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"First Quarter 2013 Financial Results" Conference Call

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Conductors:

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&
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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 First Quarter 2013 Financial Results Conference Call.

At this time, I would like to turn the conference over to Mr. John Costopoulos, Chief Executive Officer, Mr. Andreas Shiamishis, Chief Financial Officer, Mr. George Alexopoulos, Corporate Planning and Development Director and Mr. Vasilis Tsaitas, Investor Relations Officer.

Gentlemen, please go ahead.

SHIAMISHIS A: Good afternoon. I would like to thank all of you for joining this conference call for our First Quarter Results and without further ado, I would like to walk you through the presentation, so that we give you an account of what has been achieved and what the results are for the first quarter. And then open the floor for any questions you may have with respect to our presentation.

So, turning to Page 2, you will see that we have our key numbers here. It's been expected and we actually did make the point at the end of last year, with respect to the drop in the domestic market demands, particularly for the heating diesel sales and we are seeing that way you know, the results with a 70% drop in the sales volume for heating diesel.

So that has been one of the two most important facts affecting our results. And also, we have the prolonged start-up and optimization process of the Elefsina Refinery, which even though it's now operating fully, at full capacity and with the design yields, if not better than that, during the first quarter of 2013, we had to shut down some of the units in order to perform some of the optimization work that needed to be done. So, those two factors have affected our adjusted EBITDA results which as we will see later on, are down to €38 million versus €76 million last year.

On top of that, we had a number of exogenous factors, such as the inventory effect, which led to an increase in the negative impact on the first quarter results, as well as the change of corporate tax rates, which led to a reevaluation of our deferred tax numbers on the balance sheet. So as a result, our reported numbers show a €78 million loss versus a €71 million income. Needless to say that the inventory loss has since then been reversed, as crude oil prices actually picked after the end of the quarter.

So, in terms of the main points, we have our adjusted EBITDA reflecting the negative impact of the domestic market drop, on the heating gasoil demand and of course, the slower ramp-up of the Elefsina new refinery. As I mentioned, we have the impact of inventory losses on our reported results as well as higher depreciation and financing costs, following the start up of the new refinery.

That is with respect to our operating results. We do however, have some very positive news with respect to our refinancing, which as you may recall, at the end of last year was completed with the repayment of €1.2 billion of loans expiring in December and in January 2015. And since then, we completed successfully our ever… first ever Eurobond insurance for €500 million, which was actually received with a lot of… a lot of interest from both Greek and international investors.

As a result of the completion of the Elefsina upgrade, our net debt is pretty much at the same levels, it's marginally lower year on year at €2.2 billion. And clearly, as we move through the rest of months during 2013, we will be seeing a further decline in our net debt position. Assuming of course, we don't have a major working capital change as a result of crude oil prices.

In terms of non-operating issues, I think the most important piece of news that we have is with respect to DEPA, the privatization is at the final stage, we expect binding offers to come in over the next few weeks. Clearly, it's a very important transaction for us. We've got DEPA in our books at around €600 million, which means that a transaction on DEPA, assuming that we have the valuations, the binding offers at the appropriate levels, will help us to achieve the de-leverage target ahead of the Three Year Plan that was originally put in place.

So these are the key points for the first quarter. Moving on to the industry environment, on Page 5, we have the trend for crude oil prices, we reflect as you know, the Brent prices, which are not necessarily the same prices, the same crude that we buy and use for our refineries.

So what we have seen, in terms of crude oil prices, is a relatively range bound trading in terms of prices over the last few months, with the exception of the end of March and the beginning of April where we saw a drop in the crude oil price, hence the inventory losses.

The other thing which is worth noting is the fact that, over the last 24 months and particularly over the last 12 months, we have seen a structural change in the crude oil markets, for crude oils coming into the Med, we are seeing more expensive Urals compared to what they used to be a year or two years ago, and of course, that is something which is affecting the performance of both our refinery as well as all Med refiners, who are based on Urals for the crude oil supply.

In terms of exchange rate, we have unfortunately renewed volatility during the quarter, because of the political developments. We had the Italian elections; we had the Cyprus banking crisis, which has caused more volatility in the currency markets than we would like to see.

Clearly, the issue of exchange rate is becoming more important, given that following our refinancing, we have most of our loans at least at the time being, being denominated in Euro, which means that we have mismatch between our asset base, which is dollars, in terms of the inventory, and our liabilities which are the loans. As you will see later on, this is something that we are addressing now and hope to put right over the next few months.

In terms of benchmark margins, we have relatively stable year-on-year margins both for the Aspropyrgos Flexicoking Refinery as well as for Elefsina Hydrocracking refinery at about $4 per margin… per barrel. As you see, despite the benefit of gasoline cracks, most of the other products have moved in the other direction, i.e. containing a possible upside on the benchmark margins.

Now, coming to the domestic market environment, based on preliminary data and I emphasize the word preliminary, we have a drop of about 37% year-on-year, comparing the first quarter of ’13 to the first quarter of ’12 for the domestic market. Clearly, this is driven by the big drop of heating gasoil sales, which is about 70% down versus last year, and this is exactly the same as we had in the last quarter of 2012.

We do have a piece of good news with respect to the market. We have auto fuels demand being lower than last year. It’s about – excuse me – 6% down year-on-year, which is however, the lowest decreased rate that we have seen over the last two years, since the beginning of the crisis. Now, this is positive news and it may suggest that we are actually coming towards the bottom of the market, following the last 8 quarters of drop in terms of fuel oil… fuel demand.

Now, moving to Page 9, our results in terms of the various segments, clearly the biggest driver for this swing is the refining business results, which has been affected by post the Elefsina start-up as well as the heating gasoil drop and of course, marketing, which has been affected in domestic marketing that is, by the same reason, by the drop in heating gasoil.

Petrochemicals have performed significantly better than last year; we've got a €6 million upside on petrochemicals EBITDA, which is effectively due to the polypropylene value chain, which… and the margins, which is driving the whole sectors economics.

In terms of Transformation Benefits; we have the four main projects which have revised targets medium term targets set at €300 million. I remind you that we have about €230 million of realized results up until the end of 2012, and in the first quarter of 2013 we have managed to deliver on another €11 million of incremental benefits. As you can see, if we base 2012 as a reference, if we use 2012 as a reference, our current targets give us an upside of about €70 million to be captured between now and the next 24 months.

Now Gearing is, as I mentioned earlier, gradually coming down, clearly the level of net debt is affected by seasonality issues, by heating gasoil stocking up or sales. In this case, we didn't have such a big heating gasoil season and by price volatility. Those are the main factors given that we do not have any significant capital expenditure ahead of us, which implies that we would expect to see the level of net debt and Gearing coming down over the next quarters.

In terms of funding, the Eurobond issuance has been, as I mentioned, a successful transaction for the Group. It was an unrated issue, which was priced in May and closed in May

2013 €0.5 billion was the final transaction size, and it's important to know that we had €3.6 billion of demand in our order book. This is an indication of the quality of the credit of the company, as perceived by international financial investors, given that about 80% of the order book actually did come from international and mainly institutional investors. Clearly, 80% is a high number, but I believe it was comparable to what most companies are actually saying now on the existing bank debt. And for us, it was a very strategic decision given that it opens up our funding base, and it actually addresses all possible issues and concerns on liquidity. The performance of the bond is indicative of the risk perception for the Company, it's tightened to about 6.6 that is the yield of the bond, and we expect that, as the credit spreads for the Greek Sovereign issues come down over the next few months, so will the yield on the Hellenic Petroleum bond, so our bond will come down as well; the yields for our bond will come down as well.

Now, as a result of both the Eurobond issuance, as well as the term loan that was put together at the end of last year, we have a much more balanced maturity profile. As you can see on Page 13, most of our maturities are actually spread over four years 2016, '17 and '22, which is way out in the future. In the next two to three years we have very small amounts for refinancing and it's also important to note that we also have €400 million of syndicated loans, which is being at the final stage for renewal and that is due in June 2013. So, effectively between now and the end of 2014, we do not have any material debt coming up for renewal.

Moving on now to the various segments; we start with the most important one, which is our Refining, Supply and Trading business. Our results are 58% down on the EBITDA, we have the impact of heating gasoil as I explained earlier, which is effectively a result of a five-fold increase in excise duty in October 2012; and that offsets the small gains we had on benchmark margins and operations. Again, as you will see in a minute Elefsina impact was diluted because of the optimization process, and of course the under absorption of overheads given that it is not operated at 100% capacity.

An important point to make is a fact that over the last couple of years we have had to suffer what we would call a margin leakage as a result of first of all Iranian crude moving out of the market, and second our credit situation in Greece, which means that we had limited optionality in terms of the selection of crude, as well as, in some cases paying a risk premium on open credit supplies to our suppliers.

Clearly the refinancing and the additional liquidity that we have now, gives us significant room for capturing back some of that margin leakage, which will come back through the next quarters in our results.

Now, Page 16 gives you a good account of the EBITDA of our refining business. As you see we start off with… it compares 2013 first quarter with 2012 same period. We started with €56 million which was our clean or adjusted results in 2012. We have a benefit because of marginally improved margins. We have better operations in Thessaloniki. As you recall, Thessaloniki was upgraded about a year ago, so the startup process and the optimization process in Thessaloniki had similar issues as Elefsina had in the first quarter. So, this year, we do not have those issues in Thessaloniki, and we have been able to perform much better than last year.

Now coming to Elefsina; I would ask you to look at the top part of the page at the right hand side, where we are breaking up the… we are breaking down the €14 million of negative contribution. Effectively one would expect to see a positive contribution at Q1 margins of about €30 million to €35 million coming out of Elefsina. So that would be the step-up in our contribution for 2013.

However, the optimization process, which meant having the unit shutdown for part of the first quarter, as well as running them with different types of crude so that we explore all possibilities in terms of yield management and a lower utilization on average because of the way the refineries run, if you have certain of the units out of operation, meant that we left more than that contribution on the table. That combined with the last legs of the investment hedging that was put in place six years ago, and it's actually going away this year, meant that we are actually recording a negative contribution on the first quarter from Elefsina.

Clearly, as we speak this has been addressed, Elefsina is operating in full capacity now and with actually better than designed yields so this will not be repeated in the second quarter and in fact we expect to be much better moving forward.

Now again the sales mix, we have the negative impact of the market drop, and as you can see on the smaller chart on the right hand side of the page, at the bottom, we have analyzed the impact between the various components, the biggest one is by far the heating diesel, the heating gasoil drop. Again, you should take into account that as we move out of the winter season, out of the heating gasoil season, the comparison will not suffer as it did in the first quarter.

It's also important to note that 2012 first quarter had record high heating gasoil sales all things being equal due to the weather, because of the taxation of the expectation for tax in April 2012.

In terms of sales, we have the analysis of our sales by market, so domestic market as we mentioned is down by 38% and so is aviation and bunkering by 19%. However, we are seeing the increase in our exports which is up by 38%. We have about 40% to 45% of our production being exported to our own subsidiaries and to third parties. Clearly, the drop of heating gasoil sales meant that we have imported a lot less diesel during the first quarter of 2013.

Now, the product yield is… and the product mix in terms of sales, is actually shown on the right hand side of the page. And as you know can see, we had a big drop on gasoil sales which has affected the heating gasoil, whereas the other products, mainly diesel, is up which is also related to exports and not to the domestic market.

The following page gives you the utilization of the refineries… of our production which is effectively the start up of Elefsina. As you recall, the refinery started up in the fourth quarter of 2012, hence we have this almost 800 million tons added to our production. And you can see the benefit in terms of the product yield on the right hand side of the page.

The following page shows a trend for the last two years, in terms of productions by our refineries and you can see that as Elefsina kicks in, we also have a much higher percentage of white products as a percentage of the total production of the three refineries. So, from the second quarter onwards you should expect that the Elefsina contribution to production is actually going to come back to its much higher levels.

Again, we have the three main units of the new refinery, all have now achieved above the 100% utilization. And we have also achieved above 100% in terms of product yields and quality of the products. So again, it's a representation of why the first quarter results of 2013 are not reflective of what one would expect from the new refinery.

Moving on to the domestic marketing which is Page 21, again, we see the impact of the heating gasoil market on the results of the Company. We have adjusted EBITDA of minus 3, given that both our retail businesses, EKO and Hellenic Fuels, are set up in order to manage a much bigger volume of heating gasoil during these months.

The lack of the sales effectively means that we have an overhead under absorption issue which is affecting our positive results. One thing which is worth noting is the fact that we have been able to report some market share gains on auto fuels as first of all, the market is actually not dropping as fast as in the past, and also because both EKO and BP brands are gaining shares at consumer level.

In terms of commercial and industrial businesses, we have improved results given that we are much stricter in terms of credit management and we have much lower provisions for doubtful debts. And of course, that was also implemented in our marine business with of course, some impact on lower volumes.

We are actively looking at the core structure of our retail businesses. We have a 6% drop in terms of fixed cost base for both companies. And clearly, we are aiming to deliver even bigger cost savings which will help the Company to achieve a much better financial position than the first quarter of 2013.

Moving on to international; international marketing has been pretty much at the same level as last year. We have adjusted EBITDA at €7 million. I just want to mention that the adjustments in international marketing effectively is with respect to the provision for the Cyprus banking crisis for €4 million, so it has nothing to do with inventory effect or anything else. It's a one-off provision which was booked at the end of the first quarter in respect of Cyprus.

We have stable performance in the first quarter by all markets, clearly, the environment is difficult. We need to be very careful about credit risks moving on, but at the end of the day, the business has delivered a flat EBITDA in this quarter.

As I mentioned earlier, petrochemicals have delivered much higher results. We've got €6 million uplift in our EBITDA and that was mainly due to the stronger polypropylene margins, which is effectively the bulk of our business in petrochemicals.

Now, Power generation has… is as you know, is consolidated through an associate's line. We have a lower consumption on the Greek market, Greek electricity market, which was about 8% year-on-year and that is due to both the economic recession as well as milder weather. Actually the lower heating fuels theme is something which is common, of course, in heating gasoil which was affected mostly by tax, in nat gas sales as well as electricity.

The higher participation of hydros due to the weather over the last few months means that we have lower gas and lignite production in the mix for the system. As a result, we have lower utilization on for both Elpedison plants which is also partly due to a maintenance shutdown at the Thessaloniki plant in the… at the end of the first quarter.

Now, in terms of the system operator and the liquidity which is a big issue as far as IPPs is concerned, we are seeing an improved position over the last few weeks and we expect that with the measures taken by the appropriate authorities, we will see an improvement… a material improvement in terms of the liquidity for the system.

Finally, moving on to DEPA, as I mentioned, DEPA is now at the last stage of the privatization process. We expect the binding offers over the next few weeks. And of course, this means that at some point over… during the next couple of months, we will have to finalize a decision jointly with the shareholders of the 65%, the Hellenic Privatization Fund, as to which way we will go with this transaction.

In the meantime, performance in DEPA has been affected by lower gas demand that was a result of both the weather issues that I mentioned earlier, heating fuel was down across the board, as well as of course, lower gas demand from our… from gas-fired electricity producers. So that has affected the performance of DEPA which is partly compensated by a resilient performance from DESFA, given that DESFA has a regulated asset business model and a lot of its pricing is independent of annual volume throughputs, but based on capacity charges.

So at the end of the day, we have a drop of 43% at the Group EBITDA which however, is reversed out because of items below the EBITDA line, to a net income contribution which is just 6% down versus last year.

Now, that brings us to the end of the presentation of the Group and the various business units. And I would like to open now the floor for questions or any comments you may have.

Q&A

OPERATOR: The first question is from Mr. Lake Duncan of Société Générale. Please go ahead, sir.

LAKE D: Yeah, hi there, good afternoon to you all. Just obviously a question, you know, going back to the refining segment, I know you are expecting about a rather weak demand et cetera in the issues, you know, getting your new refineries up and running 100%. Can you kind of tell us, how things would have looked, had it been for you know, without these issues without these… sort of what I can say is one-off issues?

SHIAMISHIS A: Good afternoon, Duncan. That's actually a very good question, and effectively the answer is, if we had Elefsina properly running which we do during the second quarter, and using the first quarter margins we would expect to see a delta on the first quarter results of about €45 to €50 million, effectively instead of having €14 million of losses, we would have something around €30 to €35 million. That is using the first quarter margins and the yields that we know that the refinery is delivering now.

LAKE D: You are talking like from EBITDA, we are talking of 45…

SHIAMISHIS A: EBITDA precisely.

LAKE D: So, how do you… basically you had… you know, based on what you see, you know, at least in the €38 million of EBITDA, we should expect like a €45 to €50 million in premium Q2 or would it have been €45 to €50 million better in Q1?

SHIAMISHIS A: Yes, the latter yes.

LAKE D: So, €45 to €50 million in premium Q2.

SHIAMISHIS A: No, no the latter…

LAKE D: Okay understood, okay.

SHIAMISHIS A: Q1 it would be better by that amount.

LAKE D: Okay understood, understood. And just in relation to you know, just or just sticking to the demand on you know, Greek heating diesel oil. You know, is there any kind of further color you cane give on outlook (I mean is there something that, it seems like it's very depressed, maybe there is something ongoing for the rest of the year, but shouldn't impact you too much or how should we do that?

SHIAMISHIS A: Well, I mean, you are absolutely right; it's very depressing to look at these demand numbers. However, this is behind us now, because effectively all demand distraction actually took place in the last six months, the last quarter of 2012 and this quarter, and what we are actually expecting to see is probably a small improvement on this baseline because we have the same taxes, and of course, one would expect that given the weather issues, we would expect to see a slightly better performance moving on into the winter season of 2013/2014.

LAKE D: Okay. Great, thanks a lot then, thank you.

SHIAMISHIS A: Thank you.

OPERATOR: The next question is from Mr. Katsenos Nikos of Alpha Finance. Please go ahead, sir.

KATSENOS N: Yes, good afternoon. A couple of questions from me, please? Firstly, could you please give us an idea of… why the Thessaloniki utilization in the first quarter was so low? Secondly, could you please remind us any other maintenance schedule for the year? Thirdly, back at the end of… at… during the conference, the previous conference call, after the release of the full year results, you had decided that you could possibly think of another additional return to the shareholders, on top of the dividend that was announced back then. Could you be in a position to give us some more color on that? And lastly, regarding the financial expenses for the year, apparently during the first quarter the financial expenses are quite higher year-on-year. If I remember, well, you had… there is some reversal of the capitalization of the interest expenses? Could you be in a position to give us a guidance for this year, on the financial expenses?

SHIAMISHIS A: Yes, thank you very much, Nikos. Okay, let me tackle your questions from the top. Now, Thessaloniki refinery; you are absolutely right, the utilization of Thessaloniki was lower than last year, that was based on economics. Effectively Thessaloniki is a hydro-skimmer, we always go through the process of evaluating whether it makes sense for us to run the refineries or to run the full set of units at the refinery, or whether it makes sense to actually import and substitute.

The fact that we had a much lower demand for heating diesel meant that the economics of the Thessaloniki refinery was such that we did not have to operate it at full utilization. So, effectively that is the answer. There was no technical or maintenance issue to be concerned with.

Now, in terms of maintenance, given that we have address the optimization issues and certain other adjustments, which had to be made on the new refinery in Elefsina, during the first quarter, we do not have anything planned for 2013 as maintenance, and that includes all three refineries.

In terms of dividends; as you recall we announced the €0.15 as dividend for 2012, being paid out of 2012 results, which I remind you will attract a withholding tax rate of 25%. We did mention as you rightly point out, that we will be considering a possible addition to the dividend, which would be made probably through an interim dividend. The decision will be made probably in the third quarter of 2013, and I would… without actually prejudicing any of the decisions, I would expect the full dividend for 2013 to be higher than the one that was announced at the end of 2012 i.e. the $0.15 that will be an interim dividend.

The fourth question was financial expenses. In terms of financial expenses, as you may recall at the end of 2012 and throughout 2012, we highlighted the fact that a part of our interest cost are capitalized as part of the new upgrade investment, which is disclosed in our accounts as well. Given that the refineries have been running, we have no capitalizations now, so about half of these variants is actually explained by the capitalizations.

If you take into account an average CAPEX of €1.3, €1.4 billion for the Elefsina refinery, and sort of get the interest rates of anything between 5% and 7% as average cost of funds. You will see that about €15 to €20 million is the amount, which was capitalized in 2012 and expensed now in 2013.

The remaining variants comes from the refinancing impact, which is giving us… on average about 2.5% higher finance cost for the Group, given that we refinanced a loan that was extremely cheap, it was about 25 basis points with something, which has a total cost which is close to 6.5% or 8% if you take the Eurobond as a benchmark. So 50% of that comes from capitalization and 50% comes from higher spreads that we are paying.

In terms of full year guidance, I would expect that interest cost will be anything between a €125 and €150 million, depending on how the crude oil prices will develop. We do have a benefit from deleveraging, so that is to be seen over the next few quarters. I should warn that these numbers does not include any impact from a possible DEPA sale and more drastic reduction of our net debt.

KATSENOS N: Excuse me. Just something… does this guidance refer to the net financial expense or are just the interest expense?

SHIAMISHIS A: No, no, the net financial expenses.

KATSENOS N: Okay. Thank you very much.

OPERATOR: The next question is from Mr. Matthews Simon of Citi. Please go ahead.

MATTHEWS S: Hi, there. It's Simon Mathews from Citi. Just a question on one of your slides if I may, there is a bridge included in your slide of adjusted EBITDA between the first quarter '12 and first quarter '13. And one of the items in there is sales mix, €23 million, I appreciate that, there will be a number of factors going into that, but can you help me understand a little bit more what that €23 million represents? Thank you.

SHIAMISHIS A: Yes, let me just go back to that page, so it's Page 16, we are referring to on the Domestic Refining, Supply and Trading business.

MATTHEWS S: Yes.

SHIAMISHIS A: If you look at the chart at the bottom part of the page, it gives you the breakdown between the various components. Effectively, what we have here is the impact of losing volume in the domestic market, which has a higher premium, and gaining volume in the exports market, which has a lower premium. So effectively, even though we are actually selling pretty much the same, if not more in terms of actual tonnage, in terms of volume, we have a margin effect, a realized margin effect because of the different channels, and this is what we are depicting here.

MATTHEWS S: Are you able to help us… help... I apologize on I am new to looking at your Company, but when you talk about difference in margin between domestic and international, what are the... what are the drivers as you see them of domestic margins presently? And do you see those margins, relative to international margins being sustainable, if I, say, look over the next 12 months?

SHIAMISHIS A: Yes, the two big differences that we have between international and domestic, is first of all, the fact that all domestic sales attract a charge for compulsory stock obligations, which is also costs borne by the Company. And second, they attract a logistics and service charge, given that when we deliver in the domestic market, we deliver with either a small ships, if it goes to the islands or with trucks, which are 5 to 10 tons of… for its delivery. So, people effectively are paying for the benefit of being able to order and collect as much stock as possible, as much as they can and actually without having to put up any balance sheet. So, there is clearly a different premium for that which is charge in the domestic market.

Now, when it comes to exports, exports are priced pretty much on a flat FOB basis, that is not always the case, but you are selling at… to a customer with 30,000 or 50,000 or 60,000 tons ships and there is no logistics costs involved, there is no compulsory stock obligations charges involved, so by definition that is… that attracts a lower margin.

MATTHEWS S: Okay, thank you. And then, final question from me, so thinking of your domestic marketing business, you talked about the reduction in HGO volumes. I mean just as I am thinking about the remainder of this year for that segments, is there anything you can say as regards to you know, what volumes you anticipate in this business going forward, and how should I think about, how you expect the profitability of that business to trend? Thank you.

SHIAMISHIS A: Yeah, well, clearly as I mentioned earlier, the heating gasoil impact has been a severe one, but it’s one which will not repeat itself going forward. In terms of levels of volume, we would expect to see at least as good as we have today. We are not expecting any further deterioration on most of our business. And heating gasoil which will start again in October 2013 will be affected by weather and hopefully, by then people will actually start buying some more heating gasoil, again given that it is an efficient way of obtaining a heating fuel. And of course, we also do not have the stocking up effect that we had in the last winter season.

Now, in terms of profitability, I think it’s safe to assume that the management is quite committed to actually turning this around and to have a profitable business, if not by the end of 2013, clearly in the next 18 months. There are things to be made, there are actions to be taken, but at the end of the day, we have to address the fact that we are serving a market which is about 40% to 50% lower than what it used to be 4 years ago.

So by definition, we cannot afford to maintain the same infrastructure basis, the same cost-to-serve model and of course, we have to ensure that, we deliver the appropriate level of quality to our customers, which is commensurate with the level of margins that we make.

MATTHEWS S: Okay, all right. Thanks very much.

OPERATOR: The next question is from Mr. Morgan Simon of Moore Capital. Please go ahead, sir.

MORGAN S: Good afternoon, thanks, it's Simon Morgan from Moore Capital. I've got a couple of questions. You marketed your Eurobond on the 24th of April which was considerably after the first quarter outturn, when you had your one-on-one, I've got a couple of quotations, I'd just like your comments on this, when you had your one-on-ones, you are referring an expectation for an EBITDA for 2013 of €450 to €700 million and for 2014, €700 million "well within reach." And as it related to dividend policy, you said there will be no change in dividend policy. You've explained what had happened with the state for the past three years. And then in terms of margins, you said that with all the CAPEX that you'd spend, a $1 refining margin would be a contribution of a $110 million per annum. So my question is, given the results today and given the timing of your marketing of your bond deal, there can't be too much of new information out there, and I'd like you just to confirm that the €450 million EBITDA target is still valid, given the seasonality in the business. And also I would like a little bit more of an amplification on this interim dividend that you say clearly hasn't been approved yet, but you think you would expect it to be coming through the interim payments. Thank you.

SHIAMISHIS A: Thanks, Simon. Yes, in terms of the key points that you mentioned, we've got the EBITDA, we've got capital expenditure and we've got dividends, and those are the points that I noted down. Now, in terms of EBITDA, as you can appreciate, being on an equity and results call, actually prohibits too much forward-looking statements, but I think that all things considering the numbers that you referred to, effectively the numbers that we are projecting depending on margins of course.

And so we have, if you like using the first quarter results, if we didn't have Elefsina, we would have a run rate of about €90 million to €100 million of EBITDA, which means that the full year taking into account seasonality and optimization process will be built on that projection.

In terms of CAPEX, which was the second part that I noted down, it seems that the level of capital expenditure will be probably below a €100 million in 2013, given that most of the work was taken into account when we upgraded the refinery. So, there is very little additional work to be done, which is good news.

In terms of dividends, the dividend policy has not changed. We declared €0.15 as final dividend for 2012, which was effectively the… very close to the minimum we have to declare as a company. And we expect that an additional dividend will be declared depending on results in the next quarter, in the next two quarters as interim dividend for 2013. As you can appreciate, it's too early to say when and how much this will be… the announcement will be for. So I think those were the three questions that I had from you.

MORGAN S: Just, yeah, just I actually didn't have a question on CAPEX, but thank you for that.

SHIAMISHIS A: I noted something down, which was wrong.

MORGAN S: No, don't worry. When you referenced €90 million to €100 million of EBITDA, just for my clarity please, are you referencing EBITDA or adjusted EBITDA?

SHIAMISHIS A: No, no, adjusted EBITDA.

MORGAN S: Okay, thank you.

SHIAMISHIS A: Yeah.

MORGAN S: And then some questions, so adjusted EBITDA is €38 million, so you've got a bridge of about €52, which you are attributing to Elefsina. I thought I heard you say earlier on that Elefsina was more like a €38 million delta; could you just clarify and I am sorry if I've missed it in your earlier articulation, can you just clarify exactly what Elefsina has cost you?

SHIAMISHIS A: Yes, yes, we have €14 million which is effectively a negative contribution coming from Elefsina, when we should be expecting something around €30 to €35 million. So, the delta as a result of Elefsina is about let's say €40 to €45 million, which added to the €23 million we have, gets you to about €65 to €70 million of EBITDA. On top of that, we have in the first quarter we have an under absorption of operating cost because of the low heating gasoil sales, which again is weighing in on our results, which is why I mentioned a run rate of about €90 million of EBITDA for the first quarter, that was based on first quarter margins.

If we project the year, one has to take into account, I mean clearly the margins projections, but let's assume for the time being that they remain at the same level, there are significant mix changes. Traditionally, the second and the third quarter in a year are much better than the first and the last quarter, simply because instead of selling heating gasoil, we sell more auto fuels and aviation fuels. Okay?

MORGAN S: Understood, yes. So, that's, that delta is 40% to 45%, I guess, I am just comparing that to the 20% to 30% that was articulated during the bond marketing. But I'll… maybe I'll take that reconciliation with you offline.

SHIAMISHIS A: Okay.

OPERATOR: The next question is from Mr. Ho Ricky of HSBC. Please go ahead, sir.

HO R: Hi, there. I just want to confirm the optimization is completely finished now, and there is no more optimization going forward? Also, what would be the average utilization rate for Elefsina? And my last question is, projected volume in the domestic market going forward especially for Q2 and Q3 right up to October?

SHIAMISHIS A: Okay, on the first two, the answer is very easy: optimization has been completed and we are running at full capacity for all the units in the refinery. Now, in terms of domestic market projections, we would expect to see a flattening of the decline, probably we will be hoping to see no negative variances versus last year towards the end of the year. Clearly, that is something that we cannot project at this point in time.

HO R: Could I ask what drives your volume demand in Q2 and Q3?

SHIAMISHIS A: Well, we have three types of main demand drivers if you like; we have got auto fuel, which is much bigger in the second and the third quarter. And I am referring to effectively the domestic market. I am excluding tourism, which is a big additional demand driver for us; I will come back to that in a minute. The second is commercial and industrial demand, which is effectively GDP, linked. Now, as we mentioned, we are seeing a flattening of demand if you exclude the heating gasoil, we are seeing a flattening of the demand, and of course, first information point to a record high touristic season, which means that, effectively one would expect during the summer months of the year to have effectively a 50% to 70% uplift in terms of auto fuels, aviation, as well as bunkering sales, simply because of the tourism. Greece has about 10 million population, and we get anything between 13 million and 14 million tourists a year, most of them come during the six months of the summer; six – seven months in the summer, which effectively leads to a much bigger rate of consumption in those months.

HO R: Okay, great. Thanks.

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

COSTOPOULOS J: Okay, ladies and gentlemen, thank you very much for attending our first quarter results conference call. There is no question that this first quarter has been a challenging one for refineries in general, and I think for refineries operating in the Med more specifically and for refineries operating in Greece more specifically.

Clearly, as Andreas Shiamishis our CFO has elaborated on, our results were affected by a difficult domestic environment, as we saw the first full impact in this quarter of the heating gasoil sales reduction, which was driven by the six-fold increase, in the excise duty in Greece. As Andreas explained, you know, that was coupled by obviously the fact that we had a mild winter in Greece, plus the fact that the excise duty increase was preannounced in the market quite a few months ago since… actually last winter, therefore led if you will to an over stocking of heating gasoil by Greek households. So I guess, the drop of about 70% in heating gasoil was a combination of the mild winter, the overstocking in April last year as well of course, as the substantial increases of the excise duty, you know, which impacted both our wholesale and our retail businesses.

Certainly, you know, as far as the refining environment is concerned, the refining margins in this first quarter, overall we are pretty much in line with the equivalent quarter last year, we had better margins, better cracks if you will in gasoline, we had a little bit worse margins in diesel. But overall, you know, in terms of system margins for our refineries, it was pretty much in line.

However, as Andreas explained, we faced some teething problems as we, you know, we were wrapping up our Elefsina Refinery which I think is expected. You know, we faced similar problems when we ramped up the operation of our Salonika Refinery last year, maybe we were a bit overambitious in terms of our optimization track. So you know, we probably were a bit… you know, it took us a bit longer to optimize the ramp up of our units.

Clearly, you know we took advantage however, as Andreas explained, of some of those minor teething problems and we decided to shut down a couple of the units for a few weeks to basically ensure that we interfered positively in those units to ensure that we maximized the optimization of the units. Now, that obviously together, altogether had a negative impact on our results, the good news however, in terms of our self help and what management is doing is, #1 as far as the Elefsis Refinery is concerned, all units are operating at main play capacity or in some of our key units well above main play capacity, which is very positive.

And I think Andreas has a chart in the presentation where he shows for example in our vacuum unit and our hydrocracker unit, where we are now operating you know, are well ahead of our main play capacity. And the Flexicoker unit is at 100% and hopefully, that eventually over time we will… it's at complexity that we hope to increase its capacity utilization ahead of its and beyond its main play capacity.

So you know, we are pretty much in control of our Elefsina refinery and we are very confident that this will continue. #2 as again Andreas explained, this quarter we delivered an additional €11 million of benefits and cost reductions as a result of all our transformation programs in refining, in retail international, logistics and head office.

And again as he said, we are very much focused on delivering further transformation benefits. We have upped if you will our targets for cost reductions and margin improvements to a medium-term target over the next couple of years of €300 million. So we have another you know, €70 million upside, which is very positive for us. And as we have delivered, as promised, over the last five years to €230 million, we will deliver the additional €70 million. And a number of action plans are already in plan and on track in terms of implementation.

Now, as we look forwards, the good news is that as far as the decline of the domestic fuels market is concerned, we are evidencing you know, throughout our retail subsidiaries and our wholesale business a tapering of the decline.

So we are hopefully seeing if you will the bottom of the barrel in terms of decline in fuels consumption in Greece. I am not saying that we have hit the bottom, but certainly the second derivative is positive, so we are seeing a drop in the rate of decline, or a substantial drop of the rate of decline.

As Andreas said, the next six months are the heart of our tourism season and our retail network, particularly the EKO one is well placed in the Islands and the tourism areas of Greece and our market shares usually increase in the summer because we… our advantage in terms of our network in those regions, our high market share in aviation fuels will also help us if you will in the next few months.

Now, the rest pretty much depends of what will happen to the refining margins. You ladies and gentlemen, follow refining margins as well as we do, it is not an easy market, it is a volatile market. So you know, as far as self help is concerned and what we are doing as a Company, we are… you know, we are delivering on cost saving transformation market share increases.

I think we omitted to say that in our domestic retail market share, EKO with its you know, aggressive and well planned marketing activities has gained market share over the last six months in the retail business, in auto fuels, and we expect that to continue. But you know, it's going to be a challenging year. It's going to be a challenging year particularly at the macro level because of you know, refining margins and what's happening you know, in terms of global growth, you know overcapacities, the shutdown of European refineries and so on and so forth. So you know, we will be here next quarter to discuss the results again.

We remain very cautiously optimistic, certainly as far as Elefsina Refinery, we expect that that would, you know that refinery depending of course on margin will deliver in line with our expectations.

And in terms of our, you know, the financial strength as Andreas mentioned, in this first quarter in January, we completed the refinancing of our €1.3 billion bank financing that came due and also we had a successful inaugural bond issue which basically gives us #1 access if you will, in terms of additional funding basis. It improves substantial liquidity position, and as an overall you know positive income on our Group. Another you know, potential upside which of course, will depend on the developments of the privatization front, is the DEPA privatization.

As you all know, in early June, the final binding offers would be coming forward. You know, obviously completion you know, could take some time, but clearly the privatization is moving ahead. And when and if that is completed, it will have yet another further positive cash flow impact for Hellenic Petroleum, supporting its positive dividend policy, and further strengthening if you will its strategy of deleveraging the Group.

So basically, this is what I had to say. We'll be focusing on getting the Elefsina synergies with the rest of our refineries, both Salonika in particular, Aspropyrgos delivered over the next few months. We will focus on supporting the privatization fund with the DEPA privatization. We will continue on our transformation efforts and remain you know, positive for our future and we renew our conference call for you know, in the next three four months.

So, thank you very much for your attention and thank you very much for your very pertinent and good questions. And we'll be talking soon again. Thank you very much.