HELLENIC-PETROLEUM

8A Chimarras st., 15125 Marousi

Athens, Greece

Tel.: (+30) 210 63 02 000

Fax.: (+30) 210 63 02 510

"First Half 2019 Financial Results" Conference Call

Thursday 29th August 2019

18:00 (GR Time)

Conductors:

Mr. Andreas Shiamishis, CEO

&

Mr. Vasilis Tsaitas Investor Relations Officer

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

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

Web: www.choruscall.com

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

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

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

Gentlemen, you may proceed.

SHIAMISHIS A: Thank you very much Konstantinos. Good afternoon Ladies and Gentlemen, thank you for attending the quarterly results analyst call and presentation.

Without further ado, let me turn to Page 2, to give you a brief overview of what we will be talking about over the next hour or so. We have a strong performance for the quarter and this is despite the fact that we have a weak refining environment and we had a temporary crude market disruption as well because of the Druzhba pipeline.

As you all know, we have the lowest benchmark margins in the last 5 years, and the contamination incident led to problematic supply of Urals in Europe and that also affected a number of other types of crudes as well. However, on the positive side, we did have some stronger performance because of the U.S. dollar and euro exchange rate. And in terms of the market, we had a growing performance in the domestic market.

As a result, our adjusted results… adjusted EBITDA was €130 million down from last year's second quarter. The Druzhba contamination incident which led to increased crude cost was at around €14 million. The over performance was higher in line with previous years as well despite the weaker refining environment, and we had record contribution from our Petchems division.

As you know, our 2019 results include the IFRS 16 impact which has a positive impact on the EBITDA, but you see the other side of that in the depreciation and interest numbers.

Talking about the interest our financing costs have reduced further. It's a number of quarters that we have seen this trend and we expect that to continue if not accelerate in terms of the reduction. And this is a result of not only market improvements but also because of a stronger balance sheet and better deployment of our debt facilities.

In terms of gearing, we have a 37% gearing which is one of the lowest I can recall for the Group, and net debt at €1.4 billion which is within the target range that we set for the Group of roughly €1.3 to €1.5 billion. As you know at the end of the quarter beginning of July we repaid €325 million Eurobond out of our own cash balances and this is something which we did simply because it is clearly an area that further improvements can be achieved through a new market transaction.

In terms of recent developments, we have a new board which was put in place on the 7th of August. In terms of the upstream we have the lease agreements for the 2 blocks, West Crete and

Southwest Crete which was signed. We expect that the ratification will take place in the first part of the second quarter…of the second half of the year, so within the next few weeks we expect that to be going to the Greek parliaments. Also within July we had the completion of the acquisition of the minority stake in Elpedison which makes ELPE and Edison 50:50 partners shareholders in the Elpedison Group.

Page 4, we have our results where you can see that the performance of…pretty much most units with the exception of refining, supply and trading, as a result of the refining margins are improved compared to last year. And you can also see the reduction in the financing cost for the quarter and of course for the year-to-date.

In terms of capital employed just under €4 billion, this excludes the lease liabilities which are roughly €200 million-€220 million, and we've taken them out so that there is some compatibility in the numbers that you're looking at. They are shown in the pages which have the financial information at the end of the presentation.

In terms of capital expenditure, we have spent just under €80 million for the half year, €46 million for the second quarter. The projection is that we will be within the previously communicated range which is €160 million to €200 million depending on the timing of some of the projects.

In terms of the industry environment, turning on to Page 6, the much talked about Druzhba incident is something which has affected our crude market. As you can see on the chart, we have parity with the…between Urals and Brent, but that is not the only implication of the pipeline contamination incident because we also had the impact on other types of crude in the med, which were called to substitute the shortfall in Urals deliveries in the second quarter. Now, since then, the situation has become much better and this is reflected in the third quarter margins as well.

In terms of the refining margins, we have clearly a different situation compared to last year. The Aspropyrgos Refinery which is the FCC index has performed at a reasonably similar level to the first quarter. However, the Elefsina Refinery has suffered the impact of the Naphtha low cracks and the implications of the Urals mispricing in the quarter. We have seen these reversing in the third quarter, so the Elefsina Refinery benchmarks, not the realized number but the benchmark, is more in line with what we have seen in the previous quarters.

On the positive side the domestic market has grown by 4%, mainly driven by the heating gasoil in the first part of the second quarter and we have a stable demand for auto-fuels which is something which is positive.

On the aviation and bunkering demand, there is a strong growth. We have aviation, but mostly bunkering fuel oils, which is much higher than last year. This is a result of regional pricing…relative price points and the increased traffic coming through Piraeus Port.

The overall Group results which we try and summarize on Page 10, shows that we've gone from €190 million…€187 million of clean EBITDA last year second quarter to €130 million. The big driver is clearly the benchmark refining margins. We estimate about €65 million of negative impact. The Druzhba impact on crudes is another €14 million, and on the positive side we have the IFRS 16 and the foreign exchange. These are all numbers which are included in the clean results, so we have not adjusted these numbers for the clean results for these numbers.

In terms of the performance, we have marginally better performance, the operations of the Group are marginally better. And as you can see the €130 million is different to the second quarter reported EBITDA which by equation this is at €190 million, €187 million as well for last…for this year, clearly because we have the inventory gain during the quarter even though prices went up and we have adjusted for that impact, which is roughly €60 million additional profit, which we have stripped out from the clean results.

In terms of credit facilities and liquidity, we have a much healthier maturity profile moving into 2020. We have some bank debt which matures in 3 tranches and we have the debt capital markets that the Eurobond which is out in the market about €450 million. Clearly, it's significantly higher cost than what we would be able to refinance now. So that is an area that we are looking to see if we can get some benefits for the Group. You see that the finance costs have gone down significantly over the last few quarters. And as I mentioned, we expect that to be even lower moving into the third quarter.

That summarizes the overall Group performance. And now we turn over to the individual business units. And I would ask Vasilis Tsaitas to take it from here and discuss the various business units' performance. Thank you. Vasilis?

TSAITAS V: Thank you, Andrea. Good afternoon Ladies and Gentlemen. Moving on to Page 13, our core business refining, supply and trading, essentially, looking at the headline number of adjusted EBITDA of €67 million. As mentioned before that was largely affected by the lowest benchmark margins in the last 5 years especially for complex refineries and the one-off incident of the Druzhba contamination incident at the Druzhba pipeline. We've seen a resolution of that towards the end of the quarter and a normalization of benchmark margins in the third quarter already.

On the next page, on Page 14, looking at production levels, it was largely flat versus last year with utilization levels over nominal crude capacity consistently above 100%, especially for our south hub refineries Elefsina and Aspropyrgos, while we've seen recovery versus Q1 in terms of production.

Looking at the feedstock sourcing, I think it's worth noting the absence of the Iranian barrels comparing to last year. And if we're looking versus last quarter also that is largely reflects the high sulfur pricing… the high sulfur crudes pricing in the area and a switch towards lighter crude grades like in Libyan, Egyptian and Kazakhi crudes, CPC, which is you know, due to the flexibility of our refining units to take advantage of opportunities in… and run a diversified crude slate. This is also reflected in the yield of our refineries with fuel oil at just 10% for the quarter.

Moving on the next page, sales were also flat with domestic market recording an increase of 7%, just over the market increase while aviation, bunkering volumes were a bit lower than last year. Exports at minus 3% with total sales flat and the significant recovery versus the first quarter of 2019.

On Page 16, I mean you can clearly see the impact of benchmark margins. However, we were able to maintain additional performance of just over $5 per barrel. This is clearly somewhat lower than the previous quarters. And this is obviously reflecting around $0.5 from the impact of the Druzhba disruption in the crude supply of Russian crude in Europe.

Moving on to Petchems on Page 18, €28 million of adjusted EBITDA it’s the strongest reported on record. That was largely supported by the higher polypropylene sales versus last year, and always worth noting the value of integration as Aspropyrgos FCC and splitter units contribute the bulk of this result.

In terms of the fuels marketing business on Page 20, while sales volume are flat versus last year, we're looking at a higher share from retail in C&I sectors, with high profitability, leading comparable EBITDA, excluding, I mean, excluding the IFRS 16 implementation impact at €15 million. Adding that obviously, the comparison for this year is much more favorable versus last year.

And on Page 21, our international marketing business, comparable underlying performance flat versus last year on high volumes in our Serbian and Bulgarian markets with overall adjusted EBITDA 12% higher year-on-year.

Moving on to our associates on Page 23. Essentially, our Elpedison JV, 50:50 JV with Edison was affected by a shutdown at our Thisvi plant during the quarter. And if we look on the comparison versus the past few quarters by the absence of the flexibility remuneration mechanism that was discontinued and was not… did not impact the results of the second quarter.

And on the last page, our gas business DEPA, the comparison again with last year is affected by the change in the structure of the group, as DESFA was sold in December and during the second quarter of the last year, it was a large contributor of the of the profitability. While the distribution and the supply business of Attiki, which was acquired and fully consolidated, it… during the second quarter has a lower contribution, leading to the EBITDA at 5% and no contribution for the quarter for the group accounts.

At this stage, we will stop the main part of the presentation and will open the floor for any questions that you may have. Thank you very much.

Q&A

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

GRIGORIOU G: Yes, hello. And thanks for the presentation, congrats Andreas, for the new position as group's CEO. I wanted to… 2 questions about your maintenance plans at the refineries going forward from Q3, I mean, this year onwards and next year. And if you could explain a bit what was the main driving force behind the increased profitability at your domestic marketing operations in Greece? I mean, in Q2, they seem to have done particularly well. Thank you.

SHIAMISHIS A: Thank you very much, George. Now I'll start with the marketing profitability in terms of Greece, I assume… Hello

GRIGORIOU G: Yes, in Greece.

SHIAMISHIS A: Okay. Now, in terms of Greece, we're looking at first of all the impact of the IFRS 16 given that we have a number of petrol stations, which were previously treated as rentals.

GRIGORIOU G: Forgive me Andreas, I'm talking about the comparable EBITDA of €15 million.

SHIAMISHIS A: Okay. Then it's a slightly simpler, it's effectively a channel mix impact where we have… even though we have similar volumes, 935 versus 932, we have an increase in the retail channel sales, which is also across Greece. And we have a reduction in the bunkering business, which has a much lower margin. So it is effectively almost entirely attributed to the channel mix impact. For bankers, effectively what we had was a slowdown of our sales into Piraeus for marine fuels. That was a result of a switch of our delivery mechanism.

Effectively, there were not enough ships operating in Piraeus because of changes in regulation, so there were not enough ships that we felt comfortable as a group to utilize, so we decided to restrict deliveries on bunkering fuel which is a very low margin business and we see the retail business growing up. Two independent things, so it's effectively volume and channel impacts.

GRIGORIOU G: So if I understand correctly, sorry you mean that the petrol stations… the normal petrol stations actually, so an increase in volumes in second quarter, correct?

SHIAMISHIS A: Correct, correct. If you see bottom part of Page 20, retail is 395 volumes compared to 377 in 2018.

GRIGORIOU G: Correct. Thank you.

SHIAMISHIS A: Now, on the maintenance CAPEX, we have a guidance if you will of roughly €160 million to €180 million of the full year, so we expect that number to be spent which means that we should be expecting another €80 million to €90 million coming up in the second half of the year.

OPERATOR: The next question comes from the line of Patricot Henri with UBS. Please go ahead. Mr. Henri, can you hear us?

PATRICOT H: Apologies. I was on mute. One question around the product mix and crude slate for the second half of the year. I was looking at the past 3 or 4 weeks, we have seen much wider spreads between clean and dirty products, very weak high sulfur fuel cracks in particular and you said before that you are planning to adjust your mix in crude slate for IMO 2020. Is that something that you are already starting to do based on the latest changes or will that take place a bit later? Thank you.

SHIAMISHIS A: Thank you, Henri. I will ask Dinos Panas who is our… the head of our Supply and Trading business to take that.

PANAS D: Okay. Thank you, Andreas. Aspropyrgos refinery had a test run in IMO mode of operation late July, early August. The test run was successful and produced IMO fuel oil with sulfur content of 0.48% meeting all the very low sulfur fuel oil specifications. We are now ready to start the production of new grades and we plan to start doing so during the fourth quarter of the year, most probably in November depending of course on when the demand of the new fuel oil will start picking up. For that, we plan to change the crude slate to lighter crude and we have already contracted some volumes of light crude and we continue to do so.

Volumes like Azeri, like Saharan blend and Algerian crude and some American crude. We are not full in where we would like to be in the fourth quarter, but we will be there in the first couple of weeks.

And definitely we have been noticing that the high sulfur oil cracks have weakened significantly in August ahead of the IMO global introduction… very low sulfur fuel oil global introduction in the first quarter. The high Sulphur fuel oil trading at around minus $14 per barrel, pricing at some $30 per barrel lower than the gasoil crack.

This crack was around $20 per barrel 30 days ago as you will know and we will monitor this closely and hopefully we can see how the margins will improve later this year because of the high, let's say, distillates cracks that everybody in the market expects.

PATRICOT H: That's good. Thank you.

SHIAMISHIS A: Konstantinos , excuse me. Just to come back to what George asked earlier, because I think I misheard, that's what I am told. George asked about the maintenance shut down for the third quarter which is the case we do have a scheduled shutdown in the third quarter for the Southern Hub for Elefsina. So it is something which will be taking place in the next few months, it may not affect the third quarter results.

In fact, I would be surprised if we see an impact there other than the fact that it's an under run refinery performance which means that it is slightly below what we would expect, but we shouldn't big upsets. Fourth quarter we will be seeing the impact of the shutdown, apologizes for not taking up earlier.

OPERATOR: The next question comes from the line of Koskoletos Alex with Eurobank Equities. Please go ahead.

KOSKOLETOS N: Yes, hi good evening gentlemen. Actually, it's Niko not Alex, not sure how I got through. And Andreas congratulations on your appointment!

I have a quick question on DEPA. And is your strategy to pursue a deleveraging of your balance sheet through the disposal of that stake as well?

SHIAMISHIS A: Well, thank you very much Nikos. As you know, there are plans to change the current legislation with respect to the DEPA privatization and maybe change the structure and the timing of the various transactions involved. Clearly, there is an interest in natural gas… in the natural gas market by us. As we have stated in the past that interest is binary while they have a controlling stake or we don't have anything at all.

However, you are quite right because a part which is actually a lot of the capital employed business, the regulated asset business for the local distribution networks, is something which prima facie is not within our radar screen, which means that if a sale of that business was to go through, then the project would go towards deleveraging the group even further.

KOSKOLETOS N: Okay, clear enough. Thank you.

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

SHIAMISHIS A: Thank you very much. It's been a decent quarter for us not as good as previous years, however given the refining margins and the Urals issue, the second quarter has been a strong performer. I guess, the value of this is that even in terms of performance, even when you have a slightly softer refining margin, slightly weaker refining market, the new Hellenic Petroleum, new as in terms of the upgrades in Elefsina, Thessaloniki and the rest of the optimization, is still a business which can deliver a significant clean EBITDA and a significant cash flow year-on-year.

I think that's a very strong message that we need to take back, and it's effectively a proof-of-concept that the company can deliver, decent returns and results even in weaker environments.

Clearly, we would prefer to have refining margins of 5 or 6, and be able to report EBITDA of a €1 billion or even more, but we have to leave with what we get in terms of the microenvironment.

The other thing which is important is that, the refinancing plan and the strategy to improve the balance sheet has practically been completed. So we have a very healthy balance sheet with ample capacity and low funding cost which effectively allows us to be able to consider other growth options, and of course to consider a slightly more stable yield on our stock for the shareholders.

So, all in all, a good quarter and we expect that the following quarter will be at least as good, if not better, given the first indications that we have. Thank you very much.