and part of that profit is actually treated in under Greek tax law as a carrying cost of DEPA reduction so the remaining value in DEPA for tax purposes has been reduced as well which gives rise to the deferred tax liability against a future sale of DEPA shares.

In terms of the use of proceeds… sorry in the Company standalone P&L this is shown as dividend in accordance with IFRS, but at group level it's a divestment. As I said earlier about €80 million of that is used to increase the final dividend to the shareholders, the remaining is to be applied for debt reduction and we have started reducing our loans on the basis of costs and terms associated with each loan.

If we go to Page 14, we see the liquidity and the credit facilities. The three main messages is that we have a lower net debt, we have a better structured credit facility profile and we also have lower costs. So it is… if you will approve of the noticeable improvement in the performance of the Group over the last few years, it is no secret that coming out of a major investment plan 2012-13 the Group struggled with higher than the normal debt levels and a challenged working capital.

That's all behind us, given that over the last few years we have been able to deliver and utilize the investments that we went through in the previous years.

Page 15, simply shows the dividend…the proposed dividend for 2018, as €0.75 per share against a clean EPS which is a benchmark of just under €1 per share. Again, we make this, if you will, internal distinction between what we see as a normal dividend based on the profitability of the Company and the top up as a result of DESFA.

Given that it’s a full year presentation, we thought it's appropriate to share with you some thoughts about the coming two to three years, and start communicating some of the key priorities that we have for the Group. If you excuse me for a minute.

Okay, the first point which clearly will affect the strategy and it is there in the open, has to do with the privatization. As you may know, the process is coming through its last leg; we have gone through a very lengthy process for this privatization. We have two consortia who are qualified bidders and we expect that in the next…in the coming up period, they will be invited to submit binding offers. So that is something which is quite material, we don’t know how this is going to affect the strategy of the Group.

But, irrespective of the shareholding base, we feel that it’s appropriate to be developing our… the strategy which is more appropriate for our asset base and markets and for competitiveness, it may change it result of a transaction and the privatization, but, we cannot sit still and wait for that to take place, given that over the last few years, the strategic direction of the group has proven to be quite successful.

Natural gas is an area where we don’t spend too much time during the calls. In 2018, we saw a number of transactions affecting our investment in nat gas, the DESFA sale and also the fact that DEPA proceeded with a restructuring of its activities in retail to the market, the sort of regulated low and medium pressure network in Greece.

And we know that in the next couple of weeks, we expect to see a law which will provide for the new structure of DEPA Group, most likely a legal separation between commercial and infrastructure activities. Infrastructure to avoid any confusion with DESFA which is a high pressure transmission network, we are talking about the low and medium pressure distribution networks in Greece. This gives us the opportunity to revisit and examine the strategy of the Group in a sector where we have been engaged, involved, if anything we have had a big part of the capital employed…deployed in this industry sector. So I think this is an opportunity for us to investigate a different form of engagement in this market.

As far as our core business is concerned, I think the big news for the next two years have to do with IMO. As Hellenic Petroleum refinery system we are sitting quite positively on the readiness scale, given that two of our three refineries are actually IMO compatible. The only refinery which produces higher sulfur fuel oil is Aspropyrgos. The refining team has already been through a number of tests and Dinos Panas can elaborate a little bit more later in the presentation.

We see that the switching of crude to IMO compliant crude will allow Aspropyrgos to switch the yield from the higher sulfur fuel oil to IMO spec fuel oil, which means that we do not need to engage in significant investments, and we expect to be able to get some benefits from the 2020 IMO spec change.

On top of that, and taking into consideration that almost 60% of our exports of our production is exported, it's clear that we need to be competitive in terms of our cost structure and our operating methods and we have launched a number of improvement projects in that respect. Some of them involve investments and the debottlenecking of our existing units which will allow us to…if you will, increase the net back from our existing refineries.

We have a big incentive, a big drive on energy efficiency in terms of not only the usage of energy but also the type of fuel and the emissions that are associated with the energy consumption in the refineries, and we have a big platform for digital transformation covering all the activities of the Group. So that is quite a big initiative involving a number of people in the refineries, in retail and in the head office.

And of course, we have re-launched a procurement project that we did almost 10 years ago with a lot of success and that is something which we expect is going to help us reduce costs and increase competitiveness of the Group.

From a reporting point of view, I know that a lot of people are getting excited about new standards. So we thought that we just confirm that IFRS9 and IFRS15 we have been adapted have a very little impact on the Group. However, IFRS16, which will be included in our numbers from next year, will have a reporting impact; in essence things don't change, but in terms of reporting we will be capitalizing anything between 150 and 180 million of lease obligations.

Now, this is a number which will be reviewed in the first quarter, because a large part of that is actually driven by the petrol station rentals in retail and given the network turnover, this is a number which will be reevaluated. At the same time we will see an up-lift in our annual EBITDA because of the rentals which will no longer be treated as rental, but as I said this is accounting rather than actual cash flow generations.

Now, taking this Page and putting it into a chart on Page 18, what we are saying is that, if you take a 2018 base line which has to do with the prevailing industry environment and market environment in 2018, not the best year in the last three or four years, and at the initiatives that we just talked about, the new business development in renewals and debottlenecking of the units, the IMO impact and take away the committed cash costs, the performance of the Group is likely to be closer to €1 billion clean EBITDA rather than the 0.7.

Okay, this is a not projection of what the numbers will be in one or two years from now, but, this is, if you will a way that we found useful to demonstrate the value that the Group can deliver.

This page is not similar to the page that we were presenting 10 years ago, when we were road showing in the market and trying to convince people that the investment in Elefsina is a good thing, because at that point in time we were delivering a mere €300 million of EBITDA, and we were presenting a projection of €750 million to €900 million of EBITDA.

So I think that we do have the minimum credibility required to sort of stand in front of you and say that this is a Group that can deliver even a better performance, always take into account the industry environment which we cannot control as clean EBITDA and cash flow.

Page 19, has a slightly more simplified representation of the IMO impact. I would ask Dinos Panas, who is Head of Supply and Trading to briefly walk us through this page.

PANAS D: Okay, good evening from me. Actually, there are no changes in the two of the three refineries. We have Elefsina and Thessaloniki operating in 2020 the same way they operate today. Aspropyrgos will change… will change its crude slate. So actually from going 74% sour crude that we have now will go something to 80% sweet crude. And based on this I would expect to produce more than 1 million tons of very low sulphur fuel oil, quite stable because it's coming from a single operation.

Now, during the second quarter of the year, we will do some tests in the refinery, and they will plan to go IMO live in November, so that we change the tanks and produce the new fuel and start distributing to it by the end of the year.

SHIAMISHIS A: So the message is that no CAPEX is needed. We have a plan for that, and I think we are open for business for our customers, we will make sure that we will maintain a supply chain into the Greek ports, given that it is a material med bunkering hub for the new type of fuel.

Moving into the business unit description, we have the refining, supply and trading business which is combined under one reporting entity. We have a lower adjusted EBITDA in 2018 compared to 2017. As I said on the back of refining margins, of benchmark margins, you can see that on the lower part of the page we list some of the key drivers of our business, things we cannot control include the average rate and the benchmark margin, but things that we can control include the realized margin, which is a result of the additional benefit that we'll see in a minute, coming from the crude selection, the LP optimization, the over-performance in the premium that we extract from our domestic market and exports.

If we go to Page 22, where we have the Operations page in terms of volumes, as more drop Q… quarter… year-on-year for the fourth quarter just under 4.2 million tonnes for the quarter on account of the Thessaloniki shut down.

The big message in terms of crude and feedstock sourcing, it's a diversified slate, crude slate, and that has been one of the main strengths of the Group with 3 coastal refineries and the ability to extract value. Because of the downstream units, the conversion units in the 3 refineries, and the system optimization of the refineries, we are in a position to process different types of crudes.

And we are in a position to deliver high value products, so you can see the product yield on the right hand side, on the corner of the page, where we only have 13% of fuel oil, most of it high sulphur fuel oil.

In terms of Sales, on Page 23, we have the Sales by Main Market, we track our business into 3 distinct markets, the domestic business where we sell to the Greek market through our own subsidiary, EKO, which manages the EKO and the BP branded networks in Greece, C&I, and other businesses. Aviation and Bunkering, which is a special type of business and exports, which refer to sales to our own subsidiaries outside of Greece and to third parties, who pick up products from our refineries on an ex-refinery basis.

Page 24 shows the over-performance versus the benchmark margin. The dark blue part of the bar is driven by the fact that we have different crude selection and of course different product yield versus the benchmark.

And as I mentioned, we keep the benchmark only for consistency and comparability purposes, but we will be reviewing and delivering a revised benchmark margin calculation in the next couple of quarters, so that we have a transition out of the urals-based benchmark. It's driven by the over-performance of the refineries and by the commercial premia that we extract over and above flat prices.

Moving on to Petchems; a very stable business over the last few years. As we have said, this is an add-on value vertical integration into our refinery operations. Most of the value is extracted from the Propylene manufacturing in Aspropyrgos, from the splitter, and that allows us to enjoy a very stable cash flow, because the CAPEX requirement is not that high and it allows us also to diversify away from the margin cycle, which is different to the Petchem cycle and to the euro/dollar exchange rate.

Marketing; on marketing, we have a weaker performance than last year on the domestic marketing. What I would like to clarify that even though we use adjusted EBITDA for Group reporting purposes, the adjusted EBITDA in refining is mainly reflective of inventory price changes.

However, this is not the case for retail where we do not actually adjust for deltas in prices. The reason is that the stock levels in our marketing business is much lower than refining, we're talking about an average 3 to 5 days. And also because the price management in marketing is part of the core business of marketing.

So the adjusted effectively means for the issues, which are not recurring and they may be one-off. During the fourth quarter, we had a hit of about €6 million on the inventory that we kept in the retail business and that is reflected in a very low EBITDA number for the fourth quarter.

In terms of International Marketing, we also have a similar impact, but lower, still it's a business which delivers €50 million, so marketing is split 50:50 between Greece and international. With international business, we have a different model, because it's more of a controlled network model versus a dealer operated model, which is Greece. We are gradually moving away from that, but the bulk of the business is still dealer operated in Greece.

That brings us to the end of the hydrocarbons value chain businesses or at least the liquid fuels.

And we move on to the investments in Power & Gas where I will ask George Alexopoulos who is also responsible for these businesses to walk us through the presentation.

ALEXOPOULOS G: Thanks, Andrea. Good evening, everybody. On Elpedison, where we have a 50% stake, we had a good fourth quarter with a somewhat higher EBITDA versus last year, with the current situation with the restoration of the flexibility remuneration mechanism comparing favorably to last year where we didn't have it, and thus offsetting a higher CO2 and natural gas cost. So 4Q EBITDA was €15 million and €22 million for the whole year. On DEPA I think Andreas has covered a lot already, there the main developments involve the different M&A transactions.

The sale of DESFA and also the completion of the acquisition of the 49% stakes of Shell in EPA Attiki and EDA Attiki. In terms of the profitability, we had a relatively low base in 4Q of '17 due to provisions taken both at DEPA and DESFA levels. So the comparison of last quarter was quite favorable. We reported a profit after tax at a level of DEPA at €20 million, which corresponds to our share of €7 million for our 35% stake.

So with this, I will turn it back to Andreas. I'm not sure, if you will be covering the financial.

SHIAMISHIS A: I think we have covered the main points of the business for 2018 and I will turn over now to the attendees, if they have any questions that they would like to ask. Thank you.

Q&A

OPERATOR: The first question is from the line of Patricot Henri with UBS. Please go ahead.

PATRICOT H: Yes, good evening, everyone. Thank you for the presentation. I would have three questions please. The first one around the Slide 18, we issued a new strategy and profitably growth levels. First one is round the IMO impact, so if you can show what's the underlying assumptions around crack spreads and in particular around the…so the crude differentials, if you're not concerned that the price of the low sulfur crude could be much higher comes 2020?

And secondly, if you can provide more detail around the second part of our own growth and if the €200 million of CAPEX, some sort of timeframe in what are you doing exactly in terms of investments?

And lastly it's on CO2 cost, if you can share with us some details how much you can reduce your emissions in the next year and what are the financial implications potentially? Thank you.

SHIAMISHIS A: Thank you very much, Henri. I will ask Dinos to take the IMO question. Then Georgios Alexopoulos can talk a little bit about our growth opportunities in...the bottleneck in the units and renewables and I will take Co2 question at the end. So Dinos.

PANAS D: Hello, good evening, Henri. Regarding the IMO have so much options to business plan that, well most of the time seem to be a little bit less aggressive than what we read from you guys and there is a lot of discussion out there and there is a lot of uncertainty, but what the consensus is that the diesel cracks will go higher, how much higher you know it's a question.

We have assumed something close to 20 about this and on the gasoline, we have assumed more or less that the cracks will stay as they were before and the diesel cracks, the fuel cracks would go lower. We have priced the new fuel somewhere between 70% of the gas oil and 30% of the heavy sulfur fuel oil. And given this assumption... and of course, for the lighter crudes, we have some something like some increases depending on the crude, but based on all these factors, we have calculated that this is the impact.

Well, in 2008, we had the Chinese Olympics, the cracks of the distillates were around 45. So, we really hope to see something like this.

SHIAMISHIS A: And it's a direction, it's about the number, so that we give some sort of a projection and direction rather than an actual number. George, you want to cover the CAPEX?

ALEXOPOULOS G: Yes. Hello, Henri, on renewables, we currently have a portfolio of about 400 megawatts at different stages of development. We have 26 megawatts installed and we have set a target of reaching an installed capacity of approximately 300 megawatts over the next 5 years. That corresponds to an investment on the order of €200 million to €250 million.

And we are proceeding with the implementation in combining the development of our own pipeline with foreseeable acquisition of renewable projects.

Regarding growth opportunities in our core business, we have identified a number of add-on investments to our existing refining network that involves debottlenecking, debottlenecking of units, margin improvement opportunities.

These are typically investments, which are small to medium size for refining in the tens of millions, and we've relatively short payback which can be of the order of a couple of years. So, this is what you see here as growth. Again, this is a bar, it's not an exact number, investments are at different stages of maturity and we will be updating you as we're progressing with these efforts.

SHIAMISHIS A: Okay. The last part, which has to do with CO2. The profile of the Group has any between 1.3 million to 1.5 million tons of CO2 emissions per year. And out of that, we have an allocation, which is depending on the unit, and it leads to about 0.6 to 0.7 of gap. That number includes all of our refineries plus the power, basically. So I'm talking about the Group footprint. Overall, we have 0.7, which is what we need to buy on an annual basis.

And the Energy Efficiency Program is something, which tries to…first of all reduce the overall need for energy, so drive the energy intensity indices, it tries to optimize the energy management within the system.

So there are initiatives like reviewing and changing and fixing all the making sure that the heat balance is not only the mass balances in the refinery, which has to be looked into, it's the head balance as well, which we're doing for a number of years, not something new. But there's always room for improvement, it's always driven by crisis.

It has to do with the mix of energy sources that we use. For example, we have the ability to switch to natural gas compared to other types of fuel for our refinery furnaces, and we also have the opportunities to cogenerate if you will the power which again is something which affects positively the energy needs and profile of the Group.

Clearly, it's a refinery, we cannot bring the gap to zero, but it has become part of the planning process. So, we are spending a lot of time and effort to manage that not only from a monetary point of view, but also from a climate change point of view as well.

PATRICOT H: Okay. Thank you. Can I just a follow-up on the second point on CAPEX to make sure I understand correctly. I should think around €120 million, €130 million of maintenance CAPEX and then you'd be spending something around €100 million a year for next years, is that right way to think about it?

ALEXOPOULOS G: Yes, I think this is about right. You should expect indeed a relatively smooth adjusted of course for turnaround maintenance CAPEX, sustained business CAPEX, if you will, Schedule Plus the growth opportunities we have identified in renewables and also in our core business.

PATRICOT H: Okay. Thank you.

OPERATOR: The next question is from the line Grigoriou, George with Pantelakis Securities. Please go ahead.

GRIGORIOU G: Yes, hello. Thanks for the presentation. I've got a couple of questions as well. If I may go back to George and ask him a bit of that CAPEX. He mentioned 300 megawatts as a target over the next couple of years. What exactly, leaving aside M&A, how much would be developed over the next 2 years, my first question is.

And the other question goes to Andreas. Regarding the difference we see in reported and adjusted EBITDA numbers for petrochemicals and marketing in the fourth quarter. Am I right to assume that there's been some kitchen sinking so that you start from a clean slate 2019?

My final question, if you... if I may, is about the slide, again 18, on the E&P cash calls. How much you project them to be and my understanding was at least from what Stathakis, the minister has agreed with regards to the E&P division being a spun off to new entity, that they would not have to pay out anymore regarding E&P, maybe I'm wrong. Thank you.

SHIAMISHIS A: Hello, George. Let me... let me ask George Alexopoulos to take the first part, and then I'll come back to the marketing and Petchems.

ALEXOPOULOS G: Okay. Hi, George, if I understood correctly, the question was regarding our plans for the renewables. As I said, we have a target of 300 megawatts. We expect this to come and let's say approximately 50:50 from our own pipeline of projects and acquisition. This is an approximate number, you cannot plan exactly. So I would expect from our own pipeline to develop in the next 5 years between 150 and 200 megawatts of renewables.

GRIGORIOU G: And will this sorry, and will these all be related to wind?

ALEXOPOULOS G: Our pipeline is more photovoltaic and also include some biomass; acquisitions may also be related to wind, yes.

GRIGORIOU G: Okay. Thanks.

SHIAMISHIS A: Going to the performance of marketing and petchems. I would not call the approaches as kitchen sinking; there were two items impacting the... each of the businesses. On petrochemicals, we have a one-off provision, which is not captured in the EBITDA, in any case, which has to do with the clearing up of a very old inorganic chemical plant in Thessaloniki. At some point in time, we started dismantling the plant and there is a plan to sort of clear the area. But it's not material by Group standards. It is just over €10 million. I think it is around €15 million. It is a provision for future costs.

And on marketing, again the impact which is not captured in the EBITDA, in the adjusted EBITDA, relates to the valuations the mark-to-market of collaterals. As you know, the business of retailing in Greece involves credit provision as well, and as part of securities we get, we have access to a number of real estate assets, properties owned by the dealers; a lot of them are actually the petrol stations that are active in our network chains.

Over the last 20 to 30 years, we have accumulated a number of non-performing because it is quite a trendy word now a day in Greece. We have a number of doubtful debts; I would call them bad debts which are provided 100% of the unsecured value. However, when your security involves real estate assets, plus some other collaterals, what you need to do on a periodic basis and we do that every 3 to 4 years in a big scale is engaged in a very thorough reevaluation of those properties.

The previous exercise we have done in 2015… in 2018, we completed a review of that process and it generated an additional provision against those bad debts, which as I said are quite old, of just over €10 million. Unfortunately, the way the judicial system works in Greece, you have to wait for a long time before a case is actually closed. And we like to keep a conservative approach on our balance sheet which is why we had marketing and petchem spin affected by these two one offs.

Now on E&P, we have a work program which is based on the blocks allocated to us. The work program is what I would call an ideal scenario from a work progress point of view, because you have to take into consideration that first of all there is a permitting process which is quite heavy and it may push back, it actually does push back a lot of the investments and the expenditure.

You have weather issues where you want to shoot seismic, and you also have seasonality issues for example when you have assets in highly touristic areas, you need to be able to carry out your seismic work during a pocket of time if you will before the touristic season or after the touristic season.

All in all, I would expect that for 2019 the cash call number is not going to be more than €30 million to €35 million for the year that is.

GRIGORIOU G: Sorry I got it right, in 2018, it was €1.4 million for E&P right? If I can read your notes...

SHIAMISHIS A: Cash calls; yes it is a very small number.

GRIGORIOU G: And it is going to grow up to 30?

SHIAMISHIS A: Yes.

GRIGORIOU G: Okay. So the entire amount of the E&P we are going to spend, well, I am not going to say as a contributor you get, you might just as… around about €60 million then since you will owe 49% correct?

SHIAMISHIS A: No, no, I am talking about 100% now. I am not talking about anything to do with a change in the structure. This is 100% of the cash calls, and it's the best estimate we have is €30 million to €35 million. It could be that everything goes well and we get all the permits tomorrow and everything progresses well and end up standing €50 million but it is highly unlikely to be honest.

GRIGORIOU G: Okay, understood. Thank you.

SHIAMISHIS A: I didn't comment on the structure which is something which might have some relevant if and when a prioritization transaction takes place.

OPERATOR: The next question is from the line of Katsenos Nikos with Alpha Finance. Please go ahead.

KATSENOS N: Good afternoon and thanks for the presentation. A couple of questions please. Firstly regarding the dividend policy that you still stick with the previously guided around 5% dividend yield going forward?

And secondly, regarding the Aspropyrgos Refinery, do you expect any impact in the utilization rate for the current year ahead of the preparations for IMO? Thank you.

SHIAMISHIS A: Okay. On dividend policy, I think the dividend yield of 5% historically is something that we have aimed to deliver and I don't think it is going to change going forward as a direction. Clearly, it is driven by a number of factors. What percentage of your clean results will be distributed? What's the balance sheet like? And, you know, honestly better utilization of the cash because at the end of the day our aim is to drive TSR, total shareholder return. Part of it will be through dividend but also part of it will be through the share price appreciation.

Now, on Aspropyrgos, if my understanding is correct Dinos can jump in if he wants to. We have very little give away on the utilization of the refinery, because of the switching of crudes so the IMO impact is not such that is going to be noticeable in the total volumes.

We don't have any schedule turnarounds or major turnarounds in Aspropyrgos. You always have some minor maintenance works schedule but no major turnaround in Aspropyrgos and no major give up/ give away on the switching of crudes.

KATSENOS N: Thank you.

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 call. 2018 has been a good year as I said. We have been able to deliver a very strong set of numbers in terms of clean results. Clearly, we take the inventory impact on the chin, but that's the nature of our business. However, we have been able to deliver for a number of years a very healthy operating profitability and cash flow.

The second part which I would like to highlight is the improved balance sheet structure and that takes into account all major components in the balance sheet. We have reduced I would say non-core assets, capital tie up by €300 million in DESFA and that was part of a very significant effort by the company over the last few years. We have addressed working capital issues in terms of optimizing that and making the company a lot more stable and cash flow positive from working capital, and we have a much improved debt profile both in terms of net debt, but also in terms of the gross debt profiling of the Group.

We have a bond coming up for expiration for maturity in July later this year, which we plan to repay out of existing cash. So it is a very strong balance sheet. That is all evidence at the end of the day by what I would call a very healthy dividend. It is a normal dividend plus a top-up for the DESFA transaction. It is way of thanking the shareholders for staying with us for the last few years. We had a difficult patch as a result of the Greek crisis in the big investment project.

So in some years we skipped some of the dividend payments in favor of other capital providers, but I think this is the proof of the concept, and I would expect to see a stable performance from a dividend point of view going forward.

Once again thank you very much for attending the call and we look forward to having you on our first quarter 2019 results call. Thank you.