HELLENIC PETROLEUM

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"Interim 2015 Financial Results" Conference Call

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***Conductors*:**

Mr. Grigoris Stergioulis, Chief Executive Officer,
Mr. Andreas Shiamishis, Deputy CEO & CFO,
Mr. George Alexopoulos, General Manager Strategic Planning & Development and BoD member &
Mr. Vasilis Tsaitas, Investor Relations Officer

Conference Call Conducted by Chorus Call Hellas

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OPERATOR: Good afternoon ladies and gentlemen, this is the Chorus Call conference operator.

Welcome and thank you for joining Hellenic Petroleum Interim 2015 Financial Results.

At this time, I would like to turn the conference over to Mr. Grigoris Stergioulis, Chief Executive Officer, Mr. Andreas Shiamishis, Deputy CEO & CFO, Mr. George Alexopoulos, General Manager Strategic Planning & Development and BoD member &
Mr. Vasilis Tsaitas, Investor Relations Officer

Mr. Stergioulis please go ahead.

STERGIOULIS G: Good afternoon, everybody. We are in the present situation to fulfil all our promises regarding…from our last meeting, meaning that all our refineries are up and running, extremely profitable at the moment, but do allow me to go in much more details a bit later.

Hellenic Petroleum Group reported an adjusted EBITDA of €130 millions in the second quarter of the year, a significant improvement mainly on the back of the robust benchmark refinery margin, a strong USD and as well as improved operation performance in the business units. The adjusted net income amounted to €39 million. Despite the positive refined backdrop, the Group had to address a number of challenges, the consequences of the 8th of May unfortunate accident in Aspropyrgos refinery which also extended that on our schedule, the unplanned shutdown of the flexicoker unit at Elefsis refinery, the events that negatively affected our ability to fully capture the favourable environment as well as the banking crisis, with the capital controls imposition and the bank holiday at the end of June. I will go in far more detail in the…during my presentation and please do feel free to go in asking questions on all these issues.

Management efforts were focused on their smooth start-up of the Aspropyrgos refinery but at the end we succeeded, which came into full operation on the 25th of June and since then, it's fully available, as well as managing the banking crisis in Greece, as I repeat, I mentioned them both, aiming to continue the operations of all our refineries with minimum disruptions and uninterrupted supplies to domestic market and our international customers. It is post the escalation of the crisis with the three weeks bank holiday and the imposition of capital controls; we rolled out a comprehensive plan to ensure the refineries operated as planned, covering Greek market demand and continue our export activities.

Due to our business model with increased export orientation, significant part of our turnover originates outside of Greece; those transactions are executed through the international banks with which we maintain a long standing relationship, a key element of the consequences of the Greek banking system crisis. Furthermore, the Group's financial strategy in the last couple of years for funding diversification with the issuance of the euro bonds as well as negotiation with international banks was a key factor for the successful management of the crisis, as it resulted in 50% of our debt being sourced outside of Greece, and therefore not affected by the Greek banking system.

In terms of the operating environment, refining margins remain strong for another quarter, as increased international demand for oil products, mainly gasoline, sustained in the second quarter with benchmark Med FCC margins averaging to $7.3 per barrel, while Hydrocracking margins came at $5.8 per barrel due to increased diesel supply. Crude oil prices remained weak despite partially recovering the first quarter lows, averaging $63 per barrel, however remains significantly lower compared to the second quarter of last year.

The dollar strengthened slightly against the euro with the exchange rate averaging 1.11 USD per euro for the second quarter, the strongest for the dollar since 2003, another positive for us since our margins are USD dominated while the OPEX is largely euro driven.

With regards to the Greek market, fuel demand continues to grow on the second quarter amounting to 1.6 million tons, a positive of 6%, as consumption increased for oil products. The bank holiday and capital controls imposed on the 28th of June of 2015 are expected to have a negative impact on economic activity during the second half of the year, according to estimates also affecting fuels market, with the first signs of falling demand appearing in the third quarter despite the increase in tourism.

Back to our financials, reported IFRS results were also positive supported by inventory valuation, FX gains, partly offsetting losses recorded in the previous quarters. Reported EBITDA amounted to €144 million and net income to €49 million, not bad under all these circumstances.

Operating cash flow was also positive despite increased capital expenditure due to maintenance work and finance costs, also despite the successful actions of the gradual reductions in 2014, and continued to be affected by developments in Greece and remain disproportionately high. Net debt came to €1.1 billion, slightly lower than year end while gearing stood at 38%.

In terms of other key operating strategic developments, in addition to the start-up of the Aspropyrgos refinery, Elefsina refinery also completed the maintenance of its flexicoker unit in July, with the Group refineries in full operation availability in the third quarter of the year. Also that was another promise on several questions asked by you that we managed to keep.

Regarding the sale of 66% of DESFA share capital to SOCAR, the Share Purchase Agreement has been extended until December 2015, with the approval of the European Competition Authorities being the final step for the completion of the regulatory clearance.

Finally, Hellenic Petroleum participated in the recent international tender process for exploration and production in offshore areas in Western Greece on July 14th, reiterating the Group's interest in developments of the country, following the operating of the upstream sector to the international oil industry.

To make a long story short, we managed to fulfil our commitment on starting up our refineries on time and operate profitably, even under the most severe environment, both operation and financial.

Thank you and I will pass you to Andreas Shiamishis to a more detailed presentation of the financial results.

SHIAMISHIS A: Thank you very much, Gregory. Turning over to the presentation part that was distributed short while ago; going to the key highlights first of all; as you heard we've got a very strong second quarter which as you will see in a minute at €130 million effectively translating to something close to €230m if both refineries were up and running properly. So clearly, a very strong quarter for the refining business…it was driven by the strong benchmark margins and a strong exchange rate which benefits our results given that most of our gross margin is dollar denominated.

As we have mentioned, we have the extended shutdown of Aspropyrgos Refinery, plus a small outage of the flexicoker unit at Elefsina which did not allow us to full capturing the margins. But even so, we managed to report good results on the back of the refining margins, USD and improved Greek market demand.

In terms of our associates, we have a negative development given that the absence of regulatory framework on the electricity market gives rise to lower results on our power associate Elpedison, as well as a carry through impact on our NatGas business which is DEPA.

Finally, in terms of results, we have marginally lower financing costs which is to an extent mitigated also…actually masked by the high negative carry cost that we have for the excess cash given that we need to manage the crisis. And of course, the dollar has led to some exchange rate differences on our USD liabilities.

As you will see in a minute, this is the six…sixth consecutive quarter of improvement. The run rate…the last 12 months…the historic run rate for the Group stands at €650 million of clean EBITDA, which is very close to the numbers we projected over the last few years as a reasonable target for the Group.

Both adjusted and IFRS reported net income is positive, with the first quarter net income at €66 million. Net debt on the back of operating cash flows, supply chain normalization following the shutdown plus a bit of an abnormality at the end of the June due to the capital controls has gone to €1.1 billion, marginally lower than the year-end. And of course, we need to sort of go through the management of the Greek crisis which was at the end of June and July, this will have a bigger impact in the third quarter of course.

So going through Page 3, we see the key numbers, very quickly through the page. Sales volume for refining down 7% on the back of the outage of Aspropyrgos, and marketing up plus domestic and international, on the back of increase heating gas oil sales in April plus a small improvement in the auto fuels market in Greece. All units reported positive results, with €130 million being the adjusted EBITDA; and we also see the drop in the associates share profits from €10 to €3 million.

If we move to the bottom of the page, we have the CAPEX which is at €62 million for the quarter that includes…the majority of that relates to the Aspropyrgos turnaround and the maintenance cost which was carried out through the second quarter. And of course, there will be some small CAPEX coming through in the third quarter for the Elefsina flexicoker unit.

Now moving on to Page 5, very quickly, we see the evolution of the industry. I won't spend too much time given that all of these numbers are easily available. You see the impact of crude oil, since the end of the quarter, we've seen a reversal of the trend with crude oil prices going even further down, clearly that's going to have an impact on our reported results in the third quarter, but on the other hand given the margins that we are running at, they should be more than compensated by the operating results.

Moving on to the following page on margins, I think the most notable point here is the gasoline crack, which has gone clearly at one of the highest levels in the last few years. All other products have remained relatively strong, and that led to a significant increase of the Aspropyrgos Refinery with $5/bbl, unfortunately we haven't been able to capture all of this benefit and of Elefsina with $3/bbl.

On the domestic market environment, we have the increase in auto fuels. Roughly, as you can see at the right hand side of the page about 3%, if you average also diesel and gasoline, and of course, a very high increase on heating gasoil which is only for the first two and a half weeks of April, if I am not mistaken.

On the Greek crisis, a quick preview of what we went through mainly in July and August. We are pleased to say as Grigorios mentioned earlier, a limited impact on the business which was, I repeat mainly in the third quarter. As you know, capital controls and bank holiday was imposed at the end of the June 28. Bank holiday was lifted soon after that, about three weeks into July and capital controls are still with us but with a different format.

As part of our corporate risk management we have put in place a contigency plan as back as 2011. And clearly that plan has been revisited frequently and taking into consideration new developments on the political environment in Europe and Greece.

As far as, bank holiday and capital controls are involved, we did have a scenario whereby we explored the implications for the business. And the benefit of that was that we identified early on the issues that might be faced and which we actually faced this year, and we had put some mitigating actions in place and some preparatory actions as well.

At the end of the day, we are very pleased to confirm that there was no interruption in the local markets supply even over the first weekend of the crisis. We supported uninterrupted retail operations clearly for our own network and for our customers throughout Greece. We had no impact on actual business, both to our own subsidiaries, as you recall, we have…we are supplying four markets...five markets actually, other than Greece, some almost 100%, others to lesser extent. And we had no issues continuing that supply, and we had no issues fulfilling our obligations to third parties for exports.

Clearly, going through this crisis without any credit risk issues, is also a big achievement. And of course, setting up in place if you will, a parallel treasury operations system outside the Greek banking system for all the Group, which was also put in place sometime ago, helped to avoid any excessive issues on our business.

What we have seen is that the bank holiday as expected resulted in a drop in sales in July. And we do feel that prolonged capital controls will lead to a further weakening of the Greek market even though tourism is up, which means that eventually a slightly bigger percentage of our production will be channelled into the export markets.

Now, on Page 10, we have a very summary version of the causal track from last year's second quarter. As you can see, we have the environment which is the benchmark refining margin, the stronger dollar, and a bit of lower volumes on the Greek crisis affecting our results. And on the Company performance, the biggest item is the outage of Aspropyrgos, part of which was planned. So we were expecting to be out of operation for six to seven weeks in the second quarter. Unfortunately, because of the incident we had a delay in the start-up, and we have forgone, as a result, the benefit of the refining margins.

Elefsina, on the other hand, even though we had the outage of the flexicoker unit for part of the quarter managed to deliver a better result than last year. And we expect that with full operation this will be even higher in quarters to come.

Supply and trading mainly relates to improved purchasing, some channel mix impacts and others related to the rest of the business. So all in all, you can see we were going from 49 to €130m, if you include the opportunity cost, if you assume that both refineries were operating properly, the number would be closer to around €230 million.

On cash flow, the important thing is that, for the sixth quarter we are reporting positive operating cash flow, adjusted EBITDA minus CAPEX, which is…if you will, a sign of the health of the business. And you can see the net debt evolution from the year end, roughly at the same levels.

Moving onto Page 12, we depict the last 12 months trend, which has a clear sign of improvement quarter-on-quarter to just about over €650 million of adjusted EBITDA for the last 12 months. This has an open effect on EPS and return on capital employed which you can see on this page.

In terms of credit facilities and liquidities, as we have explained in the past, our strategy was based on three very simple principles. First of all, diversification of funding base, which we achieved with roughly 50% coming from sources outside of Greece that was less than 20% a couple of years ago. So the DCM issuance, EIB and some international banks, which participated in the committed facilities, have given us some balancing effect into the system. The second thing, which is important is that we have much more…even maturity profile, which, as we moved towards the end of the year, we will be reviewing for the 2016 and maybe 2017 tranche.

The Company is at a very solid cash flow positive stage, so it's a question of having a little bit more improved market conditions to be able to go to the market. And the third item has been the maintenance of very high cash balances to manage these risks. So all of these agendas,…items of the agenda have been positive. The developments have been positive, and we expect that over the next 6 to 12 months, we would be able to improve on this even more.

Now, moving onto the business unit results; on to the Refining, Supply and Trading Overview on Page 15, you can see the numbers is €77 million of adjusted EBITDA with €54 million coming from the refining capital expenditure. As I mentioned that relates to the shutdown of Aspropyrgos mainly, and of course, having a refinery shutdown is also a good opportunity for some improvement projects, so not all of this clearly relates to the maintenance work, but it has improvement projects as well.

On Page, 16 and 17, you can see the Production Operations with production of 2.4 million tonnes versus what has been a steady average of about 3.8 to 4 million tonnes for the gross production by refineries. On a net production basis this is lower because we have the transfer of products from one refinery to the other. And there has been an impact on the yield as well because of the outage of Aspropyrgos. Likewise, you can see the sales for the same time series on Page 17, with sales in the domestic market being marginally up on 2015 second quarter that is the case for aviation and bunkering and the lower exports effectively is driven almost entirely by the shutdown of the refinery.

On Page 18…so we've seen mechanical availability, sales, what about the yield and the netbacks of the refineries of our system. Here you can see for the same period, how our benchmarks and realized margins have behaved. As we have communicated in a number of times in the past, there is a steady over performance, which is roughly about $5 per barrel, this is driven by both operational reasons, so better performance on the benchmark, a typical benchmark refinery, as well as the premia for the three markets that we supply, domestic, exports and aviation and bunkering.

On the last part of the page, we've tried to give you a proxy of what the full operation would look like for the second quarter, so that you have an idea of the impact of the shutdown on the benchmark and the realized margin on a per barrel basis.

Page 19, we have Petchems, again this is, if you will, a vertical integration from the refining business, a lot of the profits are generated by the Aspropyrgos splitter which effectively gives the production of propylene. As we have explained in the past, we keep a separate reporting line and a separate business unit for Petchems, so that we manage on a business unit basis. A very strong performance, €23 million. Even so Aspropyrgos was down for most of the quarter.

Moving on to Marketing, as I mentioned, we have the improvement in performance, about 30% versus last year in terms of EBITDA +27% to be precise. And that is driven by volumes, market shares as well as the impact of touristic season, the early months of tourism on our network aviation and bunkering business.

On the International Business, on the international marketing side, we have again a marked performance; it was a slow start for the year, which picked up in the second quarter. Now it looks like we are on track for our full year targets and the business is performing very well. Very stable business in terms of off-takes for our main refineries and a non margin related profitability.

On the Power and Gas Businesses, which I know that we consolidate on an equity basis, we have a negative performance on Elpedison given that there is no transitional regulatory environment on the electricity market. And as a result, we have suffered from lack of revenues and specificity on the production dispatch of the units. We expect this to be remitted over the next few weeks. As part of the agreement, this is an area which has received special attention and clearly it is something that we will be expecting to see addressed by the government.

An open effect of this issue is sales of natural gas, which to a large extent depend on IPPs on power generation in general. The lack of production by IPPs clearly means lack of off-takes from those plants and lower sales means lower trading margin for DEPA and of course, lower cost absorption for DESFA, for the pipeline business.

At this point, I should repeat that we continue to consolidate DESFA as well as DEPA, at 35% as one group, given that the SPA has been extended to December 2015, but the transaction hasn't been completed. Once we have all the approvals in place, there will be a deconsolidation of DESFA from DEPA, and at that point in time we will reflect the sale of DESFA in our books and hopefully soon after collect the cash as well.

Now at this point in time, I think we've completed the presentation of the results. And we would like to open the floor to any questions you may have. Thank you.

Q&A

OPERATOR: The first question comes from the line of Mr. Patricot, Henri of UBS.

PATRICOT H.: Yes, good afternoon. I want to thank you for the presentation. Just a couple of questions. And here is the first one, so quite a big movement in working capital. And you said part of that is linked to what's happening in Greece at the moment. Where should we expect that working capital to move in the third quarter and in the fourth quarter as… after the situation normalizes in the country? And my second question would be on the Iranian crude supply, potentially going back to the market, and I'm not sure if you could use that crude if you were able to import it again, and if you have any debt that you owe to the Iranian National Oil Company. Thank you.

STERGIOULIS G: Please do allow me to answer the second question first and pass you to Andreas for the first one. While that's with the NIOC, we are planning to visit Tehran by next week, and our plan is to get as much as possible Iranian oil for our refineries. As you very well know, both our refineries in the south are designed based on Iranian oil. Therefore, we strongly welcome the availability of these oils to the market, and expect and we hope and that sentiment is the same on both sides. We have been in resolution on all issues and we do know that our partners in Iran are also keen in to start co-operating with us back again.

SHIAMISHIS A: Thank you. On net working capital, we had two issues which affected the June numbers. The first one was the shutdown. Unfortunately, given the prolonged shutdown we had the issue of being caught with higher crude oil stocks then normal and having to import products during June in order to serve the market. So a bit of a spike there in stocks and suppliers. And at the end of June, we also had capital controls in place which again led the spike in suppliers which were paid subsequently. I think that it is fair to assume that roughly a couple of hundred million of working capital will be coming back into the system i.e. we will be increasing our working capital, our working capital by €200 million. This is assuming no price movements which clearly will have an impact on working capital as well.

PATRICOT H.: Okay, thank you.

OPERATOR: The next question comes from the line of Mr. Grigoriou George of Pantelakis Securities.

GRIGORIOU G.: Yes, hello congratulations. One quick question please, if you want to very well disclose to us perhaps the amount of gains from any contango trades that were realized during Q2? Thank you.

STERGIOULIS G: Hello George, yes. The amount was relatively small; I would put it around $5 million. The reason being that most of the contango trades actually struggle the quarter end into September. So there will be some additional benefits coming into the third quarter.

GRIGORIOU G.: Okay, great. Thank you.

OPERATOR: The next question is from Mr. Katsenos Nick of Alpha Finance. Mr. Katsenos please go ahead.

KATSENOS N.: Yes, hello gentlemen, and thank you for the presentation. You very kindly provided us with the negative effect from the delay in the startup from the Aspropyrgos outage, around €80 million. I wonder whether you could be able given that the refining gross margins in July and August looks like that they have eased slightly, sequentially, compared with the previous months. I wonder whether you could be able to give us a feeling regarding how margins have evolved and how profitability has evolved during July and August for your refinery operations.

GRIGORIOS STERGIOULIS: Okay, that's a good question. I don't want to go into details, but we think that these two months we mentioned will be a very good surprise for our investors, due to the fact that not only the margins are very high, but also it is a full refinery operation that will allow us to capture benefits that we have never captured before. Andreas do you want to focus on figures.

SHIAMISHIS A: No, no I don't think, it's too early. But overall I would say that margins are…as I see it are at least as good they were in second quarter if not a bit better. And as Grigoris very rightly pointed out, the start-up of all refineries that allow us some further opportunities into the numbers, I would expect, I mean subject to any unforeseen issues, I would expect to have a very strong third quarter.

KATSENOS N.: Okay, thank you.

OPERATOR: Gentlemen there are no more questions registered at this present time. You may now proceed with your closing statements.

STERGIOULIS G: Well, from the very few questions, we do get the impression that our financial results were as expected or even better than expected. Our refineries as we promised are in full operation. Our results are really good, if you take into account the economic environment, the crisis and the turnaround process that was completed by the end of this quarter. And we would like to thank you all for the attendance, the questions and the environment, the attitude you gave to us. And be sure that if everything goes right in three months period you will hear the questions regarding what we are going to do with all this money. Thank you all and good afternoon.