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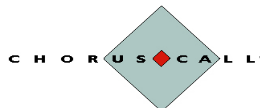
"Third Quarter 2014 Financial Results"
Conference Call

Monday 10th November 2014
18:00 (GR Time)

Conductors:

Mr. John Costopoulos, CEO
Mr. Andreas Shiamishis, CFO
Mr. George Alexopoulos, General Manager Strategic Planning & Development
&
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 Third Quarter 2014 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, General Manager Strategic Planning & Development and Mr. Vasilis Tsaitas, Investor Relations Officer.

Mr. Costopoulos please go ahead.

COSTOPOULOS J: Yes, thank you very much and good afternoon ladies and gentlemen to the presentation and discussion on our quarterly, Third Quarter 2014 results and Nine Months results for Hellenic Petroleum. I think after a few difficult quarters, I think we are kind of much more comfortable to discuss the positive developments in our results for the third quarter of 2014. Clearly, our Group is reporting strong operating results as you have seen from… obviously, from our published results and the presentation.

As you know, the international crude oil markets developed more positively in the third quarter. There was stronger demand for products in the Med region, in the US in terms of gasoline and in Africa and the Persian Gulf in terms of gasoline too. And that, in combination with the substantial drop in crude oil prices, the lower utilization of refineries generally because of the maintenance season, but also the general curtailment of operating capacity in refineries led to

substantially improved refining margins throughout Europe, but also in the Med.

The FCC benchmark margins in the third quarter of '14 averaged around $4.5, $4.6 per barrel, in comparison, if you will with the $1 per barrel that we saw in the equivalent quarter last year. And in terms of the Hydrocracking benchmark margins in the Med, you know, we saw margins coming in at over… just over $5 per barrel. Again, if we look at the equivalent in the third quarter of 2013, over and around you know, $2.7, $3 per barrel; so clearly an improved refining environment.

Also you know, we saw obviously a stronger dollar which, as you know, has a positive impact on our results. The international currency markets led to a weaker Euro versus the dollar quarter-on-quarter with an average for the third quarter '14 of about 1.33 and we actually saw a two year low of 1.25 in this quarter… in last quarter.

You all know that the stronger dollar benefits refineries as the benchmark margins that are basically are our major driver of profitability is dollar denominated. Hence, a stronger dollar is good for us, and it's a trend which we expect, you know, mid long-term to continue in our favor.

In terms of the crude environment, you know, we saw an unprecedented drop in the price per barrel, a lot of oil in the Atlantic Basin, the shale oil increased production of the US and the production of Brent in the North Sea. At the same time, the re-exporting of crude coming out of Libya despite

the political problems there and the increased exports from Iraq, again despite the problems there, coupled if you will, with a grayish, more difficult kind of global economic growth environment and predictions led to an amazing drop in the price of the barrel of oil, you know, we saw from the end of June a price which was around $115 per barrel, dropping to below $90 at the beginning of October, which as I said, you know, on the one hand improved if you will our… the refining margins, on the other hand, obviously, had a negative impact regarding inventory valuation and hence reported results.

Another positive development for us of course, was the domestic market. I think in this last quarter, we saw for the first time since the beginning of the economic crisis in Greece you know, since back in 2009 which I think was the… a record high year for domestic demand for fuels in Greece, and since then quarter-after-quarter we've been seeing, you know, negative numbers in terms of decline.

For the first time in the third quarter of 2014, we saw a plus sign; plus 3, which again is a first and we hope that this, you know, is a good sign that we've seen the end of… or the bottom of the barrel if you will. We saw in that quarter continuous increase in the demand for diesel and… but very interesting, we also saw a very, very small decline in the gasoline market. Again, I just remind you that at the beginning of '14 on a month-on-month, no quarter, sorry, annual year-on-year basis, we've seen drops of about, you know, 8% to 10% month-on-month January '14 to January '13. This, in September, the market was flat for gasoline and in October for the first time we have seen a plus sign, a plus

3% growth in domestic demand overall for gasoline. So positive signs on the domestic demand and good news on our, you know specific performance since we've seen some small market share in Greece, market share increases in the markets.

Also positive developments in the aviation market, which we had a very good tourism season this year, so we saw a 13% increase in the third quarter of aviation fuel sales versus last year. We are about I think 11.5% to 12% ahead on a nine month basis, which is good.

So these are the positive news. I mean in terms… translating that now into our financial results, our adjusted EBITDA for the third quarter '14 came in at €146 million, which is a 97% increase versus the €74 million we had reported as adjusted EBITDA last year. Again reflecting the stronger European refining environment, stronger delivered, realized margins from our refineries. So a lot of that improvement came in from our Refining, Supply and Trading business where we saw increased production and increased sales and Andreas Shiamishis will give you more details on that.

We continue to grow our export sales. In the third quarter, our export sales came in at 1.6 million tons, which is almost 46%, 47% of our total sales. Our Elefsina refinery utilization rate across all units hydrocracker, flexicoker et cetera exceeded the design capacity by quite a lot, which means that we now are operating the refinery and the new units, you know, very efficiently and effectively, and particularly following the small improvement works in terms of

debottlenecking, in terms of work which we did last spring in March and April 2014. So that has given us a lot of efficiency and has contributed to the positive results.

At the same time across our other operating units, you know domestic marketing is, you know, performed very well at the back of higher volumes, improved market shares, stronger margins and also leveraging if you will a privileged network, because our retail networks in Greece are very well placed geographically to take full advantage of the improvement in the… in tourism i.e. strong positions in the Islands and Crete and so on and so forth. So we saw substantial improvement in our domestic marketing performance.

International marketing came in pretty much in line with last year despite the difficulties in the markets. And of course, petrochemicals also had a strong performance. So across our operating units, you know good numbers in comparison with the equivalent period last year.

Our adjusted net income, you know, after depreciation and financing costs came in at €24 million, again in comparison to the €1 million that we had reported as adjusted net income last year. As I said earlier on, you know, the drop of the crude price and product prices and the prices used at the end of the quarter to revalue our stocks on a mark-to-market basis obviously led to almost a €100 million of inventory losses and that obviously had a negative impact on our reported EBITDA, which came in at €45 million, and on net income which came in as a loss of €51 million; because of the inventory valuation.

If we move a little bit now into in terms of balance sheet and financing, our net debt came in at €1.8 billion, which is lower than last year and our gearing is at 46% in comparison to 49% last year. And as you well know, following the bond issues, the recent bond issues, our financial position overall as a Group is stronger, and has enabled us as a first step to start an early partial repayment of a syndicated loan with some domestic banks here in Greece and some international banks. But more importantly has also enabled us to, you know, renegotiate if you will better, terms of more expensive bank debt.

Now, clearly in terms of where we are going in terms of financing and in terms of managing our cash and our net debt position. We are continuously reassessing our strategy, taking into consideration, of course, the, you know, better situation of the Greek banks are in after the successful stress test that they have just recently completed. But also we need to be very careful and be quite, you know, conservative in terms of managing our cash and debt positions within a volatile, you know, market and financing environment in Greece and in the region. And we are, you know, we are continuously reassessing how we are going to be doing that in the best possible way to reduce if you will our financing cost, but at the same time also ensure that we, you know, manage risks.

On some of the strategic projects, DESFA; as you know RAE which is the local regulatory authority, you know, has basically certified DESFA, as an independent gas

transportation operator in Greece. Also, at the European approval level, DG Energy has approved the transaction. And now, I think what's remaining is the approval by DG Competition at the European level, which is the final step to complete the regulatory approval process and then you know, eventually complete the DESFA transaction and with SOCAR.

A final point, before I pass on the detailed discussion of the results to Andreas. Just a word on the decision we took at the Board today. We basically decided to call an EGM, before the end of 2014 to discuss the application of the provisions of Article 72 of a Greek Law 4172 of 2013, in relation to the extraordinary taxation and distribution of special tax reserves that were formed, you know, years ago. So we have decided to record the provision of 21 million in our 2013, we did provide 21 million at 2013 results which corresponds to a 19% of the relative reserves. Hence we, you know, in that fashion exhaust our tax obligation for both the Company and the Company's shareholders. And we are proposing a net distribution of the taxed reserves which will amount to €0.21 per share, and that would be proposed to the EGM ahead of year-end. Andreas if you want to….

SHIAMISHIS A: Thank you very much, John. Moving onto Page 5, onwards we will just quickly go through the various components of the refining industry market developments. On… so on Page 5, we all see the evolution of crude pricing, using a proxy for our crudes, which is the Brent pricing. The $25 drop from the beginning of the quarter to the beginning of October, which we use for the mark-to-market of our stocks, it's clearly having an impact on our published results. And at the same

time you can see an almost identical inverse behavior for the dollar which has reached an old time high compared… not an old time, two year high compared to foreign exchange; compared to Euro.

Moving onto Page 6, we have the Brent Urals differential. Now, we are seeing a widening of the spreads between the two types of crude. Again, using Brent Urals as a proxy, it doesn't necessarily mean that we are using both of these crudes. But as an indication you can see that, we have seen a widening to about $1 per barrel during the third quarter of 2014, compared to the premium that we saw for Urals in the third quarter last year.

We have however reduced the participation of Urals in our feedstock which is below 40%, it's at 36% during the quarter, and that is driven from optimization decisions based on our LP models, as well as the overall development of… in terms of the availability of different types of crude in the region.

Now, we see the Brent WTI spread continuing to be relatively high at 6, just over $6 per barrel, and even though that has come down from the highs we saw in 2013 of $20-$25. We still see the US refineries running at very high rates which, of course has a negative impact on the European refining industry.

Moving onto Page 7, the refining margin situation is clearly much better than we've seen in the last few quarters. The big change comes on the FCC benchmark margins, the indicative margins for the Aspropyrgos refinery which has

moved up significantly versus both last quarter, as well as last year. We also report an improvement on the Elefsina relevant benchmark which is a Hydrocracking benchmark, not as high increase as the Aspropyrgos benchmark, given that the Elefsina products makes it a little bit more resilient to the volatility that we've experienced the last few quarters, which is a good thing. As you may recall, Elefsina is a refinery that produce about 75% of its product in middle distillates which means that it's more appropriately configurated for the European and the local East Med market than Aspropyrgos which has a significant part of its production in gasoline.

Moving onto Page 8, we are pleased to report for the first time after a number of quarters, a small increase in domestic demand for fuels. You can see that especially when it comes to middle distillates, we are reporting increase both on auto diesel, as well as heating gasoil, clearly, the…sorry, as well as other products. The heating gasoil issue, which will be coming forward in the fourth quarter, will clearly be driven from weather conditions. However, we know that the excise tax has gone down, and assuming no worst than last year conditions, we would expect to see a small increase in heating gasoil demand. So the fourth quarter should continue to deliver good news as well.

If we move to Page 10, we have the bridge between last year's clean EBITDA, adjusted EBITDA of €74 million to this year's €146 million. It's quite evident that to a large extent, the improvement is driven from the better environment €45 million due to the better environment which is attributed to the refining, supply and trading business. The Elefsina

refinery improvements have generated another €10 million of EBITDA, and a number of operational improvements including the competitiveness improvement programs have helped to report another €20 odd million of contribution to the EBITDA line, that goes to both refining marketing and chemicals businesses.

On the following page we have some indicators of the effect of the impact of the competitiveness improvement programs. Up until now, we have been reporting the benefit, in terms of financial benefit coming from those programs. We have presented here some of the number of KPIs that we follow during the last few years as an indication of how we see the benefit of this performance, cascading through each single operation and each single line on our P&L. So for example, we have the unit fixed cost on refining. This assumes a steady level of production in order to avoid the under absorption or over absorption issues that might be created by the utilization of the refineries. So you can see the impact of Elefsina kicking in 2012 and 2013, as well as the benefit of lower costs. That's the same for our headcount; it's down by 35% compared to the starting position a few years ago.

The energy costs have come down. We've tried to isolate the impact of changing prices on this presentation. So it's an approximation of the benefit; but even with an approximation, so taking out the impact of different prices, we can see that the energy reduction number is quite material for the refineries. That's the same for domestic marketing fixed costs. And we move to not cost reduction, but revenue enhancement programs which is the percentage

of sales in the domestic marketing that is channeled through controlled network which is under the Calypso branding internally. That is a Company-owned management operated network, which has quadrupled its percentage of sales in the domestic marketing.

And of course the last part, which relates to our biggest business the refining business, shows a 30 plus percent improvement in the performance of the refining margin; that is if you like a proxy which tries to adjust benchmark market impacts. So in effect, it reflects the over performance versus the benchmark of the refineries.

On the capital structure, as John mentioned earlier, we have a number of positive developments since the beginning of the year. The conclusion of the two Eurobond transactions earlier this year, means that we have a much more stable and solid funding base for the Group, and clearly a much better maturity profile than we had last year. The other piece of positive news is that, the proxies that we use for the cost of financing are beginning to show a positive trend. So the marginal cost which is effectively the cost that we have to pay in order to renew working capital facilities each year or get new facilities in the system has started going below the average cost of funds. So, we expect to see the benefit coming through in the following quarters.

Unfortunately, one of the issues that we still have to live with is the fact that, mostly for risk management purposes, we are still carrying a fairly substantial amount of cash in the balance sheet rather than redeploy that cash to reduce our gross

debt. And we believe that even though the cost component is important, it's equally important to maintain a prudent and conservative approach with respect to financing of the Group, which unfortunately involves a negative carry cost on cash balances.

Now, moving onto the individual business units; the first and the most relevant one, the most material one, is the domestic refining, supply and trading business. Repeating what we said in the past in the previous pages, we have a better environment which meant that we've operated the refineries at higher utilization. We have better technical utilization because of no problems with the refineries, lower costs and clearly we have a much better set of results, four times higher than the same quarter last year.

The Elefsina refinery, which is considered to be one of the most profitable in the region, if not the most profitable in the Med, given it's configuration of producing 75% of middle distillates has presented some challenges over the last few quarters in terms of getting it up to its full potential. We are pleased to see that quarter-after-quarter the performance of the refinery is improving. We are at the level which is consistently above the design capacity and the debottlenecking works that took place during the last couple of shutdowns means that we have effectively started delivering yields and performance, which is in line if not better than what we anticipated when we went for the investment.

So, the impact of better refining margins or better refining economics and better technical availability by the Elefsina refinery mainly, meant that we have increased our production by about 4% and the additional production has mostly been directed to our export markets, which is now 46% of our total sales. You can see that the domestic market is also up, but clearly the majority of the excess production has been sold into export markets.

Page 17 shows a representation of the total net-back EBITDA… sorry gross margin net-back that we have in the refining system, versus a system benchmark which is the combination of all three refineries weighted using the actual production and feed quantities. You can see that the over performance which is a combination of commercial premier as well as the actual over performance of the refineries has been consistently at above $5-$5.5 per barrel over the last six quarters and this is improving depending on the performance of each refinery as well as the environment specifics and prices.

It is however, irrespective of the actual number that we report quarter-on-quarter, it is quite clear that we are in a situation which is totally different to any similar configuration of export refinery, which is faced with the benchmark margin environment plus probably an over performance which is effectively the result of the differences of each specific refinery compared to the benchmark setup.

Moving onto a related business which is a further downstream; it's the petrochemicals. A lot of the value there

is derived by the Aspropyrgos Splitter contribution which converts propane and butane into propylene which is then further converted into polypropylene at our Thessaloniki petrochemicals complex. We see that the performance of this business is also up to €19 million for the quarter and the shutdown and the restructuring of certain non-profit making business lines is actually improving the metrics of this business unit.

On domestic marketing, again, we are quite pleased to report what is the best quarter for some time. The third quarter for 2014 at €25 million of EBITDA is probably the best quarter going back to six or seven years. A large part of this performance is driven by the good touristic, tourism season that we had in Greece. As you know, we have two marketing businesses in Greece, under the EKO brand and the BP brand. We call them marketing however that includes a number of other businesses in there.

It's the commercial and industrial sales, which is almost directly linked to the economic activity in the country. And the aviation and bunkering businesses, which are positively affected by the traffic of tourists coming into Greece then of course, traveling to the various islands we have. So we have a strong contribution coming from the non-retail businesses in our EKO brand mainly, and a positive effect because of the network mix, the geographical network mix for both EKO and the BP branded petrol stations of Hellenic Fuels.

On Page 20, you can see some of the breakdown of the relevant channels and their contribution across margin level.

And we move onto international marketing, which is a slightly different business model; 90% of the business is through our controlled retail stations, which is why we enjoy a much higher EBITDA per cube or EBITDA per metric ton number than the domestic business and we are reporting a marginal improvement year-on-year.

The other important thing which we should note on that page is the degree of vertical integration between our international business and our group refineries, which supply three quarters of the total sales through our international subsidiaries.

Moving onto our power generation and gas affiliates, we have a small decline at results level for Elpedison. This is a result of the drastic reduction of power generation from CCGT units, again a result of the conditions in the Greek energy generation markets. So, EBITDA is reported at €13 million for the third quarter and of course, our DEPA results, our share of results, are down as well given that gas consumption is down, because of the gas-fired production units being down as well.

So, we have a much smaller contribution coming from DEPA and that includes all of the DEPA Group results which is DESFA, as well as the local EPA's that are in operation.

As John mentioned earlier, the big strategic project of monetizing our investment in DESFA is still in progress. It has taken longer for the European Authorities to clear what was seen as a relatively straightforward transaction at the

beginning of the process. However, here we are, Europe is Europe, we have to go through the various approval processes and we expect that in the next few months, we should have the completion of the approval process and the final clearance to proceed with the transaction.

At this point, we have completed the presentation of the business issues for the third quarter and we are happy to take any questions from you. Thank you.

Q&A

OPERATOR: The first question comes from the line of Mr. Lofting Matt of Nomura. Please go ahead, sir.

LOFTING M: Yes, thanks, and thanks for the presentation gentlemen, a couple of questions, if I could please. Firstly, just on the refining side, congratulations on a better quarter in terms of profitability. I wondered, if you could just talk about, clearly there was a benefit in terms of higher margins, but then also I think probably higher sort of production and utilization levels as well. I wondered if you could talk about whether you see Q3 as a particularly strong quarter in terms of utilization rates for the refining business or whether… so the ex-maintenance you see Q3 as representative of where the normalized run rate on production could be going forward into next year?

And secondly, if you could just go into a bit more detail in terms of the EGM proposal too; on the sort of the reserve distribution, are you sort of essentially saying that represents

sort of past tax provisions that now exceed what was required and you are proposing to therefore, release and distribute the difference? Thanks.

SHIAMISHIS A: Thank you very much, Matt. Let me try and tackle the refining part of the question first and then I'll come to the EGM proposal in a minute. The question has to be answered with some conditionality. First of all, as far as the controllable elements of the refining brands of the refinery runs, the answer is positive, yes, we believe it is representative; it is reflecting… reflective of the availability, technical availability of the refineries.

We seem to have resolved most, if not all of the issues that we faced in previous quarters and all three refineries are operating well within the normal levels or expected levels for refinery of this configuration.

So if we assume the same margin environment, then Q3 is a representative quarter. However, if we see a different margin environment, which might impact the economics of our simpler refinery which is the Thessaloniki refinery, clearly we need to reassess whether it makes sense to run the refinery at the same utilization rate. This is an issue which does not affect Elefsina or Aspropyrgos refinery, but clearly, the run of refineries is driven by the economics of the industry.

So to wrap it up effectively, if we see broadly a similar margin environment, then I would expect Q3 to be representative in terms of the production run of the three refineries.

The EGM proposal is something which we have talked about in the 2013 results. This reflects a law that was enacted in 2013 at the end of the year, which effectively forced all Greek companies to pay a special tax on certain reserves that in the past, we are either tax free or partially taxed. Clearly, that is not something that we foresaw. However, being prudent, we recorded a provision for the full amount of the respective tax in our 2013 accounts.

The options that we have available under this law is to tax paying a one-off 19% which is the €21 million that we booked in 2013 accounts as a provision, and then distribute the resulting amounts to our shareholders without any further tax.

As you may know, there is a further 10% tax on dividends distributed on top of the 26% corporate tax rate. So it's clear that it makes sense from an optimization point of view to elect to pay the 19% and then remit the net amount to the shareholders. If we opt not to do that, then it means that we would be paying 26% at the end of the year and any distributions going forward, would attract a further 10% on those amounts.

The relevant amounts are €0.21 per share. In total, the amounts distributable to our Group shareholders are about €64 million. There are other reserves, in total it's about €110 million, which however, sit within the balance sheet of Group subsidiaries. So there will be an up-streaming of that reserve into HP SA and the Holding Company in turn will treat that as distributable revenues, distributable income, as and when

distribution takes place. So the EGM proposal is to distribute about €64 million, which correspond to €0.21 per share.

LOFTING M: Okay, great. Thanks a lot. I mean, if I could just… just sorry, ask one quick follow-up on the sort of the first point on refining. Clearly, you sort of referred to the possible sort of delta going forward in terms of the sort of refining margin and also how that impact runs. Could you just sort of set that how you've sort of seeing Q4 today, evolving relative to obviously what was the better third quarter and whether you've seen… or the extent to which you've seen there is better margins continuing to the sort of last few weeks? Thanks.

COSTOPOULOS J: Well, if I can come back on that. Before I answer that question, I just want to reemphasize some of the points that Andreas said before. I mean there is… clearly the performance of our Elefsis refinery over the last few months demonstrates I think with a very high degree of certainty that in terms of mechanical availability i.e. you know, being able to you know, run those units you know, well ahead of their nameplate capacity is a given now. I think we understand and run these units extremely well and very efficiently. And of course, that's as far as the new refinery Elefsis, that was a given and continues to be given as far as Aspropyrgos and Salonika are concerned.

Also in terms of margin environment, I also want to stress that even at lower benchmark margins, I mean if I refer you back to Page 17 of the presentation that Andreas made before, you can see there, that over the, you know, the last

you know, quarters on a relatively consistent basis, we are over performing if you will the benchmark margin by about \$5.5 per barrel, because of our integration value that we have in terms of you know, refining wholesale, retail, because of our integrated international operations and because of the strong logistic assets and so on and so forth that we have. And our strong domestic you know, and regional market shares.

And lastly, but equally important in terms of Thessaloniki because that was mentioned also, I am reminding you because that was discussed also in previous conference calls that we are operating our crude refineries as a system.

So it's not kind of an independent hydro-skimming refinery alone, somewhere in the Med, exporting its production which you know, in that way you know, with low margin could be heavily if you will you know, underutilized and disadvantaged. We are talking about a system of refineries where a big chunk of the production of our Salonika refinery is used as feedstock for the Southern Hubs you know, Straight Run Atmospheric Residue and vacuum gasoil, and also we take advantage of you know, the gasoline/naphtha cracks because we you know, send our excess naphtha from our Southern Hub, particularly from Elefsis to Salonika to be converted into, reformed into gasoline. So from that respect you know, we have an added advantage operating a system as opposed to a standalone hydro-skimming refinery in the North.

And also Salonika as a location is the only you know, large Tank farm cum-refinery cum-petrochemical facility in the

North. And over the last you know, few quarters we've been able to capitalize on that in terms of you know, exporting more into the wholesale markets of the Southern Balkans. So, I just wanted to make that point.

In terms of your question on the margin environment, I think in this you know, fourth quarter to-date the margins that we've seen are quite close to the margins we've seen in the previous quarter. I would say in terms of the FCC margins identical and in terms of… pretty close if you will and in terms of Hydrocracking margins slightly below that. But are still, you know, despite the fact that you know, to be honest with you, we were also quite concerned that this could have been just a result of a one-off quarter because of you know, the maintenance season and so on and so forth, although it was a kind of relatively weaker maintenance season.

I think we are seeing at least since the beginning of this last quarter some decent margins. Also, we are helped with the positive news of the domestic market uplift and stabilization; we are also seeing you know, some uplift based on international data that we are you know, monitoring because of our exports in the Mediterranean markets, particularly in Southern Europe in terms of an uptick in demand for diesel. So we remain you know, cautiously optimistic.

LOFTING M: Great, thanks for your comments.

OPERATOR: The next question comes from the line of Mr. Rethy Robert of Wood & Co. Please go ahead, sir.

RETHY R: Yes, thank you very much and thanks for the presentation and congratulation for the results. Three questions please. The first one is just following up on this distribution of €0.21 to shareholders. I am just wondering if this is… was an indication of you future willingness for dividend distribution i.e. it's an indication of you are comfortable with the current balance sheet and cash generation of your businesses?

And second question is on financial expenses which to my surprise actually increased in the third quarter, whereas given the mentioned refinancing, you should have expected a small, but gradual decline in the financial expenses, if you can elaborate on this one?

And third one is just a technical question, I was wondering of this €101 million adjustment at EBITDA level is all inventory losses or there is any sort of one-off which burdened the period? Thanks very much.

SHIAMISHIS A: Thanks, Robert. Now, on the dividend question, I think the answer is very clear, we are a Company, we are a listed Company and part of our role is to make sure that we generate value for the shareholders which is distributed through partially dividends, with dividend policy and taking into consideration all the market constraints and elements through the share price appreciation.

Now, as far as this distribution is concerned, it's… it clearly reflects the fact that we feel a lot more comfortable about the cash flow of the Company going forward. And it is a tax optimal way of delivering certain distributions to the

shareholders. So it's optimal from a number of perspectives for the Company and the shareholders.

The dividend question we would have to revisit in 2015, in terms of what will be the dividend capacity of the Group for next year and how we sort of gradually go back to what I would call a healthy dividend yield for the Group.

On the second point, the financial costs, in reality the run rate is actually lower in the third quarter. However, we had the renegotiation and the repayment of our syndicated term facility as part of which it was originally €600 million, we repaid €150 million and refinanced about €400 million; €50 million had already been repaid, so the €600 million is the sum of three components. As part of that, any fees, any sort of upfront costs that were amortized over the life of the loan were written off in the third quarter. So, about a four… a fifth of the total fees that were paid during that original financing were written off, which is why you saw the pickup in the financing costs.

So run rate is lower than previous quarters, and of course, we also have the issue of negative carry which with the two recent bond issuances has been exacerbated in terms of the financing cost. We have more cash sitting on the balance sheet, which attract more negative carry for the Group.

Finally, I've noted the adjusted versus the reported EBITDA numbers, the €100 million, €101 million difference is explained by and large by the inventory effect. I think that

number is almost a €100 million on its own. So the one-offs are very small numbers in that calculation.

RETHY R: Thank you very much.

OPERATOR: The next question comes from the line of Mr. Patricot Henry of UBS. Please go ahead.

PATRICOT H: Yes, hello everyone, thank you for the presentation. A couple of questions from me, the first one on the competitiveness improvement, so you've done about €24 million in 3Q, do you have any indications of the new improvements you can make, any further improvements in 2015?

And the second question is just a follow-up on the financials, what level of cash would you be comfortable to run with in the future? Thank you.

SHIAMISHIS A: Okay on improvements, we've identified roughly an opportunity of another €100 million over the next 12 to 18 months, which is effectively the result of certain investment projects having to do with the switching of energy source in the refineries to nat gas, and the utilization of nat gas as raw materials for the hydrogen generation.

Now for the fourth quarter, we would clearly expect to see a small increase. I would not put it more than €15 to €20 million of additional benefits coming in the fourth quarter, but we have identified, as I said, an opportunity for the next 18 months of roughly about €100 million including clearly the

€20 million coming in next quarter. So that was the first question on the improvement.

On the financing strategy, it’s very difficult to give you a number for what we feel comfortable with because that is affected by a number of factors. I can only give you some direction as to what we take into consideration in deciding the appropriate level of cash. And that is, clearly, the Greek Banking System situation and condition. We had the successful stress test results for the Greek Banks. However we’d like to be a bit conservative with respect to what sort of capacity, committed capacity, we can accept from the Greek Banks.

The idea is to be able to have enough capacity or cash to allow us to continue our operation without any issues and to take advantage of trading opportunities as and when they arise. I would like to mention that contrary to the last few years situation… we have started seeing some contango situations in the market. We have one of the best storage facilities in East Med, there is no reason if the situation allows not to be able to take advantage and generate some additional trading benefits for the business.

The second is the noise and the political risk which surrounds the Greek capital markets or the markets for Greek corporate issuing outside of Greece, such as ourselves. It’s no secret that we have seen increased volatility in the last few months. We need to be cautious as to what comes ahead of us in the next three to six months. So, I guess it makes sense to be slightly more prudent than… and maintain the capacity,

rather than go for the extra benefit of say €20 to €30 million of financing charges in the P&L. So those are the factors that we take into consideration. I do not have a straightforward answer, simply because there is no such answer at this point in time. But it is something which we need to take into account, both costs and risk profile of the Group before we actually engage in any transactions.

PATRICOT H: Okay, thank you.

OPERATOR: The next question comes from the line of Kearney Ide of GLG Partners. Please go ahead.

KEARNEY I: Hi, it's Ide Kearney from GLG. I just wanted to better understand the outlook again for the sort of next quarter, because as we looked at your margins they are just seemed to be quite, you know, posted on your website, there is quite a big year-on-year improvement. It maybe tapering off now, but it still looks set to be much stronger than the fourth quarter of last year.

So I mean are you in anyway able to sort kind of give us some more quantitative guidance on that? I mean obviously Q3 was almost double, what we've seen the year before, I mean should we be thinking Q4 in line with Q3 in numeric basis or…? I mean I know the mix is different because the seasonality. But again, I am just trying to understand; it's difficult because of the startup of the…. well, you know the refineries seem relatively new and the slate is not always that clear to us.

SHIAMISHIS A: Thank you, Ide. The answer is assuming that we have the same level of benchmark margins that have seen up until now. We would expect to see a much better fourth quarter than last year. The refineries are operating without any problems, if anything we expect to see a slightly healthier heating gasoil demand. So I would expect to see a better fourth quarter than last year; whether it will rise to the level of this quarter or the third quarter, I doubt it. So I think this is an indication of what we would expect.

KEARNEY I: And so, it's basically because of mix that it won't.

SHIAMISHIS A: It's because of product mix and channel mix, yes.

KEARNEY I: Okay, well I mean, you know, we are still thinking about maybe a three figure EBITDA number or something less than that?

SHIAMISHIS A: Well, if it's up to us, we would definitely, we would like to see a three digit number. However, I don't think we are in a position to confirm whether that's going to take place. Clearly, it's not… it's going to be a reasonably decent fourth quarter.

KEARNEY I: Okay. And I would assume you'll also have, given the trends and the underlying oil price, we should expect to see a significant release of capital from working capital?

SHIAMISHIS A: Indeed, that is the case. As crude oil prices come down, we would expect to see a working capital release coming from mainly receivables. However, that does not always equate

into lower debt because if we have borrowed money to buy the stock and we sell it for a lower price effectively this inventory impact is not translated into cash. So it's… from an accounting point of view, if you sort of forget everything that happened up until know and you project forward then your statement is actually true. We would expect to see lower working capital in the next couple of quarters.

KEARNEY I: Okay. And on the Thessaloniki refinery, what are the breakeven margins there? Because it sounds as if it's a little bit more… well, less vibrant than the others.

SHIAMISHIS A: The breakeven margins will depend on two things. The first one is the degree of integration with the South Hub refineries Aspropyrgos and Elefsina and more importantly the supply situation in the Med. For example, we could see straight-run fuel oil being sold at an $80 per ton premium, so whatever the benchmark is, it makes sense for the Thessaloniki refinery to operate.

Now, if we see, if we assume that there is no such premium in the market then anything below $3 to $2.5 effectively means that, negative $3.5, means that Thessaloniki should not be operating. However, we all know that this is not the case because you have the "arbitrage" of the premium and the discount in the Med market. And we have seen this actually increasing significantly in the last year which for us makes more sense to have the Thessaloniki running properly.

KEARNEY I: Okay. Thank you very much.

OPERATOR: The next question comes from the line of Rainforth Lydia of Barclays Capital. Please go ahead.

RAINFORTH L: Thank you. Gentlemen good afternoon, it's Lydia from Barclays here. I have three quick questions if I could do. The first one coming back to the dividend and the cash flow elements of it, can you just walk us through what your priorities for cash flow are between now and 2016-2017, just given your outlook for refining margins?

And then secondly, a couple of more operational related questions. On the exports volumes that you have at the moment, can you just give us an indication of which countries go which direction they are going in, is it Asia, is it Africa, and just to help us understand because we have heard quite a lot about weaker demand across the globe lately.

And then the final one was just on the cost side on Slide 11, the ney is shown a sharp drop of 39% reduction on the fixed OPEX on a per ton basis. Are you able to just give us an indication as to how much of that is actually headcount reductions and are there any further breakdown of what that actually is? Thank you.

SHIAMISHIS A: Hello, Lydia. It's… okay let me try and tackle the three parts of the question. It's on cost; okay I am just making some notes now. Okay, on dividends and cash flow, our priorities are quite clear assuming a run rate of EBITDA at a number which is let's say between €400 million and €500 million per year then our priorities would be for next year to utilize a

significant part of that to reduce our debt, maintain a part of that as a trading capacity.

As I mentioned, we do have a very good asset around which we can trade, being the tank storage in our refineries. And we would then utilize the remaining cash in order to negotiate a better average cost of funding for the Group. The dividend equation; dividend clearly comes into the discussion but that is something which will be driven by the operating profitability. So, from a cash flow point of view it's… debt reduction, maintain trading capacity and drive cost as low as possible; financing cost.

Now, the second part was the destination of our export business, most of it goes into nearby markets in the Med. We are not in a position to fully identify the final destination because we sell most of our volumes on an FOB basis. So it is quite common for traders to take delivery of cargos at our ports at the refineries which are Coastal Refineries. So we load ships at the refinery and then switch destination while on water. We do, however, know that most of the export volume will go to nearby markets.

A clarification it does not… this reply does not include exports which go to our own subsidiaries which is about a 1 million tons a year, including the export into the OKTA business, into the FYROM markets. So, exports to third parties will mostly go to nearby markets. You may see the occasional cargo going out of the Med, but this is effectively driven from the transport economics and the position of specific traders.

Now, the third question was on costs. If we go to Page 11, the reduction has been made possible by a combination of two things obviously. The first one is the increase of capacity with a new refinery being put in place, that increase has not been, if you like, linearly followed by an increase in cost. So we get a volume effect on the Elefsina refinery. And the second has been our own doing which is the reduction of the absolute number of costs. So you can see that headcount has gone down by a 35% in the last five years, which is shown on the center top chart, and a number of other costs which are less material than the headcount, but equally important which have to do with mostly maintenance and G&A's.

Now, on headcount, I have to note that not only the number of FTEs has gone down, but the average cost per FTE has also come down as a result of a mix of employees. We have a lot more younger people in the refineries, and the negotiations that took place over the last couple of years with respect to the Collective Labor Agreements. So, I think it is positive news both on the volume absorption side, as well as the absolute cost control side impacting the business.

RAINFORTH L: Okay. Thanks very much.

OPERATOR: The next question comes from the line of Senapati Saumya of Bank of America. Please go ahead.

SENAPATI S: Hello, good evening gentlemen. Thank you for the opportunity on questions. Most of my questions have been answered, but just quickly in terms of the distribution, what

timing should we be looking at considering the EGM is by the year-end? And also on the DESFA sale process considering that you are almost at the last leg of the clearances, what sort of timing are you looking at and the most optimistic scenario for the cash to come in? Thank you.

SHIAMISHIS A: Hello, Saumya, it's… well on distribution, we have scheduled the EGM for the 15th of December. So, I would expect that the distribution will take place within two months of the EGM decision. This is the statutory timeframe for settling the taxes as well as distributing the cash to the shareholders.

On DESFA, the process has a six month time limit, not necessarily that it has to be taken up fully. So we could have a resolution and a clearance by the EU anytime between December, if I want to be sort of very optimistic, to six months down the line. And after that, then there is a process of about one to two months before the actual transaction is closed. So the timing is most likely, if not definitely, in 2015, I would say in the first half of 2015.

SENAPATI S: Okay, thank you gentlemen.

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

COSTOPOULOS J: Well, thank you very much, ladies and gentlemen, for attending our third quarter '14 results and for the most interesting questions. I think we've had a lively discussion this evening, which is good, you know, it's good when you

have good results and you have lots of interesting questions. So thank you for your good questions. I can't say really much after all the comments that have been made.

Just in conclusion to say that clearly the third quarter was one where we had, you know satisfactory operating results. More than anything else I think it highlights, this quarter highlights the profitability, you know, operating profitability and cash flow generation potential of our Group, you know, when we have a relatively good if you will, you know, refining and trading environment. And of course, that is, you know, the result of our extensive upgrade programs in our refineries.

And then also the cost restructuring has been going on continuously for the last you know, five, six years. And as we have mentioned earlier on, you know, will continue into '14, and well into '15 and '16. Andreas mentioned the upside of about a €100 million over the next 18 months, including you know, 20-22 in this current quarter. So that, you know, clearly it will remain a key you know, item of focus for us to continuous you know, restructuring and you know, squeezing costs and enhancing efficiencies in our system.

Clearly, on the other hand, you know, the significant drop in crude oil prices highlight if you will the volatility that exists in our markets. You know, one thing that you know we didn't mention I guess on pass on before is that as you all realize, local prices mean that, you know, we have if you will low energy costs which is an important thing since a big chunk of,

you know, crude is consumed internally as fuel in our refineries or fuel oil.

The other good news of course this quarter is that we were able to continue to operate our refineries at very high utilization rates exceeding 100% which enables us to, you know, maximize our export sales.

We mentioned before that they are close to 50% of our total sales. Marketing is doing well, the Greek market is improving. So you know, all I could say is that we remain committed to you know, continuing our efforts and hopefully delivering good quarters and having pleasant discussions as we've had this evening. So thank you for being with us and we will renew our discussion for discussing the full year results at the end of the fourth quarter. Thank you for being with us.