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"Third Quarter 2015 Financial Results" Conference Call

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***Conductors*:**

Hellenic Petroleum Management

Conference Call Conducted by Chorus Call Hellas

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

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

At this time, I would like to turn the conference over to Hellenic Petroleum Management.

Please go ahead.

STERGIOULIS G: Hello Gentlemen and Ladies, three months after our last prediction on this quarter of the year we are at the present situation to announce our Third Quarter Results and the Progressive Yearly Results. Hellenic Petroleum's adjusted EBITDA came up at €240 million, 64% higher versus last year with respective nine month period of the year resulting at €575 million reporting improved operational performance in all business units. The significant improvement of Refining, Supply & Trading contribution was the key driver for this quarter of the year. Adjusted net income amounted to €111 million.

Our third quarter of the year set of numbers represent a highest quarterly operating results ever reported by the Group as the full operation of the refineries allowed good capture of favourable refining backdrop with strong benchmark margins and the euro to dollar exchange rate leading further growth of export sales.

On the other hand, the domestic fuels market has been impacted by the recent macro developments in the country and capital controls. That continue unfortunately to affect the demand and despite higher tourism, it contracted for the first time after four consecutive quarters of growth. Reported IFRS results were also positive with net income to €38 million, while EBITDA amounted to €111 million.

We would like to note the successful management of the bank holiday and capital controls crisis that reduced the impact on results and the financial position of the Group. However, capital controls have materially affected working capital financing, since open credit from crude oil suppliers was significantly reduced. Our key actions in refining include full utilization of our units, the selection of the higher and more profitable crude slate and the reduction of fuel consumption and losses. Our aim is not only to insure our investors that Helpe will continue their successful business, but also to expedite and capture many possible opportunities.

Thank you all and I'll pass you to our CFO, Andreas, please.

SHIAMISHIS A: Thank you very much, Grigoris. Good afternoon ladies and gentlemen. We will endeavour to go through the presentation and I am requested to note the page numbers as well. So every time I change a page, I will refer to it. So we are starting off from the key highlights which is Page 2, as our CEO mentioned earlier, we have the strongest results ever of €240 million of adjusted EBITDA for the quarter and a net income of €111 million which are both significantly up from last year. Now, the main driver is clearly the positive refining environment with strong refining margins and a stronger dollar compared to the euro, but of course the underlying issue here is having the availability of the refineries, at utilization rate which is high enough to allow us to capture this positive refining environment.

An additional benefit which is reported in the third quarter is the reversal, the realization of the benefit from the Contango transactions, which were put in place at the beginning of the year. If you recall, in the early part of the year, we had an opening of Contango opportunities with the March…February, March, September time spread being the most favourable one. We went through the process of having a couple of Contango…actually four Contango transaction corpus, they have been reversed in September, so we recorded the benefit there as well.

The high utilization of the refineries has allowed us to increase our exports given that the domestic market is what it is and it has contracted by about 7% in the third quarter. So the excess production has been diverted into international markets, which has been being consistently our strategy over the last few quarters.

Now, something we have mentioned in previous quarters as well, we are continuing with the seven consecutive improved quarters versus last year, with the last 12 months adjusted EBITDA reaching over €750 million and our operating cash flow, which is a simplistic approximation, it's a proxy for operating cash flow being the adjusted EBITDA minus CAPEX, exceeding €560 million for the last 12 months.

The results are also positive on an IFRS basis which effectively include the inventory losses mainly in the third quarter, about

€125 million out of the €153 million is relating to the third quarter, and a benefit from the deferred tax changes. If I may elaborate a little bit on that, we've had an increase in the tax rate from 26% to 29%. Hellenic Petroleum has some unutilized tax losses as a result of the last 18 to 24 months crude oil price reduction, which means that we will be recording a benefit in the utilization of this tax processing in the next 12 to 24 months.

As Grigoris mentioned earlier, the capital controls and the banking restrictions did present a challenge which was well managed. The key thing is that we've managed to maintain almost a 100% of the plant utilization of the refineries, despite the fact that there was increased concern around the credit issue from Greece from suppliers as well as day-to-day practical problems in trying to…if you will manage hundreds of millions of cash transactions during the last few months.

In terms of the Greek market, we've had the benefit of increased tourism during the summer months. However, as expected, and as we have predicted in previous communications, we are seeing that we are going to a softer domestic market as a result of the macroeconomic crisis and the reduced spending of consumers.

Page 3, shows the key financials for the Group. The numbers, the key numbers are the adjusted EBITDA which is €240 million and €575 million for the third quarter and the nine months respectively. And of course, the adjusted net income which is just over €200 million for the nine months period.

Capital employed €4.2 billion as we've diverted some of our cash reserves into pre-payments. So we have…our cash payments for our cargo, so we will see a reduction in working…in suppliers credit on the balance sheet and net debt which reflects at €2.4 billion compared to €1.8 billion in September 2014.

CAPEX at €130 million for the nine months, €52 million in the third quarter, is effectively driven by the shutdown of Aspropyrgos refinery, which is really the biggest spending item in the nine months to-date.

Moving onto Page 5; a few comments on the environment. Clearly the lower crude prices supports a stronger margin, mainly because of the cost of energy and own fuels that we use in the refineries. And the…stronger, compared to last year, dollar compared to euro, supports our operating results. Clearly, that has an impact on dollar liabilities as well. But given our business model, we are happier with the stronger dollar as we have mentioned many times in the past.

In terms of the different crude qualities, we are seeing a stable increase in the sweet/sour spread, which helps our margins. And of course, overall it's an industry the narrowing of the Brent-WTI prices, is also beneficial for European production in refineries as well.

Page 6, we depict the four key product cracks. Clearly, the star performer in the last few months has been gasoline, something which has reversed in the last few weeks with diesel performing exceptionally well. And you can see that both refining margins for Aspropyrgos and Elefsina are improved compared to last year.

Page 7, we have the Greek market demand broken down by category of products. Clearly, the third quarter doesn't have any heating gasoil in it, we expect that Q4 consumption of heating gasoil will be impacted hopefully positively by the lower price environment, but clearly it is driven by weather conditions as well. And so far, we've had a very warm weather in Greece which means that sales of heating gasoil in the beginning of the fourth quarter softer than what one would expect given the lower price.

Moving onto Page 9, a very summary and high level causal track of our EBITDA; self-explanatory, you can see the impact of the environment in the form of benchmark refining margins, foreign exchange benefits from the stronger dollar, and of course, the…if you will, losses or increased cost of doing business as a result of the Greek crisis in July, August and September. And clearly, that is something which continues, but at a much lower pace, as far as the cost are concerned given that we have reset our business model to make sure that we avoid to the extent possible excess costs.

In terms of our own performance, we have been able to maintain a very high level of performance in the third quarter as well, and it's a positive contribution from all business units during the quarter. That's shown on Page 10 as well, in the form of cash flow from operations, which is…as I mentioned earlier a very simplistic proxy EBITDA less CAPEX, which is beginning to register a consistent pattern with reasonably high cash flow generation.

The capital controls at the end of June led to an artificially low net debt position at the end of June, as we mentioned earlier, because some payments to suppliers were caught in the system so with the last couple of days of June. Whereas in September, we have exactly the opposite, we have moved to a much bigger percentage of our sales being prepaid through our own cash. And as a result you can see the increase in net debt. This is something which we expect that will partially be reversed in the next couple of months.

Moving to Page 11, if you recall over the last few years, during the communication with respect to strategy 2008-2013 strategy, we've always maintain that the completion and the proper operation of the investments in the refineries. And of course, all the transformation initiatives, whether it was procurement with Best 50 or Best 100 or via the refinery excellence program or the HR reorganization would allow us to deliver a totally different Group performance than the one we used to see in the previous years.

Page 11, demonstrates that by bridging, what we expect to be a normal historic mid cycle margin performance at roughly €600 million to €650 million, compared to €360 million in 2009. And of course, the upside from the current strong refining environment which will probably push results above three quarters of a billion of clean EBITDA for the year.

Now, whether this continues towards…between now and the end of the year and into 2016 is something which we do not know, but up until now, I think signals have been very strong and we are very happy to take the strong refining environment and convert that into profits and eventually cash flow.

In terms of credit facilities, clearly all our metrics are improving as a result of stronger cash flow generation. And you can see the funding mix in the left hand side of the page, Page 12, and the maturity profile on the right hand side of the page. We have…in terms of material maturities coming out, we have the US dollar bond coming up in May 2016. The base case scenario is that we will be able to repay that out of the cash flow generated by the Group.

The question is, whether we will be able to replace the dollar liability, the dollar funding that we have on the balance sheet, given that we are long dollars, so we prefer to maintain dollar liabilities compared to euro liabilities which is the bulk of what we have now on the balance sheet. However, we have a plan in place, and clearly, we will address markets as soon as this becomes possible. And clearly, after the process of the banks recapitalization which is taking place now.

Moving onto the Segmental Analysis, on Page 14, we have the key numbers for Refining, Supply and Trading. The main driver for our performance, as I mentioned, not only a result of the positive environment, but clearly what is implied is the high mechanical availability of the plant. And of course, the ability to revert back to normality after a prolonged shutdown in the second quarter.

Adjusted EBITDA from our segment is €163 million for the quarter, bringing that to €412 million for the nine months period, and you can see the key drivers of the KPIs shown at the bottom part of the page.

Moving on to Page 15, you can see the time series for the last few quarters of our production. The Aspropyrgos shutdown in the second quarter of 2015 clearly impacted the level of production. We are now back to normal, and we expect that the fourth quarter will be very similar if not better to the third quarter of 2015.

In terms of crude oil sourcing and yield, you can see on the bottom part of the page of Page 15. We have Iraq and Urals making up about 65% of this…of the crude slate. And of course, we have a very healthy yield with wide products including Naphtha being as high as 80% to 85%...82% to 85% in the quarter.

Page 16, shows a similar time series on sales, and of course, the contraction of the Greek demand is something that we do not like from a profit generation point of view, but it has given us an opportunity to diversify away from the Greek market, and to be able to have a more balanced business portfolio as a Group.

Page 17, shows the per barrel performance if you will, it effectively confirms our ability to over perform the benchmark by a significant amount $5 to $6 is what we have achieved over the last few years. And this is achieved during a period of low prices, which in general tend to affect negatively the over performance of the refinery. So again, here it's a confirmation of the operational excellence of the Group.

Moving to Page 18, we have something which is linked closely to the refining operations, but we are treat the deposits as a separate sector. It's Petrochemicals where we have a record result of €26 million and €68 million for the nine months, again a business which is driven from our asset configuration of the refineries, and the subsequent value extraction by specialized polypropylene and BOPP plants. It's a cash positive business given that CAPEX requirements are very low in terms of maintenance CAPEX for the business.

Moving further down the chain, Page 20, we have our domestic marketing which has been able to recover over the last few quarters from the lows of 2013 and 2014, that has not been done without a lot of efforts from management. Unfortunately retail is a lower number compared to refining, but it's a much higher effort and participation in active management, because it's all about detail in managing a big network of petrol stations. So the retail petrol station, plus a positive Aviation business performance has helped to deliver an EBITDA for the nine months of about €45 million. And clearly, we expect that this will become a much healthier business going forward, compared to what we have seen in the last two to three years.

International marketing, we have a slightly different story, given that our net worth is 80% to 90% or more, i.e., we own and report the profits at the petrol station level. We have a very strong performance, we are on Page 21. Actually the year-to-date EBITDA is exactly the same in international and domestic retail. I can assure you this is a coincidence, but both units are performing significantly better than last year.

Moving on to Page 23, we have the summary performance for our joint venture with Edison, the electricity generation and trading business under the brand of Elpedison. There, unfortunately, news are not that positive, given that for the nine months we have practically received no remuneration for flexibility and capacity, and effectively this is translated into a very weak set of numbers for the nine months. We have reasonable hopes, we expect that this situation will be partly addressed and reversed in the next few weeks, putting in place a temporary mechanism which will allow a minimum remuneration for the capacity and flexibility, until such time as we have a slightly more open and more proper and permanent mechanism in place.

Clearly, the lack of demand from IPPs, even though in the last quarter this has changed a little bit because of the lower gas prices, means that the performance of DEPA which is shown on Page 24, is also negatively affected. Gas-fired plants are performing lower as a result of the reasons I explained under Elpedison, under the Elpedison heading, which means that sales by DEPA are also lower; you can see the nine month number is 10%, even though the last quarter was significantly up from last year.

Under the DEPA Group, we continue to report DESFA because the privatization process is not completed yet. And under IFRS until a transaction becomes certain, we continue to account as an associate. We all expect and hope that the recent developments in the DG comp approach will eventually lead to a closing of this transaction, given that it is something which all in both parties wish and work on the same direction.

Now, that concludes the presentation and the walk through of our summary presentation. And I believe that given the very strong set of numbers we have very little else to add and we will turn over the floor to you for any questions you may have.

Q&A

OPERATOR: The first question comes from the line of Mr. Stone Joshua of Barclays. Please go ahead.

STONE J: Hi, good afternoon. I have got two questions, please. Firstly on the working capital build this quarter, you said some will partially reversed over the next couple of months. Are you able to give any guidance in terms of quantity of how much might reverse over the next couple of months or the 4Q. And then, secondly on the switching from domestic sales to the international markets in refining, how easy has that been over the quarter and what are your expectations going forward as to if the domestic market remains weak, how much more could you switch into the international markets? Thanks.

SHIAMISHIS A: Hello, Joshua. Yes, on Page 10, we have the causal track for the working capital. Effectively, we have seen a reversal of about €300 million to €400 million already, so that is something, which has already taken place. We would expect to see at least as much between now and the year-end.

On the domestic market,… Grigoris, you are going to take that?

STERGIOULIS G: Okay. I will take that. Thank you for the question first of all. There is an increasing need on exporting the fuel products around the Mediterranean. This is to our big surprise open in several markets at the moment, and we consider the existing configuration as healthy for our business, 70…50 to 50. But, if the Greek market continues deteriorating, I feel that we can expand to 5% or 6%, even 10% to the international market easily. Yanni, do you have any comment on that?

PSICHOGIOS I.: As a percentage of our volumes, we are…well, in the domestic market, we sell about 34% of our sales…of our production, about 20% in the domestic market of aviation and bunkers and the rest about 47% to 48% are our exports as a percentage on our production. So this is more or less our portfolio of sales and there has been no major changes, just 1% or 2% from the one sector to the other.

STONE J: Okay. Thank you.

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

PATRICOT H: Yes, good afternoon, everyone. Thank you for the presentation. I have two questions, the first one on the dividends. I was wondering if you could maybe give us an idea of the framework that you use to set a dividend timing for this year. Should we be looking at some kind of payout ratio based on the EPS, are you looking at the cash flows to level off net debt? And my second question would be on the crude market in the

Mediterranean, you've mentioned that the black market is quite healthy at the moment. Can you comment on the kind of opportunities you are seeing on the crude markets and perhaps the evolution of the differentials to Brent that you are seeing in the fourth quarter compared to the third quarter? Thank you.

STERGIOULIS G: Okay. Regarding dividends, we are not in a position to announce anything yet. We have to see our next year economics more clearly and everything. It's true that the financial status of the Company is becoming healthier and healthier. This gives us the opportunity to have choices that we will expedite and comeback to the market very soon.

Now, regarding the crude markets, its true things are changing, and we expect more changes coming up next year, meaning that Libya, Iran, Iraq and all of these countries are flying up and down all the time offering different kind of crudes for the market. It has been a switching recently in our Company from Urals to Iraqi crude oils and our intention, this was one of our successful business we consider, is getting to the slate heavier crude oils that give us a better over performance. And we consider that…we think that this approach will keep on continuing and we may get some pleasant results coming up this last quarter of the year.

PATRICOT H: Okay. Thank you.

OPERATOR: The next question comes from the line of Klahr Mike of Citibank. Please go ahead.

KLAHR M: Hi, good afternoon, a couple of questions. Firstly, on Slide 11 your 2016 and 2017 estimates, what are refining margins that you are assuming for 2017?

SHIAMISHIS A: What we have in Page 11 effectively, it doesn't have 2017. What we have here is a bridge between what we have historically presented; we have extrapolated it to 2015 using historic mid-cycle margins for the last three year. And what we are showing is the uplift, and that takes us by the way to €650 million of EBITDA per year for 2015. However, we have an uplift in 2015, which is driven by the improved refining environment. And that is expected to take us above €750 million. We are not presenting anything for 2016 or 17.

Clearly, if we have a similar margin environment, we've already communicated that the impact of the shutdown in Aspropyrgos was close to €100 million. So in a clean year, in a clean run in a year, one would expect the €750 million to be €850 million plus something, so…but we are not actually predicting anything for 2016 or '17 here.

KLAHR M: Okay. That's very clear. Thank you. And secondly, can you tell us where payables peaked in the quarter or where net debt peaks, so I'm guessing the…you know at the end of quarter was the low point, is that correct?

SHIAMISHIS A: In terms of Q3, the peak was about €2.5 billion, €2.6 billion in terms of net debt. It has come down in September by a couple of €100 million and since then it has come down by, if I'm not mistaken, around €300, plus something, million, so I think we've seen the worst of that.

KLAHR M: Okay, great. And then, just lastly on let's say, the export sales, can you give us some indication of the breakdown where that is going?

SHIAMISHIS A: When we export, we sell mainly to international traders and majors. We have an idea of where products are actually being shipped to, but we do not have a confirmation of the destinations. I think it's reasonable to overlay the big picture that we have for the regional market for EastMed, and we can say that a majority…the majority of the exports in diesel in Naptha**,** Naptha is not exported that much nowadays; so the majority of the exports are diesel actually finding their way into the Turkish market, and a few other markets in the Med Basin. But I think the majority actually go into Turkey. As I said, we do not sell…most of our sales are not to the end customers, they are going through traders. So there is no way we have exact information on where this goes to.

KLAHR M: Okay, then in terms of the end market, you would…most of that would go to Turkey?

STERGIOULIS G: Excuse me, I didn't catch that…

KLAHR M: I know you not selling to them directly, but in terms of…if you were to estimate the end market, the largest share would be going into Turkey?

STERGIOULIS G: Yes, correct. You are absolutely, right.

KLAHR M: Okay. Thank you.

OPERATOR: The next question comes from Mr. Lofting Matt of Nomura. Please go ahead.

LOFTING M: Yes, thanks for presentation. Just coming back to Slide 12 on the majority profile on credit lines, and it looks like you have got about the best part of a billion euros falling due over the next sort of two years. In the context of if you may assume, capital controls remain in place, and given the current net debt position. Could you just walk us through how you plan to address those maturities as they fall due, and whether…then sort of broadening the question whether that's all realistic it then leaves headroom to consider dividends as well? Thank you.

SHIAMISHIS A: Well, in terms of maturity profile, we have the facilities, which expire. Clearly the market bonds are effectively facilities that we will be repaying, but as the performance of the Company improves, and as the Greek market risks is reduced there is nothing stopping us from going back into the markets for a new issuance, either in 2016…beginning of 2016 or towards the end of 2016.

Overall, I would expect that about…it's a ballpark number here, so don't quote me if it's slightly different. I would expect that about 50% of the maturities falling due in the next 24 months will be repaid, and 50% will be refinanced. This doesn't mean to say that if we believe the market conditions are there, we will not be adding capacity even if we do not need it.

But if you sort of project the performance that we've talked about, we have no Page 11; we have a 12-month adjusted EBITDA less CAPEX of about €550 million. Let's call it, €550 million, take out €200 million that means, which is interest, that means we have about €300 million to €350 million of cash inflows into the system. Assuming of course, no working capital changes. And we are at the worst position in terms of working capital today.

So, if we have a cash positive performance of €200 million to €300 million a year, plus €200 million coming from DESFA, it means that we will have significant cash capacity to address repayment, refinancing, and of course start making dividends as well. So, I think, it's probably early days to make any calls there, but this is the…if you will the big picture.

LOFTING M: Perfect. Thanks very much. Can I just ask as a follow-up, you mentioned I think DESFA at the end, I mean, I think you referred in sort of the press release earlier? So trying to find the transaction structure, that's acceptable to the authorities. Should we imply from that the current structure is, and how confident are you that transaction does now close? Thank you.

STERGIOULIS G: Okay. The story is as follows. First of all, it doesn't not depend on us, it depends on the DG comp, on whether they will accept the latest proposals on how it's going to be. We are here, we are following what is happening, we will…we are going to sell if the transaction goes…takes place. And up to know, the indications that this will happen maybe not by the end of this year but early next year. But again, I repeat this doesn't depend on the HELPE's position.

LOFTING M: Okay. Thanks a lot.

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

GRIGORIOU G: Yes, hi. I have a follow-up question on DESFA, please. Is there any risk that perhaps the price tag on the sale of DESFA will actually be lower, given that the original contract was signed about two years ago? And again, what has happened to the country since then? Thank you.

STERGIOULIS G: HELPE has made clear that we are not going to accept any price less than the one quoted originally. This is our position and we feel we will stand on it.

GRIGORIOU G: Okay. And a follow-up one, please, if I may on Elpedison. What is the amount of the incapacity certificate payments you would normally were expecting for the nine month period? And you are actually lacking now, because the state has not paid out what's allegedly it owes. Thank you.

SHIAMISHIS A: Yes, the capacity certificates that we have estimated based on the €45,000 if I remember megawatt hour, would be around €25 million to €30 million. I mean, it's a very, sort of simple calculation; it's 45,000 times the 820 megawatts of capacity. So, that's the ballpark number €25 million to €30 million is numbers that we would expect to see in 2015, which is lower than the 2014 number which was about 25% to 30% higher because of the rates of the remuneration.

OPERATOR: Excuse me. This is the operator; there are no more questions at this time. You may now proceed with your closing statements.

SHIAMISHIS A: Thank you very much for the participation. We will be closing the conference with Grigoris just giving a brief highlight of what we have discussed.

STERGIOULIS G: Okay, coming back to our pleasant closing procedure, it maybe the last three months ago that we predicated to have some good results. It has been proven, the good results are not coming only from the positive margins, and they are coming mainly from our full operation of our refineries…all our refineries. Our successful revamps on our FCC unit and the Flexicoking. And few things that may not be of major importance to you, but it is to us. Like for example, the Energy Preservation scheduled program and the better crude slate performance. We expect this kind of indices to be reinforced in the last quarter, and if margins are going as they are going, we are going to have a more pleasant fair last quarter of the year. I want to thank you all for your fruitful discussions and questions. And let’s hope that in three month’s time, we will be in a better position to announce to you. Thank you all.