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"First Quarter 2014 Financial Results" Conference Call

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Conductors:

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&
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Conference Call Conducted by Chorus Call Hellas

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

Welcome and thank you for joining Hellenic Petroleum First Quarter 2014 Financial Results Conference Call.

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

Mr. Shiamishis, please go ahead.

SHIAMISHIS A: Thank you very much. Good afternoon to everybody. Thank you for joining our call for the first quarter of 2014 results. Without further ado, I would ask you to go through the presentation.

And on Page 2, we have put out our key financial numbers. As you can see, the first quarter for 2014, reported an improvement across all businesses and pretty much all key financial indicators for the Group. We have an EBITDA, an adjusted EBITDA increase of 35% to just over €50 million for the quarter. And we have an adjusted net income of minus €19 million, marginally improved versus last year.

These are all I can say very challenging background for European refining where we have our benchmark margins significantly lower than last year's first quarter. And of course, we are still experiencing a challenge in terms of the Med crude market supply with Libyan and Iraqi exports still not being quite stable, and of course Iran being out of the market.

As a positive note, I would like to mention the stabilization of the auto fuels market in Greece. This is the third consecutive quarter that we report this stability. And of course, that is something which even though at a relatively low level compared to what it used to be three or four years ago, is a positive sign for our business.

So as a result, if you go through the comments on Page 3, we have the adjusted EBITDA at €51 million, up by 35%. As I mentioned, this is despite the fact that we have one of the most challenging environments in the last few years, as well as the fact that we had Elefsina in a shutdown mode for most of March. So the increase in our profitability has come from Elefsina's operation in January and February, as well as competitiveness, improvements and cost reductions across all of our businesses.

Our net debt is marginally up compared to March 2013. Clearly, this is driven by seasonality as well as by the fact that during periods of refinery maintenance and shutdown, we have some abnormalities with respect to our working capital.

In terms of business developments, as we all know DESFA is in a regulatory approval process. We expect that we will be getting the first feedbacks over the next few days But there is still a number of approvals that are required before we can actually claim completion of the transaction which is expected for 2014.

As you probably know, we signed the West Patraikos concession agreement about ten days ago, and we expect that we will be commencing our work which is going to be exploration work for the first year or two with our consortium partners over the next few months.

Moving on to Page 5 where we go to the industry environment. As you can see, we have experienced what I would call a range bound crude trading pattern. We are still challenged in terms of East Med because Iran is out of the market and we have seen the instability in terms of Libyan and Iraqi crude supplies. And of course, that is something which leads to a challenging, if I may use the same word, pricing with respect to our purchases.

With respect to the sweet-sour differential, Brent-Urals spread, we have some small relief as Q1 '14 is up compared to the last six months and it's trading within half a dollar to a dollar per barrel. Clearly, that is a key indicator which provides additional support to our realized margins, given that we have the ability to refine a number of different heavier crudes, in our new refineries.

In terms of the refining margins if we go to Page 6, it's very clear, you can see the impact on our two complex refineries with respect to the FCC refinery, there is a decrease of almost $2.5 per barrel, down from 4.1 to 1.7 for the first quarters of '14 and '13, respectively, whereas the Elefsina relevant benchmark which is mostly driven by diesel and Naphtha has proven to be more resilient at least in the first quarter of 2014.

In terms of the domestic market, if we go to Page 7, the two points which are quite clear is the drop of the heating gas oil demand. This is mainly attributed to the weather conditions. In Greece, we experienced relatively higher temperatures than normal.

During January and February, we had average temperatures between 15 and 20 degrees Celsius, which of course is very pleasant if you live here, but it’s not the best weather conditions if you want to sell heating gas oil and indeed any other products which are related to heating. And you will see that in the energy sales and natural gas sales as well later in the presentation.

The other clear switch that we see is from gasoline to auto diesel. We almost see an equal change in sales of gasoline which are down by 8%, and we see the increase in auto diesel which is up by 8%.

Again, that is something which is driven by primarily the fact that diesel cars are allowed now in Athens and Thessaloniki and we have seen an increase in new car registrations, about 20% up year-on-year out of which, if I am not mistaken, more than 50%, actually close to 60% is diesel rather than gasoline cars. Clearly, that is a trend that we expect to continue and it will shift the consumption pattern in Greece.

If we go to Page 9, we have a graphical depiction of the key drivers behind our results. As we usually do, we explain the main changes affecting the adjusted EBITDA. So 2013 1Q, we reported just under €40 million of clean EBITDA, adjusted EBITDA, and this quarter…this first quarter ’14, we reported just over €50 million, which is a 35% increase.

As you can clearly see, we have an adverse impact coming from margins and foreign exchange, a weaker dollar compared to last year, which is €23 million of lower profits like-for-like, and that is made up by the improved Elefsina refinery operations for the first two months. Had Elefsina been in operation for the full quarter, we would be seeing…we would be reporting an additional €15 million of EBITDA. So we would be up to €65 million. But given the shutdown that is only restricted to €20 million of additional benefits for this quarter.

And in terms of operational improvements, that is mostly a result of the competitiveness improvements project that we have and the cost reduction project as well as underlying operational improvements in our businesses. We report another €19 million of higher profits and that shows the…explains why we have been able to deliver an increase in such a bleak and challenging refining background for med refiners.

On the following page, Page 10, we just give a little bit more details on the performance and competitiveness improvements initiatives as well as cost reduction projects. We have about €18 million of benefits which are reported under operating costs, gross margin, if its yield related, and CAPEX to a smaller extent, and we expect to be able to report over €80 million of benefits for the full year of 2014.

Now, as we stand now, we are quite confident that the achievement of that target will be there at the end of the year, so that is going to be a significant uplift especially in such low margin environment for our full year results.

Moving onto Page 11, we review the Eurobond issuance; we went back to the markets a couple of weeks ago with a totally different proposition than last year. As you know, our business is a dollar business, and we have loan in dollars, so it was quite important for us to establish a dollar liability on the balance sheet.

Unfortunately in the last couple of years, the banking system has not been able to provide dollar funding at reasonable costs to act as a natural hedge for the balance sheet. Therefore, we decided to go for a shorter tenure in terms of the Eurobond, but get some dollar liabilities on the balance sheet. The issue was a big success we managed to print $400 million.

Our original expectation was that we would be printing $250 to $300 million. However demand was close to $1.5 billion. So we decided to upside the transaction, and we priced at 4.6, given that we saw such a strong demand coming from the market. Clearly, that coupon is a dollar related coupon, so if one wants to translate that into euro there is a significant drop in that coupon for a euro equivalent.

Now, the funds are going to be used primarily to allow us to further optimize and extract value from our supply chain. We have mentioned a number of times in the past that most of our supplies come from traders having excess capacity, allows us to be able to take advantage of pricing opportunities in the market, and to be able to price more competitively our purchases of crude oil.

A significant part of that funding, of that new capacity, will also be going to takeout more expensive debt which is…if you like legacy of the Greek crisis that we experienced over the last couple of years and is weighing down our results with a very high interest cost as we reported in 2013.

Now, clearly the opportunity is there for us to expand even more our funding diversification and to be able to utilize a prevailing market conditions to drive our funding costs even lower through different and new transactions.

Now, as a result of this new issuance, if you go to Page 12, we have a breakdown of the gross debt by source. And clearly you can see that DCM is beginning to make its presence more profound in the mix, as well as the maturity overview which is becoming a lot smoother and also a lot more manageable in terms of restructuring and repaying down debt using the excess capacity.

For the purposes of this presentation, what we have done is to add the $400 million on the 2016 maturities. Clearly that is not going to be the case given that we did not have the time to decide on which loans will be taken out first. So I would expect that in the next quarterly results communication, that number will be significantly different as we put excess liquidity into good use.

Now turning onto Page 14, we go through the individual business units starting with our refining, supply and trading business. I think at this point in time it's important to remind everybody that we report our key businesses of refining, supply and trading and petrochemicals which is, if you like a vertical value chain expansion of our refining business as different business units, simply because we organize and we run these businesses in a different way. So the benefits which are attributed to petrochemicals are not included in our domestic refining, supply and trading results.

Even so, and despite the weak environment and the one month shutdown of Elefsina, we are reporting a marginal, but still a positive change compared to last year's admittedly low base for the first quarter of 2013. You can see that in terms of the key drivers of our business, we have had a significantly lower benchmark margin.

However, the operating improvements and the fact that Elefsina performed for the first two months in line with plan, has allowed us to avoid a similar reduction of our realized margin, you can see that the benchmark was down by 36% as a system, whereas our realized margin was only down by 9%, which is indicative of the work done with respect to the refining operations.

Moving onto Page 15, we have our sales. Again, we are reporting a reduction…a drop in domestic market sales by about 5%. This is broadly in line with the market information with the market performance that I communicated earlier. In terms of our own performance, we are seeing some small gains in middle distillates, which is good news. But at this point in time nothing major worth reporting in terms of market shares and market development. Clearly, anything which is…excess production is exported, provided that, it makes sense for us to run the refineries and that is why we have the increase of 7% in exports.

The operation of the refineries which is shown in Page 16 also explains the product sales, which is shown on that page, on Page 15…that is. So in terms of refinery production, Thessaloniki did not operate at all for the first quarter. That was driven by the refining environment, by the benchmark margins, which did not allow Thessaloniki to operate with a positive contribution to the Group, and of course, the fact that Elefsina was not operating for the month of March.

The drop on Elefsina is a mere 2%, this is because we have a low base in the first quarter of 2013 during the optimization in the start-up process as we have already communicated during the previous quarterly results announcements.

The positive news is that, over the last couple of months, all of our refineries are in operation. We are monitoring the refining margins situation very closely. Elefsina is operating on the basis of synergistic benefits coming from……I am sorry,…. Thessaloniki is operating on the base of synergistic benefits coming from further processing of its output as feedstock by Elefsina and Aspropyrgos, both of them very complex refineries. So at this point in time, we are in a position to generate positive contribution from all three refineries.

Page 17, we show the performance of Elefsina refinery, given that it's our newest refinery, and it's one which has attracted most attention in 2013. It's important for us to demonstrate that the performance of this refinery is picking up…if it hasn't been for the March shutdown which was the management decision, the performance of pretty much all key units would be close to the big utilization achieved.

The good news is that, following the maintenance works that took place in March and the beginning of April, we have improved yields and utilization of all units, and we have been able to even push the big utilizations achieved a bit further up, which is good news for the quarters to come.

Moving onto domestic marketing now Page 18; we have the positive news of having a quarterly positive result. It's clearly a big achievement for the Company and it's management, given that Q1 which is traditionally dependent upon heating gasoil sales, and having 15% drop in that product category, doesn't help us to absorb the fixed costs for our two retail companies EKO and Hellenic Fuels which is managing the BP brand.

However, we have been able to turn what was a loss making quarter into a profit making quarter for 2014 through restructuring. I remind you that in December 2013, we had about 350 people leaving from both head office, back offices and retail businesses. So that alleviates some of the fixed costs in our companies as well. And of course, improved commercial policy…more pragmatic commercial policy I would say and network management which have allowed us to report the positive results.

If we go onto Page 19; where we present the results of our international businesses…international marketing businesses. Again, a positive performance, this is the best first quarter results from our subsidiaries abroad, and we are on track to be able to deliver a healthy full year results from all markets.

For a little bit more details, I would probably say that, Cyprus is recovering from last year's shock. We have been able to maintain a decent level of profitability through very tight management, and of course, aggressive cost cutting in our business. And we have…moving onto Serbia and Bulgaria, we have revisited our supply chain and the end-to-end value chain of our products and we have been able to improve on that basis.

Moving onto petrochemicals, which is Page 20; I did mention that most of the contribution on petrochemicals could easily be classified as refining. If one wanted to compare our refining business with a standard refining performance, then one would probably add almost 80% or 90% of this performance coming from petrochemicals to our refining division. However, for management purposes we report it as a different business unit.

The benefit came not so much because of improved market conditions, but because of better value chain integration. The key driver for our profitability is the polypropylene value chain which starts from the Aspropyrgos refinery FCC and related splitter and then moves onto the Thessaloniki, polypropylene production facility, and then part of it is further sold to the action which is effectively the BOPP production facility we have. So that pretty much accounts for 80% to 90% of the business in petrochemicals.

Moving onto our associates now; we have Elpedison which is reporting a small improvement on its performance. As you may be aware, we have experienced a change in the regulation of the market. What we have in place is a compensating effect for the fact that the market is still not liberalized…fully liberalized as it's not where it should be. So the Elpedison performance has been pretty much in line with last year's first quarter results.

Finally, we have our 35% stake in DEPA Group, in the natural gas business which includes trading, as well as DESFA. We should note that, until there is certainty of transaction for DESFA, we continue to consolidate the DESFA business, as part of the DEPA Group at 35% on an equity basis.

We have seen a drop in sales of natural gas which is driven from warmer weather. So consumers have been offtaking less natural gas which is the same as heating diesel and probably the same as electricity for heating needs during the first quarter of 2014, and of course, we've had lower sales to IPP producers on the back of the change in regulation.

As we mention here, the regulatory approval for the DESFA closing is in progress. We expect it to be completed within the year. And of course, the cash proceeds coming out of this transaction are earmarked for debt reduction. So that we take some advantage of improved gearing and lower funding costs.

Now, at this point in time, we complete the presentation and the business analysis of our results. And I would ask you, if you have any questions that you would like to go through as part of this conference call.

Q&A

OPERATOR: The first question is from Gredy Andrea of BNP. Please go ahead.

GREDY A: Hi there, thank you for taking my questions. Just a few…just on Elefsina refinery, you said it would be out for the months of March, and if I understand correctly, it's been restarted since the beginning of April, if you can just clarify the restart, to place at the beginning of April; and if you can just update us on any planning for remaining maintenance shutdowns, for the remaining of the year? And finally, if you could give a little bit more color on this large swing in payables quarter-over-quarter?

SHIAMISHIS A: Yes, first of all, with respect to the Elefsina shutdown, the refinery…the works were completed in the first week of April. The start-up process took place from, if I recall correctly around the 10th or 12th of April and within a week…so around the 20th of April, all of the units, we are operating properly without any problems at full capacity. So there is a small impact which will come through in 2Q results, but it's going to be materially lower than the impact we experienced in the first quarter results.

Now, given that we did have the shutdown in Elefsina, I think, it's important to mention that the shutdown was also an opportunity for us to debottleneck and change our catalyst in some of the units.

So on the positive side, a significant part of the lost margin will be recovered over the next few months. We've actually started seeing that improved performance in the form of better diesel yields, given that that is the big impact for the catalyst.

Now, in terms of other shutdowns, we had originally planned for Aspropyrgos to be closed for shutdown in the third quarter of 2014. It now looks even though we will be confirming that over the next few weeks, I can probably safely say that that shutdown will not be required. And that means that our full year plans, if you will, in terms of refinery availability and operation will be pretty much unaffected.

So we accelerated the shutdown in Elefsina and we have pushed back the shutdown for Aspropyrgos in order to ensure that we have a slightly more evenly spread shutdown process for our refineries.

The third question was on payables, we have a swing of about €400 million, if I am not mistaken, compared to Q1 last year…the part of this…of this process is due to lower stocks. As you know, at the end of every March, we reset our compulsory stock obligations taking into account sales for the previous calendar year, but the change takes place on April 1st.

So during the first quarter, given the unfortunate experience of having lower sales in the domestic market, we had to go through a readjustment process whereby we delay purchases or we slowdown purchases of crude oil and products in order to run down our inventories up to the level of what is required by statute which is a 90 days compulsory stock obligation. So that is one reason why we have a slightly lower payables number. We slowed down our purchases during March in order to be able to adjust to that inventory number.

The second reason is because we did have an abnormality with Elefsina and Thessaloniki out of operation. So we were not purchasing crude for two refineries during March. Now, that is…that is, what I would say, a temporary spike in the working capital because of the low payables number.

And I would expect that number to come back to a slightly more normal level. That level would probably be close to €250 million to €300 million increase on payables which is something which is taking place from April onwards.

GREDY A: Okay, very helpful. Thank you very much.

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

PATRICOT H: Yes, good afternoon, thank you for the presentation. A couple of questions from me. The first one, something on the interest charge. What do you expect the positive impact from this positions to be for you, if you can give an guidance in terms of the overall interest cost for 2014. And the second question on the outlook for the rest of the year for refining, just the whole business. I think you mentioned a few weeks ago that you expected that you could reach €250 million of EBITDA with stable refining margins compared to last year. Is that still your target for the full year? Thank you.

SHIAMISHIS A: Thank you very much. First of all, in terms of our financing costs, in 2013 we reported just north of €200 million of financing cost which is mostly interest on our gross debt.

For 2014, we have a number of factors working in our way. The first one is clearly the fact that we can now raise debt at a total cost which are significantly lower than last year. The 4% to 5% range is something which is not out of reach anymore. I remind you that last year, we were celebrating because we opened the market for Greek issuers back in May 2013 with the launch of a bond at 8%.

So being able to raise similar amounts of debt at significantly lower rates means that we should be able to see a 3% to 3.5% differential on the amount of new debt raise. So if one expects to have a new debt of around €600 million to €700 million through DCM transactions, we already have $400 million, so €300 million, one would expect to see a saving of around €15 million to €20 million. Clearly, that is not going to be reported for 2014 a 100% because there is the annualization impact, but it is going to drive our finance costs down.

The second thing which will be beneficial for us is the fact that over the last 2 to 3 years, because of the banking crisis and the Greek crisis that we experienced, we became very, very skeptical and reluctant in terms of giving up capacity. So if you go through the last few quarters, our balance sheet has been quite high in terms of gross debt and definitely much higher than what we would like it to be in terms of cash. That was because we utilized all of our credit lines and kept a lot of cash balance.

Now, that involves a significant negative carry costs because debt is paid at 6%, 7% and cash earns very little. So I would expect to have a sizable benefit coming from that…from that reason as well.

Finally, the timing on the DESFA cash collection, which will be a clear de-leverage will also affect our interest costs in a positive way.

Now, if I wanted to give a projection or a guidance for interest cost for 2014, I would say that that number would be probably around €20 million to €30 million lower than 2013, given that all of these things will not happen with effect from January 1st. So I do not expect to see the full benefit in this year. However, the range of €20 million to €30 million reduction is something which I would consider a comfortable range.

PATRICOT H: Okay, thank you.

SHIAMISHIS A: Now, on the outlook, I can probably repeat what we have communicated, and let each one of you use your own assumptions and expectations in terms of the environment. So the communication is very simple, if we assume last year's environment, where we reported just shy of €200 million, €180 if I recall of clean EBITDA, we have Elefsina which is going to give us another €60 million to €70 million of a step up, and we also have another €80 million to €100 million coming from the competitiveness improvement programs. Now, assuming exactly the same conditions as last year, it looks that our run rate will be around €300 million to €350 million of EBITDA.

Now, each dollar of benchmark margins…dollar per barrel, is pretty much equal to around €80 million per year. So if you want to project a $2 per barrel improvement, then that would be another €160 million per year coming through our EBITDA. Unfortunately, I am not in a position, I don't think anybody is in a position to give you better visibility with respect to margins for the rest of the year and euro/dollar as well.

So we can only be as open and candid as possible with the market, explain our business model and sort of give you the big buckets of controllable change and then have different versions depending on what sort of assumptions you use for the benchmark margins and the euro/dollar exchange rates.

PATRICOT H: Okay, that's very clear. Thank you.

OPERATOR: The next question comes from the line of Garadaghi Mukhtar of Citi. Please go ahead.

GARADAGHI M: Hello gentlemen. Thanks for the presentation. I started a bit late, so apologize if this has been touched upon. My first question is on the supply side, in terms of the crude intake. Could you please comment what was the percentage of Urals that you guys bought during the quarter? And in the same kind of line, you have seen in the first cargo of Kurdistani crude leave Seyhan in Turkey? Is that something you guys would consider buying, and would that be suitable for your refining system?

And my second question is around debt, I mean, could you just please comment on your plans for the rest of the year, you mentioned 600, 700 as a potential range. Is that so, should we expect more sort of cheaper debt issues at these levels? And finally, just around marketing, if you can just please comment on the expectations for the summer season in terms of tourism and stuff compared to last year? Thank you very much.

SHIAMISHIS A: Thank you very much Mukhtar for your questions. Let me tackle the supply side first of all. With Iran out of the market and all the problems that we encountered, Urals crudes as a percentage of our total feed, has gone up to around 50%-55% in the first quarter of 2014. Just to give you an idea, our normal run rates for Ural is closer to 30% or 40%. However, that is not the case any more.

And we are buying, increasing amounts of Urals for our refineries. Now, over the last few months, we have begun to open up other alternatives as well. The Kurdistan crude, I am not familiar with, and I don't think it's been tested for our refineries, but we have had other types of crude, I can quote Basrah crudes coming into the refinery, which is not new of course, but we are seeing and actively exploring a wider portfolio of feedstock.

Now, in terms of debt, we did issue $400 million a couple of weeks ago. I think that the market conditions are conducive or probably at least exploring a more standard transaction in terms of tenor and currency in the next period.

As you know, we have seen a very good performance of the Greek bonds. Our own 2017 Eurobond traded as low as below 5% a couple of weeks ago, we had a couple of abnormalities in the Greek market, some references…some incorrect references by some officials caused some market upsets. Of course, it's no mistake; it's not a secret the elections were a bit of an event for the markets.

Now, elections are behind us, it seems that no major offsets will take place as far as the stability of the fiscal tightening and the policies with respect to Greece. And if anything, I would expect markets to pick that up, and perform even stronger in the weeks to come. So I would probably keep an eye for any future transactions coming out of our Company with respect to this year.

Now, the final part of the question related to our marketing and the summer season, we already know that 2014 will be again a record year for tourism. We expect to see an increase from last year's record arrivals. Clearly, that is music to our ears because we sell fuel into the aviation business, and we have very good logistics footprint in all over the regional airports and that is very important. We have a leading position in bunkering fuel.

As you know, tourists come to Greece and they have to either fly or sail to the destinations which are at the islands. So we are well positioned there to take advantage of this improved market condition. And of course, we have one of the strongest, if not the strongest network in terms of footprint in the islands. So we would be expecting to see an improvement on last year.

GARADAGHI M: Okay, that's very helpful. Just a follow-up on, very quick follow-up on the supply question, how much of your portfolio if you can disclose is hedged in terms of Urals, I mean because we expect you know, generally there is an expectation of the discount tightening, in the summer months, is that something that is fully hedged you know, from your end?

SHIAMISHIS A: In all honesty the answer is that we do not hedge through financial instruments our purchases of crude and our inventory, the reason is that this is extremely expensive and it hasn't proved very helpful.

However, the purchasing pattern and the commercial arrangements we have in place, actually provide a natural hedge, there is a cash conversion cycle from the time you actually take the crude on your books and from the time it actually gets priced, to the time that you refine it and sell it onto the markets. We do have a sizable inventory which at present we do not hedge because of costs, but that is part of our, if you like ongoing business model.

But with respect to purchases, so if one was to take away the inventory, our monthly purchases are pretty much hedged with our sales either through the use of whole month average pricing or through the use of more relevant pricing periods, so that we can…if you like to replicate with a bit of basis risk, of course, the pricing of purchases to coincide with the pricing of sales.

Our sales are actually taking place mostly on the basis of spots of prevailing prices. So if we match our purchases to the expected sales date that provides a very strong hedging strategy for ongoing purchases.

Now, that does not address as I said, the issue of inventory, but that is a totally different thing and does not affect our clean results.

GARADAGHI M: Okay, that's very clear. Many thanks for your answers.

OPERATOR: The next question is from Senapati Saumya of Bank of America Merrill Lynch. Please go ahead.

SENAPATI A: Hi, good evening, gentlemen. I have one question, a continuation of what Mukhtar asked earlier. How do you view the Brent Ural spread going into the summer and what do you think have been the key drivers in the first quarter? Thank you.

SHIAMISHIS A: Okay. Now that is, that's a different question, I think is going to take me either a very short time to answer it or a very long time to pretend that I am answering that. The first quarter I think is probably easier to give an answer to; you know it's always easier to give forecast and projections for periods that have passed. And I think that had to do with the balance of flows of Urals coming out of Russia. We did see some maintenance taking place in Russia which meant increased flows coming into the Med. That's the only reasonable thing that we can pinpoint other than trading patterns which we cannot project or understand most of the times.

Now, going into the summer, we would expect to see a small increase of the sweet-sour differential. Now it doesn't necessarily mean that it's going to be a material swing. We are way past the \$2.5 to \$3 sweet-sour differential that we used to see a few years ago. But if I had to give a projection, I would expect a small improvement in that spread.

SENAPATI A: Okay, thank you.

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

KEARNEY I: Hello, hi. I had to hop off for part of the call. So I hope I'm not asking the same question again, but we have seen a deterioration in Mediterranean refining margins in recent weeks. And I wanted to get your sort of assessment of how likely that was to continue or if in fact, it sort of gotten better or and what brought it about? Thank you.

SHIAMISHIS A: Hello, Ide, thank you for the question. No, I don't think you are covering…you are asking the same questions to previous participants. We have seen a deterioration; I have to say that, Q2 year-to-date has been a bit better than Q1 in terms of the trend, the refining margins. The deterioration in the last week or so is clearly affecting our refineries and performance. We don't expect it to continue at this level, but we are not seeing a strength which will take refining margins back to $4 or $5 per barrel. So my projection would be that we will see some sort of improvement into the next couple of months, but I would not expect to see a material improvement on refining margins.

KEARNEY I: And just so, you know because the slate is a bit more complicated to…for us to model because of the new developments, but year-on-year, are you talking about a lower sort of margin or is it higher on a comparable basis?

SHIAMISHIS A: No, year-on-year for at least the rest of the year, we would be talking about an improved margin compared to last year. Last year was particularly a low margin overall.

KEARNEY I: So what we are seeing at the moment is that sort of higher than what you would have seen this time last year or is it kind of comparable or…

SHIAMISHIS A: Q1 was much worse than last year, but Q1 '13 was probably…was the best quarter of the year. Since April 1st until today, we are seeing better margins than last year.

KEARNEY I: Okay.

SHIAMISHIS A: And this is the expectation for the remainder of the year.

KEARNEY I: And even at the moment with the dip, the recent dip, it's still better than it was this time last year?

SHIAMISHIS A: Overall, yes, but you know, a couple of days of margins will not dip this case that much. Overall, we are on better grounds than last year.

KEARNEY I: Okay, thank you very much.

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

SHIAMISHIS A: I would like to thank everybody for taking the time to go through the conference call with us and understand a bit more, hopefully, about our first quarter '14 performance. Overall, it continues to be a very difficult environment for

European refiners. And it looks like we will be having a challenging environment ahead of us for the months to come.

However, one can worry and affect the things that one can control, and in the first quarter, we have reported improvements across all businesses and all metrics.

Despite the weaker, significantly weaker environment than last year, our clean EBITDA is up 35%. It's not at the level that we believe it should be. However, we have been more aggressive in terms of cost cutting and performance improvements which have generated another €20 almost million of contribution to our results and cash flows for the first quarter.

Now, we have a number of challenges ahead of us. However, it looks like we have seen the worst of the Greek crisis, and we should be expecting an upside coming from market performance, and of course, stronger tourist numbers coming through in the next few months.

On the balance sheet side, we are beginning to see a normalization of the market. We are nowhere near where we started off a few years ago. I still have on my desk a plaque which has a loan which was taken out at EURIBOR plus 20 basis points. I think we are still far away from that, but we have definitely moved away from the crisis environment that we experienced in the last two years.

So liquidity, capacity and more effective financing will allow us to run our business in a much more efficient way. And of course, it will allow Greek refiners to complete on a more even basis with our regional competitors.

At the end of the day, we do have some of the best refiners in the Med. Elefsina is mentioned as one of the best, if not the best refiner, in the Med with very advantageous location and port facilities.

So if we can address our competitive deficiencies, which is primarily the cost of funding, we should be able to see a better performance coming through for the next few quarters.

Once again, thank you very much for the attendance and we look forward to speaking to you and meeting with you for our next quarter results in a few months' time. Thank you.