HELLENIC-PETROLEUM

8A Chimarras st., 15125 Marousi

Athens, Greece

Tel.: (+30) 210 63 02 000

Fax.: (+30) 210 63 02 510

"Second Quarter 2018 Financial Results" Conference Call

Thursday 30th August 2018

18:00 (GR Time)

Conductors:

Mr. Andreas Shiamishis, Deputy CEO & CFO

& Mr. Vasilis Tsaitas Investor Relations Officer

Conference Call Conducted by Chorus Call Hellas

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 Second Quarter 2018 Financial Results with the management of the company.

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

Gentlemen, you may proceed.

SHIAMISHIS A: Good afternoon ladies and gentlemen. Thank you for joining our Second Quarter 2018 Results Call. I think you already have received the presentation with the key points from our results. So without further ado, I will turn over to Page 2 to go through the presentation pages.

In terms of the key points, the second quarter was yet another quarter where results were quite strong; despite the fact that compared to last year we had a weaker refining macro environment in terms of refining margins, benchmark margins and in terms of the euro/dollar exchange rate, that we had a weaker dollar. Of course, the fact that we had increasing prices has led to a record reported profitability at an EBITDA and net income basis.

So adjusted EBITDA at €187 million, with adjusted net income at €66 million; IFRS reported EBITDA at €307 million and net income at €151 million. In terms of cash flow and balance sheet, yet another strong quarter, our CAPEX is relatively low so we have a good conversion into cash flow and our net debt just below €2 billion at €1.9 billion which is stabilized now between €1.7 billion and €2 billion in terms of net debt and it is driven by mainly working capital, price driven volatility and some seasonality effect.

As we have already announced we have completed the 2018 refinancing plan which has led to an improvement both at the cost level, as well as, the maturity level of the loans.

Other key developments, as you know, we have a privatization process taking place with the Hellenic Republic Asset Development Fund announcing that we have two bidders Glencore and Vitol participating in the second phase, and that is something which is ongoing as we speak.

Again, in July we had a number of developments, the signing of the DESFA sale 66% stake to the consortium comprising of Snam Enagas Fluxys, and we also had a number of transactions at DEPA level which are aimed at restructuring the DEPA, ex-DESFA Group, into a slightly more rational and vertically integrated natural gas participant.

Finally, we also had the announcement that the joint venture of Total, ExxonMobil and ELPE is the selected applicant for two offshore areas in the West and Southwest of Crete.

Moving on to Page 4, our key numbers, the adjusted EBITDA at 187, clearly the impact of lower refining margins and euro/dollar has made itself present and visible in the refining supply and trading business. But at the same time, it's still a very strong quarter.

In terms of reported results, 307 is the highest reported EBITDA number that we have had, and it's driven by the strong operating performances as well as the crude oil price impact on the sold volumes.

Another point which is important is the continuing reduction of financing cost, it's 10% lower than the same quarter last year and it is a trend that has been going on for a few quarters, and given the refinancing that took place in the last few months, we expect this to be even better in the remaining half of the year.

If we go to Page 6, in terms of industry environment, as I mentioned we have the increasing crude oil prices an average of $75 per barrel for the second quarter, leading to a material inventory gain reported in our results.

At the same time, we have the adverse effect of the euro/dollar, so again you see this inverse relation kicking in with the increasing crude oil prices and the weakening of the dollar, which means that our comparable results and actual results are actually lower.

In terms of differentials at crude… different crude types, we have the Brent-WTI spread which we monitor given that this is a macro trend and it's opening up again at $7 per barrel, which means that US refineries are enjoying the benefit of lower feedstock costs, whereas the Brent-Urals spread which is an indicative spread for the different types of crudes is relatively flat compared to the previous quarter albeit higher levels than 2017.

Moving on to Page 7, we see a mixed picture for the refineries. The complex FCC margin which relate to the Aspropyrgos Refinery is lower than last year. Last year we had a representative level of fuel oil spreads, which made that refining margins of 2017 were at an exceptionally high level. That was a trend that started correcting itself towards the end of 2017 and in 2018 we have healthy but somewhat lower benchmark margin than last year. On the other hand, the strength of the diesel cracks, which is recovering again has helped the Elefsina refinery to work on a much higher benchmark than last year; 5.7 compared to 4.4.

In terms of the domestic market environment on Page 8, we have a somewhat lower domestic market demand, about 2% down, but on the other hand the aviation and bunkering demand has increased significantly, so it has almost offset the decrease of the domestic market demand.

You can see the breakdown of the various product categories auto fuels in terms of MOGAS and diesel are increasing by 1%-1.5%, and as you can see the trend of having a much higher diesel than gasoline consumption is continuing in this quarter as well.

If we go to Page 10, we have a very high level view of the differences on the comparable adjusted EBITDA between 2017 and 2018 second quarter. The bulk of the impact is actually accounted by the environment, and here we have lower benchmark margin and weaker dollar taking a toll on the refining, supply and trading business.

At the same time, we are beginning to see the impact of CO2 costs, the provision for CO2 allowances which is creeping into the results, the cost of CO2 doubled in the last year or so which means that it is an issue to be dealt with going forward.

In terms of our own performance, we have a somewhat lower volume in terms of production driven by the refining maintenance at Elefsina and Thessaloniki, both of which were scheduled and related Elefsina was mainly a catalyst change with very small maintenance working dealt in place. And we also have the benefit of increased trading profitability, that's also partly to the fact that we were able to reduce the excess level of stocks that we built during the previous quarters at lower prices which means that we have some trading profitability creeping into the second quarter.

Page 11, the credit facilities and the liquidity are clearly much better than what they have been in the past. The completion of the refinancing program means that we have a much more even maturity profile. The only facility which is maturing in 2018 is a syndicated facility which will be rolled forward most likely; it is with the banking system which means that we don't see any problem in doing that.

And there is a question mark around 2019 Eurobond as to whether it makes sense to refinance it or whether it makes sense to repay it totally given that the capacity is there and also given that within the next six months if everything goes well we should be collecting the DESFA sale proceeds.

Financing costs as you can see is coming down quarter-after-quarter and following the refinancing program that was completed we expect that to be even further reduced in the upcoming quarters.

Moving to Page 12, on the refining, supply and trading business, nothing here on this page, effectively it is a confirmation of everything that we have talked about, a strong performance from the refining, supply and trading business lower than last year on account of lower benchmark margins and weaker dollar. But I would like to point out that the realized margin is still at par with last year, which means that the over performance per barrel, those numbers are per barrel, has improved somewhat. The drop is driven as I said by the dollar, and of course, by the scheduled shutdown of the two refineries which means that we had a lower production volume.

In terms of operations on Page 14, you can see the impact on the Elefsina and the Thessaloniki refineries, with Aspropyrgos improving even more the performance in terms of production. Feedstock and… crude and feedstock sourcing is shown on the second quarter, clearly we expect to see a material change from Q3 onwards and that we have stopped buying Iranian crude following the May decision and sanctions, which make the whole process very difficult.

And in terms of replacing that, given the relatively widespread range of crudes we have been able to do that replace Iranian crudes without a lot of problems.

In terms of yield, despite the stoppage we still have a very strong yield profile with 50% plus in middle distillates and a very low fuel oil production of 12%.

In terms of sales, we have a stable quarterly sales number 4.1 million, 4.2 million tons per quarter and that has been the case for a number of quarters now. And you can see that exports has become even more export… important given that we have a slightly lower domestic market mainly driven from fuel oil sales to PPC, which are important low margin. So exports is becoming a very big part of our business as it has been in the previous quarters.

Page 16, proves the point on realized margins, you can see that the level of actual realized margin and that includes refining benchmark over-performance, as well as, commercial premium is maintained at a very high level $10.6 per barrel which is practically the same as 2017 second quarter and that is the result of the very good work that's taken place at the refinery levels plus the structural benefit of having such a big domestic market next to the refineries.

If we move to Page 18, Petrochemicals the improvement of the polypropylene plant following a shutdown last year means that we have been able to extract even more value from this chain. And we have, I think, what is probably the highest half year EBTIDA contribution from Petrochemicals at €53 million.

Moving onto Page 20 and domestic marketing, we've had as I mentioned earlier lower sales to PPC and a somewhat lower bunkering business, which is offset by the improved retail and aviation performance.

Now, marketing is a slightly peculiar business in that, you have the full cost which is allocated on a time basis, and then you have a very big seasonality on the performance of the business. So if you take for example, the first quarter we had a mere €2 million of adjusted EBITDA for Q1, and for Q2 we added another €12 million. Q3 is going to be a multiple of that because effectively that's when the driving season and the high tourism season kicks in, and July numbers are very strong in that respect.

International marketing a fairly stable performance, we have managed to stabilize the business around €50 to €60 million per year of adjusted EBITDA. Any big moves here would come with investment in expanding the network, but at the same time I think we have been able to solidify the position through small increase in the petrol station network, and a better management and the network maturity effect in the countries that we are present.

Moving onto Page 23, we have Elpedison; Elpedison performance during the quarter is weak, despite the fact that retail is improving and picking up. However, retail contribution is relatively small compared to the wholesale and production contribution, and given a maintenance shutdown of Thessaloniki unit, plus the delay in getting the flexibility and availability capacity certificates in place, meant that Q2 was a negative quarter for Elpedison.

In terms of DEPA, we still report the DEPA group without taking into consideration the sale of DESFA. So this reflects our share in 100% of the DEPA Group. As, you know, the DESFA sale has been signed… was signed post June on the 20th of July and there are still a couple of regulatory approvals which even though we don't think there will be a problem, strictly speaking, we have to wait for this to take place before we can recognize the sale and the impact of this transaction on the group accounts.

There is full disclosure in our accounts about the full impact of this transaction, which if I recall is roughly €35 million to €36 million of write-down on the DESFA value, but on the other hand we have a close to €300 million cash receipt kicking in once the transaction is completed.

That completes the presentation and the walkthrough of the various business units. And we will open the floor to any questions or points you want to raise. Thank you very much.

Q&A

OPERATOR: First question is from line of Mr. Patricot Henri with UBS. Please go ahead.

PATRICOT H: Thanks everyone. Thank you for the presentation. Two questions from me, the first one on the crude supply and in particular its behavior; how you replaced that crude. And can you perhaps give us an indication of any impact in terms of the just the differentials that you can secure versus Brent higher cost and any impact on, you know, on the product mix, and what you expect this cost to be going forward? And then, I wanted to ask secondly, in terms of the overall environment and cracks in the third quarter which seems to be going quite well. What do you attribute this to and whether you have been able to run refineries at high utilization rates to capture this improvement? Thank you.

SHIAMISHIS A: Thanks very much for the question Henri. I have to admit that the line was very bad. So I have… I will answer the question that I thought... I think you asked. First of all, on the crude supply, the Iranian crude was effectively stopped from our feedstock in June 2018, so we had effectively, we received the last two cargos in end of May/June 2018. They have been replaced by other types of crude coming from different sources Ural, CPC, Saudi. So we had no issue in terms of securing the supply of the refineries.

Now, in terms of the impact, the financial impact, I don't think we can identify a material impact on the different crudes that we are using. Given that Iran was using an OSP, it was a number that was pretty much driven by the respective market references and the strategy of Iran to gain market share or not. There is a small negative impact which is not seen in the second quarter but it is not a material number. It is not a number that I would be concerned with.

In terms of the second question about the overall environment, the line was breaking up, so I only had the expectation for the third quarter. So clearly, the third quarter margins have been very strong. We have seen benchmark margins of 7- 7.5. We have been able to run the refineries at very high utilization rates which means' that we would expect to see a very strong third quarter at the end of September.

PATRICOT H: Okay, got it. Thank you.

OPERATOR: Next question is from the line of Mr. Gkonis Argyrios from AXIA Ventures. Please go ahead, sir.

GKONIS A: Good afternoon gentlemen and thank you for taking my questions. I have two questions. The first one relates to the write-down of DESFA participation that you mentioned. When is this expected to take place and if this is related to €11 million one-off that we saw on the Q2 results?

And the second question, if you could give us a bit… we see actually on the balance sheet here that your liabilities have declined significantly by almost €400 million in the first half. Can you give us an idea of how would you expect this to move in the coming quarters given and in respect… and also in respect of your any remaining obligations with Iran? Thank you.

SHIAMISHIS A: Thank you very much for the questions. Let me take the part on the liabilities, and I will ask George Alexopoulos to comment on DESFA. On the liabilities, we've had a significant payment of Old Iranian outstanding amount in the first six months, which means that that accounts for part of that reduction. In addition to that we have stopped some contracts with extended credit which meant that once those contracts were repaid, they were not replenished by a payable amount. That accounts for…those two items account for the bulk of the reduction. There is, of course, some seasonality element and price element in terms of stocks but those are the two major items.

Now, on DESFA, I would ask George to give some color to the transaction and the expected impact.

ALEXOPOULOS G: As Andreas mentioned, at this point there is a disclosure on the accounts regarding the impact. We have not taken an impairment charge. We expect the remaining regulatory approvals to be received relatively soon, probably within September and following that the shares of DESFA will be spun off to the shareholders of DEPA that is us, and the fund in order for the sale to occur. This will take place through a capital reduction which is expected to take about three months because there is a mandatory creditors' protection period which by law is two months.

So we expect closing to be, to take place, close to the end of the year, which side of the year I will not take a view at this point. Once the transaction becomes certain, then we would expect to take an impairment charge which will be I believe approximately €36 million.

GKONIS A: Okay. Thank you. Thank you very much.

OPERATOR: The next question is from the line of Mr. Koskoletos Nick with Eurobank Equities. Please go ahead.

KOSKOLETOS N: Yes, good afternoon gentlemen. Just a quick comment if you can on your exposure with the NIOC, given that back in 2011- 2012 you had you know, the original sanctions then. There was an outstanding amount that couldn't be paid. We are just wondering if… I am assuming that you still have an outstanding amount given your dealings with them. If you can give us any color as to what that amount could be or at least is it safe to assume that, that amount now is less than what it was back in 2012 in the previous sanctions? Thank you.

SHIAMISHIS A: Thank you for the question, Nick. You're right; the amount is significantly lower than what it was back in 2016. As we have said a number of times we cannot disclose the exact amount due to the NDA with NIOC. However, it is safe to assume that it's no more than one-month worth of crude bought from Iran, which is roughly two cargos, 2 billion barrels per month. So it's not a number that would make a difference to the balance sheet of the company any longer.

KOSKOLETOS N: Okay. Thank you.

OPERATOR: The next question is from the line of Mr. Khaziev Ildar with Bank HSBC. Please go ahead.

KHAZIEV I: Thank you. Hi, I have a question about the dividend policy. I think you have mentioned in the past, I may have missed that, but I think you mentioned that you were supposed to finalize your dividend policy this year. And has this been done, and if, yes, are you thinking of dividends this year differently from 2017? Thanks.

SHIAMISHIS A: Hello, there. The answer is yes, we have a draft which will be discussed and considered by the board in the next few months and present it before the end of the year. The… clearly the privatization process thus have an impact on that and the outcome of the privatization process will have an impact on that.

However, on a more specific comment, we are expecting to see the development in terms of the DESFA transaction in the next few months, and given the very strong second quarter results and the expected strong results in the third quarter as well, I would not discount an interim dividend announcement to come along with the third quarter results.

KHAZIEV I: Great. Thank you very much.

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

SHIAMISHIS A: First of all, let me thank everyone who took the time to dial-in and listen to the presentation for the second quarter '18 results. As I mentioned at the beginning, it's a strong set of results. We have seen a slightly weaker refining macro, in terms of benchmark margins and euro/dollar exchange rate.

However, we should not ignore the fact that the refining environment is still quite strong and we plan to make full… to take full advantage of that. The increase in crude oil prices is reflected in a record high reported results, and at the same time it's going to be impacting the working capital and the balance sheet of the group. However, it finds us in a much better position with a strong balance sheet, adequate credit capacity and lines in place and the ability to make full use of the environment and refining macros.

Crude supply is something which is on an ongoing basis reviewed and optimized and even though, we would like to have the optionality of including Iranian crude in our slate. For the time being, this is not something that we can do, but we do not see a major threat to the business as far as that is concerned. As I mentioned the third quarter is expected to be a very strong quarter.

And with that, I will leave the call that and effectively renew the appointment for November 2018. Thank you.