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"Full Year 2011 Financial Results" Conference Call

Thursday 24th February 2012
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Conductors:

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Mr. Andreas, Siamisis, Chief Financial Officer
Mr. George Alexopoulos, Corporate Planning & Development Director
Mr. VasilisTsaitas, 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 the Hellenic Petroleum Full Year 2011 Financial Results Conference Call.

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

Gentlemen, please go ahead.

COSTOPOULOS J: Thank you. Good afternoon, good evening ladies and gentlemen. Thank you for joining us on our Quarterly Review of the Financial Results reported by Hellenic Petroleum and of course, the Full Year of Financial Results.

Let me as usually start by giving you some highlights on our results. Clearly, I think it's common knowledge that the fourth quarter of the past year was a very challenging one overall, obviously in the refining business, and particularly here in Greece with a combination of a difficult refining margin environment and the continuing very difficult macroeconomic situation in our country.

So in the last quarter of 2011, we saw obviously a further deterioration of the refining margins. The FCC cracking margin came in at $1.4 per barrel, which is certainly the lowest I've seen in my career, but I think it's probably the lowest that anybody in refining business has seen in his career in the last 20, 30 years, 70% down year-on-year.

In terms of crude prices, obviously a lot of you know, uncertainty with you know, the regional developments, the geopolitical developments and suppliers had concerns and the average of the barrel came in at a $109, obviously that has now increased further to, you know, 123, 124.

Concerns about the Eurozone debt crisis led to volatility, obviously in the Euro-Dollar exchange rate. And at year end that dropped to a 12 month low 129. So we saw a Euro-Dollar-rate going from 134 in January of 2011 to about 149 which was the peak around May, and then you know back down to 129 in December. So a lot of volatility there while with obviously impact on margins but also on the revaluation of our dollar loans.

The Greek economy is still contracting. By the end of the year GDP is estimated to be down 7% and of course, that had its toll on domestic fuels demand, which based on 11 month data, because we haven't got official statistical data for the full year, was down 8% year-on-year.

Now in terms of sectoral developments, we saw some positive results in refining supply and trading. Good results in international marketing and of course the good results in the gas business DEPA and our Power business further supported our Group performance. They have done so through the year and they did so also in the fourth quarter of the year.

Hence our fourth quarter ’11 adjusted EBITDA came in at 76 million which is 11% down year-on-year and for the full year, we are reporting 363 million as adjusted EBITDA which is a 23% drop versus the full fiscal year of 2010. Now, underlying these results, obviously we had a weak domestic demand, which affected our refining business and our domestic marketing sales volumes and margins, obviously you know, marketing sales were also down, margins suffered at the beginning of the year, but I think as a result of our enhanced marketing and sales efforts, our margins stabilized through the rest of the year.

We had reduced runs. Obviously our Elefsis refinery remains closed as we are completing the upgrading investments there, and in October we had the scheduled intermediate turnaround of our Aspropyrgos main refinery. And that led to obviously lower production and hence lower export sales for us. In International marketing, throughout I would say our subsidiaries we saw sustained performance and in some of the countries we have shown market share gains on the back of increased ATP per petrol stations as the networks are continuing to mature and also you know better marketing and sales activities.

Our PetChem performance after a very strong you know, first half, first 8 months, faced obviously a drop in the international polypropylene price, and that has affected the performance particularly in the fourth quarter, where it almost completely wiped out our EBITDA. But we’ve seen an improvement again in those margins at the beginning of this year which is the positive news as we are moving into 2012.

In terms of our strategic transformational initiatives, a lot of effort is continuing to be put on those efforts throughout the organization in refining through our DIAS optimization program in marketing and our retail activities as well as our head office organization. And we will talk a little bit more about that in terms of headcount restructuring, and a lot of efforts on cost control particularly in refining.

So, on an overall annual basis Group OpEx is down 8% year-on-year for the fiscal year, which I think is a result of all the self-help by management.

Also, you know, given the difficult condition and the weak market, two, three years ago I think I've mentioned in previous conference calls we have embarked on centralizing our credit management organization. We have obviously a Group credit control function now, well staffed and well automated with excellent MIS.

And that tight credit management has enabled us to perform well despite the difficulties of the market and has led us to reduce bad debt charges year-on-year, with a positive impact on our results.

On the net income line, the adjusted fourth quarter net income came in at €17 million and the total net income for the year at €137 million, which is 33% year-on-year. And our reported net income came in at €114 million for the year, minus 37%. That was supported as I mentioned earlier on by a substantially improved DEPA and Elpedison performance. In the fourth quarter, they contributed as affiliates €19 million, which is 16% if you will versus last year and for the full year €67 million, which is up from €30 million in the previous year. So, it's a substantial positive if you will upside from DEPA and Elpedison.

On the balance sheet front, we maintain a strong balance sheet which has been a priority for our Group and for the management and very tight cash flow management, which has enabled us to support the high CapEx program, despite the Greek crisis and the tightness of the Greek Banking System.

Our net debt stands at €1.7 billion, which is in line if you will with the level of where it was at the end of December 2010 and gearing remains at 40%, so flat year-on-year. And obviously the credit capacity that we have and we will… our CFO, Mr. Shiamishis will discuss that with you a little bit in a minute in more detail, has enabled to support the funding peak in the first half of 2012 for the Elefsis upgrade and of course, the demands for managing effectively our crude oil supply chain requirements.

In terms of refinancing, we have already embarked on the process of refinancing facilities, which are maturing during the next 12 month to 18 month period, mostly in the last quarter of 2012 and first quarter 2013, again we will elaborate on that in the next few minutes.

Now, coming to the dividend, based on the performance of 2011 but also coupled with our projections for the performance in 2012 following the Elefsis upgrade and start up, the Board today has decided to propose a $0.45 per share, which is basically maintaining if you will our dividend payout at the same level as it was last year per share.

Moving to the more kind of long-term strategic developments, the management is driving through completion of all our transformation strategic initiatives, despite obviously the adverse environment. The Elefsis refinery upgrade has now achieved 97% progress, so in terms of mechanical erection. And a lot of our utility units are up and running, tested and running.

Our production units, hydrogen, vacuum, hydrocracker flexicoker will be completed in the next month-and-a-half to two months. Commissioning is staged, so we have commenced commissioning in certain parts of the production units and therefore, we expect as I said, full mechanical completion of all the units and phased commissioning over the next few coming weeks, and we expect to be ready for startup in the second quarter of this year.

On the privatization front, we have signed an MoU between our company and the Hellenic Republic and we've agreed to proceed with a joint sales process for DEPA/DESFA. I think it's a very good MoU which gives us a strong seat on the decision making process and a good control over this whole process, which is picking up speed right now.

In terms of financing and funding, we established in the last quarter of last year an inventory monetization structure of €175 million, which is part of our strategy of reducing our working capital and of course, and balance sheet and of course, a number of de-risking initiatives that our finance team is implementing.

Another piece of very good news is that our exposure to the Greek state has been reduced by almost €400 million towards the end of the year, that was I guess the combined result of one, the full recovery of a Greek Government Bond that we had received as a repayment instrument for certain receivables from Greek State Organizations that was fully paid back on the 30th of December with no haircut. And of course, we've been able to manage down a number of other state receivables with a lot of success I think.

In terms of logistics, a key part of our business and the continuous integration of EKO with Hellenic Fuels, the company that runs the BP brand, we are continuing our optimization and reorganization efforts. We have been able to successfully close four regional terminals, one in Athens one in Salonika and two in the other regions of Greece in Epirus and in the Peloponnese with obviously cost savings and logistical synergies and efficiencies.

And at the same time, in the last quarter, we completed a major Group reorganization plan, which has been able to achieve a headcount reduction of 320 employees, or almost 7% of the workforce. I want to say here that in the last 18 months, we have taken the headcount of the Group from about 5,200 people down to 4,200 people through other Group which has been mostly, you know a reduction in head office functions, some in marketing and retail which is suffering from the market and of course, some in our international activities. So I think a strong effort to reorganize and right size our organization to enhance its competitiveness.

Now, that obviously has a negative impact on our 2011 results since we took a €40 million one-off charge in our P&L, which is due to the acceleration of the service termination entitlements as well as some minor additional incentives provided to facilitate the exit of the people. But that will have an annual benefit of €26 million, hence it will give us an 18 month payback, and of course we will begin to see those benefits flowing through this quarter of this year.

If I can move a little bit to the industry environments, I mean I am not going to spend too much time. This is pretty much well known stuff for you guys, you know crude oil prices led to inventory gains in the first half of the year as crude oil prices grew from $93 and peaked at 126, 127. This was partly reversed in the second half particularly in the fourth quarter, and at the end that obviously led to an inventory loss of €24 million against an inventory gain at the end of 2010.

In terms of exchange rate, we talked about that, a lot of volatility and actually if you look at the dollar/euro rate, although the average rate year-on-year is pretty much the same 133 for ‘10, 139 for ’11 you know, it’s a see-saw going up and then coming down, almost a mirror image of what happened to us last year, quite interesting. So it’s obviously with opposite effects in terms of margin and balance sheet effects.

Moving onto margins, you know we talked about that again not a pretty picture you know, we see obviously quarter-on-quarter margins going down starting at…and that's that we talked about FCC cracking margins, benchmark margins from just over $4 down to 135, an average of 286 for the year versus 40… 37 last year, particularly driven by weak gasoline and naphtha cracks and of course, the simple refinery margins were much worse than that, but you know, they are less relevant for us, obviously as the Elefsis refineries shut down for the upgrade.

And in terms of utilization and i.e. you know our dependence from the cracking margin 99, 91 down to 63 as we had to turnaround in the last quarter and then an average of 81% for the year.

Looking at the market environment and volumes, we have seen a 7% GDP contraction in 2011 that unfortunately led to an additional 11% demand reduction for auto fuels. I mean the overall domestic market based on 11 month data is down 8%, but auto fuels, diesel is down almost 12% and gasoline almost 10.5% and we have a slight increase in heating gas oil. As people I think are building up inventories probably, we had a heavier winter and people are building their inventories as the government has announced that they will adjust the excise duty in the next heating gas oil season and equated with the auto diesel.

Aviation and Bunkering was down 2.4%, we saw some increase in aviation, particularly due to the good tourism season this year, and increased sales in the regional airports and you know, Bunkers fuel oil was down by only 2%.

Now, if we look at the next page, actually shows you the adjusted EBITDA evolution quarter-on, you know quarter '11 to quarter '10 for the fourth quarter in millions of euros. And obviously as you can see, you know the…we had an upside in refining, 10 million. We were hit in marketing which is the, you know I guess the most severe decline here year-on-year vis-à-vis EBITDA, this is primarily driven by volumes and a little bit by margins, although I have to say that after a decline in margins in 2010 and 2009 as competition heightened and volumes dropped and everybody was scrambling for maintenance of market shares in the market, we have seen our EKO and Hellenic Fuels BP margin stabilizing in the second half of 2011, as we've introduced new products in the market, EKO EKONOMY 95 and BP Ultimate 95, adding if you will more perceived value to our consumer proposition, which has enabled us to reduce volume decline and particularly hold margins.

Then PetChems was down €9 million, which I explained was due to the international polypropylene price decline. E&P is up €3million, as obviously, you know, we are not spending anything there in terms of cash costs following the farm-out in West Obayed and no major activity in Mesaha, and that's basically… and so from €86 billion adjusted EBITDA for the fourth quarter of '10, we were down to €76 an 11% reduction.

Cash flow and gearing, now there I guess the net cash flow performance, a €28 million if you will difference between our net debt positions at the end of fiscal ‘10 and fiscal ’11, was driven primarily by the upgrade CapEx for Elefsis. You can see the €524 million upgrade CapEx in ’11 spent on… or invested I should say, on the Elefsis upgrade. Obviously, working capital reduction initiatives and the collection of the Greek State receivables, which I mentioned initially in the discussion, you know we benefited from the Greek Government Bond redemption at year end.

So you can see €418 EBITDA, interest, tax, dividends, maintenance CapEx of €151, our maintenance CapEx usually per annum is between €100 and €150 million depending on whether, you know we have a turnaround in Aspropyrgos. We had interim Aspropyrgos turnaround in October. Greek State receivables €220 inventory monetization €175 and working capital down you know, generating cash flow of €85 million. So I think a very good overall, you know cash flow management performance in a very difficult environment.

I will now I guess pass on to our Chief Financial Officer, Mr. Siamsiis, who will talk a little bit more about our debt profile and his plans to you know, refinance that and will tell you bit more about our dividend payout, and proceed with a further detailed if you will discussion on our business-by-business financial performance and business performance. Andreas?

SIAMISIS A: Thank you John. Before we move to Page 11, I would just like to highlight on the cash flow page that if you take out the one-offs which is effectively the upgrade CapEx, the extraordinary charges of €83 million and clearly the… again I would call them one-offs which is a reduction of the Greek State receivables and the inventory monetization. The Group has managed to deliver in a very, very difficult year about €180 million of cash in 2011. That is clearly a signal of the improvement in the underlying operations, and the change of approach in the group, which is now managed very tightly for cash rather than just volumes and margins.

Moving on to Page 11 now, what we've put here is a forward-looking chart giving you our maturities over the next 12 to 18 months. Clearly, everybody is concerned and focusing on the Greek crisis, we believe that over the next few days we will be seeing an easing of the uncertainty and the concern that we have to face over the last few months.

And we have already started our refinancing discussions with our key relationship banks for two of the facilities maturing in the next 12 to 18 months, which is a club deal of €350 million maturing at the end of '12, and our Jumbo RCF which matures in the first quarter of 2013.

Now, one thing that has hurt us during the last two years has been the diversification of our funding between Greek and non-Greek banks. And clearly, the ability and the commitment of our key bank relations to stand behind the Group during the last three to four years, where we've been meeting them most, because clearly we have invested about €3 billion in the last four years. In our quest, if you like to transform the Group from relatively simple refinery based to one of the most complex refineries in Europe, talking about the Elefsina.

The acquisition of the BP assets in Greece, the completion of a second power generation unit with Elpedison. And clearly, it has been quite a challenge for us. So, we have been liking having committed banks behind us, and I believe that moving forward and moving out of the heavy CapEx program in the next few months, which would be fairly comfortable in refinancing in the next few months, the maturities that we have falling due in the fourth quarter of ’12 and the first quarter of ’13.

Clearly the plan moving forward is to allow a bit of breathing space for the Group, through a deleveraging process, which over the next 18 to 24 months should significantly reduce our debt as a funding source in the balance sheet.

Now, the basis of 2011 results and our projections for 2012, we have the dividend maintained at the same level as the last three years.

Clearly, the dividend is subject to the approval by the AGM, which is planned for sometime in early June. And the dividend will be subjected to the withholding tax that was enacted a few weeks ago, the changes in the tax legislation have been quite frequent over the last couple of years, but at least now we have stable base and dividend can be estimated by the investors.

In terms of transformation, as we have communicated over the last few quarters, this is probably one of the biggest success stories in the Group because clearly the upgrade of the refineries is something that will upgrade our cash generation or profitability. But that is something to be expected to given that we are spending quite a lot of cash behind it.

On this page however, most of the benefits that are coming through, are coming without a lot of cash investments. And I think in terms of IRR, this is probably one of the best, best that we ever made in the last few years. So as you have been tracking our results over the last two to three years you will have seen that our performance has been increasingly improved versus benchmarks. And the reason behind it is the transformation benefits that we've been getting from all these projects.

And as John mentioned earlier, if one sort of opens up a window into 2012, one will see that we have a little bit more to come, the benefit from the headcount reduction, which took place in November – December has not registered yet in our results, that will be coming from Q1 onwards, plus some other benefits, which will become more apparent as the refinery of Elefsina and Thessaloniki have a full operation, which was not the case in 2012. So, that is a success story for us and that is something which has helped us through a very difficult period for refiners in Europe and supported a slightly improved performance in terms of results, in refining mainly.

Moving on to the segmental results; the first and the most important part of our business remains refining and the domestic refining supply and trading business in Greece has delivered a very positive set of results compared to 2010. On a quarterly basis, we have a 19% improvement and that is something that is due to a number of reasons.

First of all, we have been able to offset the negative impact of the shutdown of Aspropyrgos refinery in October, through advance planning stocking up and increase trading. So, we have been able to recover the loss of marginal refining margin through improve trading and that has been quite a big achievement. The other thing, which is important is the cost benefits and the lower barter charges in 2011, which also had to not only mitigate the adverse environment in the last quarter, but to actually enable us to report a slightly improved performance in this quarter.

If we move on to the sales charts, we have the full year sales here, both in terms of markets and in terms of products. And clearly, these numbers relate to… in market sales i.e. it's sales to end-customers, it doesn't include any inter-refinery transfers or crude oil sales that we do to our refinery in OKTA, and they do not include the stock transfer, which took place under the inventory monetization scheme.

As you will see, we have the domestic market sales being lower by about 16%, and that is a result of the poor performance of the domestic market, plus the fact, that we had two of the refineries shutdown for most of the year. So that led through a lower performance in the domestic market.

If you look at exports, again the reduction in sales volume is almost entirely due to the shutdown in Thessaloniki and Elefsina, which means that effectively we did not have the surplus in fuel oil and naphtha to export.

The last part on that chart, that is important, is the fact, that we have increased our trading significantly. In 2010, 92% of our sales came from the refinery production; in 2011 75% came from trading. What this means is that we have been able to replace some of the expected bad performance from the lower refining margins with some trading benefits in 2011.

Now, the sales by product chart is here, as you can see we have auto fuels down by about 10% to 12%, middle distillates of course has heating gas oil in there as well, but effectively we are tracking the market in terms of auto fuels and C&I sales: Commercial and Industrial sales.

If we move on to Page 17, we can see production, which is pretty much what we talked about earlier in the presentation. We have the Elefsina refinery practically shutdown for most of the year and Thessaloniki refinery shutdown for about 7 months, because of the upgrade and the maintenance, in the first part of the year.

Aspropyrgos refinery is reporting a lower production because of the two year mini shutdown, which took place in October, so that is what is accounting for the lower production. The product yield is clearly driven by, which refinery was in operation, so it accounts for the switch in the product slate, with lower fuel oil in the final products.

Our big investment in Elefsina is actually coming to an end; that is an investment that started a few years ago with a lot of effort from the management. At that point in time it looked to be quite an uphill struggle because we were aiming to invest something close to 50% of our equity value in just one project. However, today we are very close to completion. We are running a couple of months later than what we expected in the previous quarter, however, the completion is now well within sight and we have already started the most of the utility units in the new refinery and we have the conversion units start… first of all mechanical completion, commissioning and startup plan, within the next few weeks, some of them in the next two to three weeks, some of them going up to into 2Q.

An important thing is that we have the startup teams now fully in place, the investment in Elefsina has been a big opportunity for us to redesign the organization chart of the refinery, and that is a benefit that we will be accruing in 2012 as well. The new refinery organization is much more efficient than the one of the old refinery. And I think it's going to be a model for the other two refineries of the Group. So that's in place now and we expect to see this benefit coming in 2012, as well.

Clearly, one of the benefit, which is quite obvious is the upgrade in margins. And we've seen the mid distillate margins and cracks being quite healthy compared to the rest of the products, but it also achieves a reduction in the dependence of the Group in the Greek market. We have about 40% to 45% of our cash flow generated from the Greek market, the startup of the new refinery will reduce that significantly.

Moving on to domestic marketing, unfortunately here we don't have the same success as refining in the last quarter, and this has been a result of lower volumes and relatively lower margins. The good thing on margins is that, we've seen a curtailment of the drop in the last two to three quarters, so we have EKO and Hellenic Fuels having relatively stable margins.

And we have been able to record some market share gains for both companies. The launch of EKONOMY95 and BP Ultimate 95 has been a positive introduction for both networks, and these together with increased marketing, trade marketing and sales activities, is helping us to recall the market share gains I mentioned earlier.

Now clearly, all of the Group management is focusing on retail performance, and that was one of the reasons why we introduced a headcount reduction scheme, plus the logistics optimization project that John mentioned earlier at the end of 2011. We expect the benefit to be quite material moving into 2012 and that will effectively address and restore the profitability issue going forward. Clearly, one should not expect to see a significant improvement on retail businesses in Greece over the next year or so, but at least we will be able to contain the performance of our subsidiaries into a positive ground.

As you can see, in terms of sales volumes on Page 20 we are pretty much reporting sales in line with the rest of the market, with the exception of some of the auto fuels, where we've gained market shares. And one of the big items, which led to a 12% drop year-on-year has been the lower PPC fuel oil that is no longer being sold by EKO. So, that accounts for the drop in the C&I business.

If we move on to International Marketing, the story here is much better than Greek marketing, as we have the impact of network maturity taking place, and we've been able to record some improved margins in most of the countries we operate. We have adjusted EBITDA, which is slightly ahead of last year in the last quarter, and it makes up for the losses we experienced in the first three quarters versus last year.

The big loss, if we move to Page 22, as you will see came from our subsidiary in Bulgaria where we experienced lower margins, retail margins for most of 2011. However, we have seen a reversal of that trend, and the last month of the year plus the first couple of months in 2012 have been a little more positive than the rest of 2011.

The rest of the markets as you will see have been able to maintain pretty much a stable performance, and this portfolio is actually helping us to avoid the otherwise severe impact of having just a Greek marketing company in our Group.

Moving on to Petrochemicals, the story here has to do with Polypropylene value chain and national prices. What we have seen in… at the end of the year was a sharp drop of polypropylene price, which led to what we would otherwise call inventory losses at the end of the year, and effectively accounts for most of the drop in the reported EBITDA. You will see that from €10 million last year we went to €1 million and that pretty much accounts for… and that is accounted by the drop in the polypropylene price.

Moving on to Power Generation, our joint venture with Edison, we have a good performance from the subsidiary there of Elpedison Power, €61 million of EBITDA, which is effectively due to the quite regulated environment as well as the increased participation of NatGas plants in the market energy mix. As you can see on the chart, we have 30% participation in the last quarter versus 22% last year, and that is a result of lower lignite and hydro's coming into the market.

There is a spike sometime in September in the SMP, which is effectively due to the natural gas tax that was imposed, which is effectively a pass through for CCGT plants. So SMP reflects that, that cost of the additional tax as a pass through for producers.

The other good thing that we have to… we can report on Elpedison is the refinancing of 100%, of the loan portfolio in the third quarter and fourth quarter of the year, which taking into account the difficult market and the credit markets that we experienced for most of the year. I think it's also an important achievement and it sort of signals, the strength of the two shareholders.

Finally, we have DEPA, which is again a positive contributor in 2012. DEPA has been able to report increase results due to the participation of the natural gas in the power generation mix. Again, we've got 30% increase in sales volumes and given the business module of DEPA and DESFA. The leverage, the gearing they have on a fixed cost base is through increase volumes. We are seeing the results coming through the

EBITDA and clearly the net income line. So, we have €67 million contributions on a full year basis coming from DEPA.

I think, this brings us to the end of the presentation, I will not go through the detailed financial appendices. And I think, we are ready to take any questions you may have.

Q&A

OPERATOR: The first question is from Mr. Ekstein Dan of UBS. Please go ahead, sir.

EKSTEIN D: Thanks, it's Dan from UBS, thanks for the presentation. I've got a couple of questions, mainly financial actually. If the DEPA prioritization goes ahead as planned, where do you envisage the proceeds of that transaction ending up on your balance sheet or with you shareholders?

Secondly, on the debt refinancing, you said you are confident of getting those transactions refinanced, but I wonder if you could guide on where you see the average weighted cost of debt for the Group evolving over the next 12 months.

And finally, could you give me some more details on the terms of the inventory monetization, what sort of timeframe, we are talking about, because I think that's passed me? Thanks.

SIAMISIS A: Sure. Well, good set of questions, it's DEPA, the inventory monetization and the refinancing. Now, on DEPA as you know, the process is in progress; we expect over the next, we expect very soon to have the formal launch of the process with the thesis and the expression of interest invitations. We don't know yet what the value of the sale is going to be, we are reporting that we have just over half a billion in our books for… as the current value of DEPA. You are free to use your own estimates as to what the proceeds…the likely proceeds of such a transaction will be.

Now, as we don't know exactly the timing and the amount, it's very difficult to say how the process will be used but, if I was to give you some guidance, I would say that most of it I would expect to go to through the… to the deleveraging process, effectively accelerating the deleverage of the group by maybe a year. You have to bear in mind that the group will be producing a significant amount of free cash once Elefsina is up and running. So, the deleveraging process will be taking place over the next year or two. The sale of DEPA, will probably help us to accelerate that deleveraging by about 6 to 12 months.

Now, on refinancing, I am afraid, I am not in a position to disclose a lot of details on how we plan to refinance the two transactions. What we can say is that, over the last year, which has been…I believe the most difficult year for Greece and the group, we've been able to refinance €400 million of facilities by about 18 months. We've been able to support the refinancing of Elpedison of about €360 million.

We've been able to launch the inventory monetization program, which was roughly about €200 million. So, we feel quite comfortable and confident that we will be able to achieve the refinancing of these two transactions in the next 2 to 3 months. One should know that we probably don't need to refinance a 100% of those maturities. Clearly, that would be an ideal situation, but our plan suggests that we don't need to refinance a 100% of that.

Now unfortunately, we are not as positive on the cost of funds. As you know, we have a fairly advantageous cost of funding, our average cost of funds is about 2.5% to 3% over EURIBOR or LIBOR depending on which loan you are referring to. And that is down to a couple of transactions which have been put in place in the last three or four years. We expect our cost of funds to go up by, I would probably say at least 1.5% to 2% versus, where we are in 2011. And that is probably a sign of times; we have been seeing the marginal cost of funds coming up.

Now, the third question was on the inventory monetization. If you recall, over the last couple of quarters we have been working on, putting in place two transactions, which effectively involved the deleveraging of the balance sheet by restructuring our working capital funding needs. One of them was the securitization of receivables, which did not go through because of the Greek crisis, and we will sort of revisit the issue in 2012. And the other one was an inventory monetization structure, whereby we effectively delegate part of the stockholding obligations that drives our stocks to a higher level then what we would have otherwise to a different entity.

So, that has been put in place there was a lot of work done on this and it involved a number of banks, and the relevant authorities. And effectively this structure is now fully in place, it's been… it has received all the required permits, and it's there to take part of the obligations that any Company in the Greek market would have.

Clearly, today this is been used by Hellenic Petroleum only, but this model is something that could be used by other companies as well. And in that way, reduce the working capital funding requirement for Hellenic Petroleum in this particular case. It's a structure which has been used by a number of companies in Europe, which have to hold the 90 days. And it's, if you like, a bridge between having 100% of the responsibility for keeping the strategic stocks by private sector companies, and having part of it been kept by a government control or lead body. So this is if you like a bridge between the two.

EKSTEIN D: What's the…what's the term of agreement, is it one year term or?

SIAMISIS A: No, this is an evergreen agreement, it doesn't have an expiry date. Effectively it's quite flexible because the delegation agreement is something, which can be renewed on an annual basis. We have an annual renewal process in place because CSO levels are resets on a yearly basis but it's an evergreen structure.

EKSTEIN D: Okay, thank you.

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

KATSENOS N: Yes, good afternoon. Firstly, I would like to ask if you could possibly give us an idea of the crude slate of the group during

January and possibly during the first quarter of this year as you have been planning.

Secondly, in terms of the headcount reduction, you mentioned that you expect some benefit during this year, I wonder whether you could give us an idea of what amount of benefit would you expect from this initiative.

And thirdly, regarding the domestic marketing division, we've been witnessing a continuation of the sales of volume pressure… taking into account this and also the OpEx retrenchment that you have been currently undertaking, would you see in terms of EBITDA line to maintain the profitability you succeeded in 2011?

COSTOPOULOS J: Thank you for the questions Nikos. Could you repeat your second question please, before I start answering because I missed the line was a bit bad for a minute.

KATSENOS N: Sure. I was referring to the headcount reduction you've been undertaking. You mentioned that you expect the benefit from this initiative during this year; I wonder whether you could tell us what amount of benefit would you expect?

COSTOPOULOS J: Okay, well that is simple because I think it is in the presentation: that's €26 million on an annual basis. That's why we said we are going to have a just under 18 months payback. So €26 million is the benefit from the headcount reduction that was achieved last December. In terms of… and then you know, I guess taking your third question about EBITDA, and the reduction in volumes, and I think obviously this is not kind of a volume headcount cost trade-off. I think we expect to see obviously 2012 EBITDA on an annual base to improve, particularly because of the start up of the Elefsis refinery in the second quarter of 2012.

And if you refer to retail specifically, I think our view on retail is that, obviously we think that you know, the crisis and the reduction in the national GDP, obviously will continue in 2012. So, the Greek economy is expected to continue to contract; we expect a gradual stabilization by the end of 2012, beginning in 2013. And therefore, I think in terms of domestic fuel consumption, decline rates will be lower, you know, I think we will see you know, some further small declines that they will be certainly lower than what we saw in 2011. And I think after that, we expect to see some stabilization and some gradual recovery.

Now as far as the EBITDA line is concerned, because some, about half of that benefit in terms of cost, if not more will come in the retail segment, where you know, we are going to see the full benefits of; #1, the headcount reduction that we had in both EKO and Hellenic Fuels, #2, you know, we've been able to renegotiate transportation rates with the fuel trucks throughout 2011, we are going to see the full benefits in 2011, we've also been able to gradually reduce rentals across some of our petrol stations, so we are going to see the full benefit in 2012. Also we've closed down as you recall the four terminals, so we are going to see benefit from that too. So, I anticipate that the EBITDA line will improve in 2012 versus 2011.

Now, in terms of your crude slate question, obviously, I can give you, you know, published data or 2011 data. And I am not going to comment on January and the first quarter of 2012, but I don't expect that to change drastically in any case.

So, I guess over the year or at least over the last you know, few months, as you know, we basically you know, at any point in time, review and look at, anywhere between 15 and 20 different types of crude. But I mean, the broad slate is about 30%, Ural is about 30%, Iranian about 9% you know, from, you know, Kazakh about 9% Libyan, about 6%, 7% Saudi, and about you know, 20% from all the other markets. I mean, that's kind of roughly the slate that we have.

KATSENOS N: Thanks a lot.

COSTOPOULOS J: Okay.

OPERATOR: The next question is from Exarchou Ioanna of Citigroup. Please go ahead.

EXARCHOU I: Thank you, good afternoon everyone. I have two questions please. The first one, as you near the start up of the new Elefsina refinery with working capital need decreasing accordingly and in view of a persisting high crude price scenario, are you happy with your short-term credit availability? Could you give some color around the usage of short-term credit lines, and if possible, the break down between Greek and foreign banks on the short-term credit lines?

Secondly, can you give some color around your CapEx expectations for 2012, are you going to revert back to maintenance CapEx of €150 million as you guided or are you expecting somewhat higher levels in that? Thank you.

SIAMISIS A: Thank you, Ioanna. On the first question on the start up and the working capital needs clearly that is a very good point. There will be increased capital needed, working capital needed. And it's actually, most of it is actually in place since the end of 2011. One of the good things that we will be seeing from the new refinery is that it will actually lead to lower working capital in… after the first few months of operation, because we will be able to keep effectively lower stocks to fulfill our compulsory stock obligations. As you know, there is the ability to keep compulsory stocks in either finished products or crude. If you keep crude you actually keep crude using the yield of the specific refinery.

Now, with the Elefsina Refineries reaching into almost a full diesel refinery and naphtha refiner; it means that we will be able to fulfill our stock keeping obligations with a lower quantity of crude. So, even if we see there is more spike at the beginning of the start up, which is over the next three to six months effectively until such time as the refinery operates fully.

We expect to see by the end of the year a reduction of working capital. The other thing that one should note here is the fact that as most of the sales coming from the new refinery will be, to a large extent, directed for export markets. That is going to lead into lower DSOs because export sales have a lower DSO.

So, if anything we should be able to monitor it quite closely and avoid an increase in our working capital.

Now, even if we don't manage to do that, we have enough short-term credit capacity to be able to cater for a few months of start-up abnormalities if you like, until such time as we get to a normal operating mode. So the answer is yes, we do have ample short-term credit capacity to manage that. And if my memory serves me, I think it's about 85% Greek and 15% non-Greek in terms of the short-term working capital lines, and the Greek even though one would call them uncommitted, I believe they are as committed as they get for Hellenic Petroleum and that's coming from all the discussions we have had with the banks over the last couple of months.

Now, the second question on 2012, which I believe it has to do with our capital expenditure plans. We still have about €150 million to €200 million to go through in terms of completing the upgrades, and we are effectively paying with a month's or two of delay. So, one would expect growth numbers about €200 million being spend in 2012. And we have about €100 or €120 if my memory serves me, so roughly €300 should be the CapEx number that you will be seeing coming through in 2012.

EXARCHOU I: That's great, thanks.

SIAMISIS A: As John mentioned, during the cash flow chart, we have about €100 to €130 maybe €150 during a shut down year of maintenance CapEx.

OPERATOR: The next question is from Mr. Panagiotou Panos of Proton Bank. Please go ahead, sir.

PANAGIOTOU P: Hello everyone. I have two questions; the one is with regards to your adjusted EBITDA. I've seen your notes in 29 Page, a restructuring program of €40 million in the fourth quarter, and also to other items portfolio restructuring and swap de-recognition for Elefsina. Whether you can a little bit elaborate on those three items?

And the second question, if I heard you well, you said that Iranian crude is something like 30% right now. If an embargo is imposed, do you have plans how you can use other kind of crudes? Thank you.

SIAMISIS A: Thank you Panos. Now on the report that we suggest reconciliation, which I presume that's the page you are referring to, the €41 million of reorganization program effectively refers to the headcount reduction that took place in November and December, this is the amount that was not provided in the accounts up until then, and that was paid out to 320 people that left the group. So it's, if you like, it's an one-off an additional cost to what we usually have in our accounts. That is why…

PANAGIOTOU P: Is it both in refining and trading?

SIAMISIS A: It's allocated in both refining and trading. As John mentioned the plan was focused around marketing units because we needed to address the competitiveness issue and the restoration of profitability, I believe it was about 200 people coming from the retail organization, and the rest came from mostly head office functions and shared services functions, which is allocated back into the refinery. So, it finds its way into the refinery.

Now, in terms of the software recognition effectively, when we took the decision to go for the upgrade, we put in place some hedges, which were there to protect against an adverse situation with low ULSD fuel oil spreads. Given that, we do not have full operation of the Elefsina in the first quarter of 2012 we've had to derecognize that from hedge accounting, this has been in our books all along, but it was treated as a reserve movement through hedge accounting. At the end of the year, we took the decision to derecognize that, because we knew that we would not have full operation in the first quarter, and that again is effectively a one-off if you like.

Portfolio restructuring, which is a small number effectively it refers to the, if I recall correctly, a provision that was taken for the investment in the Trans-Balkan Pipeline and some other small investments, given that the project it's being reviewed now. So again, it's something which is a non-operating item.

PANAGIOTOU P: Okay.

COSTOPOULOS J: Iran.

SIAMISIS A: Sorry, the second was on the Iranian. Yes Iran is… it accounts for about 30% of our crude supply, as you speak, the official position is that until June there is no embargo for the supply of crude. We don't have a problem on Iranian crude supplies at this point in time.

PANAGIOTOU P: Okay. Thank you.

OPERATOR: The next question is from Mrs. Webster Laura, of Bank of America – Merrill Lynch. Please go ahead.

WEBSTER L: Hi, yeah, just three questions. My first one was around the inventory monetization. Could you give any guidance as to kind of how much that might add to your financing costs in 2012 onwards? And therefore give a guidance as you already talked about interest rates going up generally, so what the finance cost line might look at this year?

Secondly, in terms of the Elefsina upgrades, can you give any guidance on what point you think it will be positively contributing kind of EBITDA to the refining division?

And thirdly, around the payables which reached nearly €1.7 billion this year, at the end of the year. Was there anything particularly going on there, and should we see this drop-off at the start of Q1?

SIAMISIS A: Yeah, finance cost I think, as with most such inventory monetization programs you will see the benefit and interest cost coming through the lines of finance charges in 2012. Effectively, we have let's say €200 million of inventory, which we don't need to finance as Hellenic Petroleum. So you will see a reduction in the funding cost there. Clearly, there is a fee, which is been paid for the compulsory stock obligation, and we will be paying that. So, the net impact is effectively going to be a small additional cost.

Now, on the trade liabilities, effectively, we don't have such a big increase, because if you are comparing versus 2010 you have to take into account the fact that we've seen crude oil prices going up by about $20, $30. So, it's expected to have a slightly more payables at the end of the year in 2011 versus what we had in 2010. So, there is nothing major happening there, so we don't expect to see any big decreases in Q1.

WEBSTER L: Just around the timing of the contribution of the upgrade?

SIAMISIS A: Yes, yes, yes, there was a second question which I missed. We are expecting second quarter to have full start up. So, that's pretty much when we expect to see the commencement of additional EBITDA. I guess that the first time that you will be able to see it coming through our reported numbers, in material numbers I mean, will be Q3.

WEBSTER L: Thanks, very much.

OPERATOR: The next question is from Mrs. Dunphy Elaine of Deutsche Bank. Please go ahead.

DUNPHY E: Hi, good evening guys. And just if I could just follow-up on Iran, I know the embargo doesn't come into place until June, but I was just wondering what crudes do you envisage, replacing about 30% of supply with, and just you know, if you could give us a sort of a feel in terms of you know, from what I understand, the credit terms that Iran gave are actually quite generous, you know, what kind of facilities are you putting in place, do you envisage being able to get similar terms with other crude suppliers? And also if you could just clarify what is your remaining exposure to the Greek state? Thank you.

SIAMISIS A: Hello, Elaine again. Quite a good set of questions on Iran. It is in everyone's mind clearly, I think replacing Iranian crude is relatively easy and it's something which has been proven in the recent past with other suppliers as well. We had Libyan coming out of production last year, which we didn't have a major problem to replace it. Now, with Iran there are a different set of alternatives taking into account, quality considerations, but clearly, a good substitute would be Saudi crude would be… crude coming from Iraq or Urals, which is of similar quality and effectively can act as a interchangeable if you like in our crude slate. So that's not a major issue.

In terms of credit terms, it is true that we are enjoying open credit from Iran, but the amount involved and our cash flow planning is such that effectively can sustain any, any changes in this supply chain. So, the fact, that we can enjoy open credit from one of our suppliers, if that goes our way then we will be able to either substitute it with trade credit from another supplier or worst case scenario, dig into our credit lines and replace the supply chain. So, I don't think we would have a major issue in such an occasion, even if we would have to stop in June or earlier than that if needed.

DUNPHY E: Okay.

SIAMISIS A: Now, on the Greek exposure, we've been able to receive a 100% of the bond that we had in our books of about €170 million actually was about €176 million including interest. So that was a big achievement for us.

And, as we speak we have about €300 million of receivables of claims from the Greek state. Most of it, I would probably say about 85% of it relates to normal receivables, that the Company of our size would have, such as prepaid income taxes or VAT, which has been prepared and we do not expect to have any problems in collecting these amounts.

Clearly, we won't expect to collect them next week. But, as we have proven this is something which… and will be recovered over the next few months.

DUNPHY E: Okay. Thank you. And so, if I could just ask one further question, it's just a reminder really. The transformation program… the remaining and maybe it could about 75 odd million that you've left to realize. Could you just remind me over what timeframe you envisage achieving that?

SIAMISIS A: Yeah, well we've got €26 million coming January 1st from the headcount reduction, so that that's easy to see coming through. And, there is an additional element that I do not want to quantify at this point in time, which will come from the reorganization of the refineries, such as the Elefsina organizational structures that I talked about earlier. So, that's the best part.

Let's say, we should have most of it within 2012. Then we have the procurement savings, which is another €20 million that will be coming in the next two years. And clearly, the other big element will be coming from the refining excellence, as we see both of the… today what 2011 refinery is not operating Elefsina and Thessaloniki. We would expect to see the €55 million getting closer to €80 million over the next two years.

DUNPHY E: Okay. Thank you.

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

COSTOPOULOS J: Okay. Thank you for the very interesting set of questions. I think closing, you know, what I would like to say is that, maybe a little bit repeating myself is that obviously the macro environment has been proven very challenging for the industry and more so I guess for companies operating in Greece. I think our result as a Group demonstrates our resilience; I think this is partly due to our diversified business portfolio. The fact, that we have you know, refining and marketing and international marketing and gas and power and PetChem.

So, I guess, when not all cylinders are firing some of them are firing; and that I guess helps with our results. And also a number of management actions which as you know, we have said over the last three years on the transformation initiatives and across all areas of risk management. So, I think that eventually resulted to our '11 adjusted EBITDA of €363 million, and our adjusted EPS of €0.45 per share.

I also want to say that despite the Greek crisis, I think a strong balance sheet, tight cash flow and supply chain management have safeguarded smooth operations across our business activities, and have enabled us to continue our strategic investments. And as Andreas mentioned earlier, the major investment cycle, transformational investment cycle is about to you know, to be completed. I mean, the Thessaloniki upgrade was completed in 2011, Elefsis is at 97% completion, and we expect as you've heard earlier on to see the full positive EBITDA benefits in the third quarter of 2012.

I think in terms of cost optimization, a lot of effort was put over the last two, three years. With our last I guess ditch in that in December with the 320 people headcount reduction.

And significant you know, positive effect on our cost basis, whilst at the same time ensuring that our safety and environmental performance continues to improve across the group. And of course, all that has enabled us to recommend to the AGM, which will take place in early June to maintain the 2010 dividend at the same level we had it for the last three years, I think showing some confidence that '12 will prove a turning point for us.

In terms of our priorities, obviously our top priority over the next few months is to complete the Elefsis upgrade, and to see you know, the new upgraded refinery starting up flawlessly and delivering you know, healthy increase in our results in the second half of 2012, throughout the second half 2012.

Now closing; let me thank you for your interesting questions and our discussion, and I look forward to our next discussion in three - four month’s time. Thank you very much and good evening to all of you.