

**DIRECTORS' REPORT**  
**ON THE CONSOLIDATED FINANCIAL STATEMENTS OF**  
**"MOTOR OIL (HELLAS) CORINTH REFINERIES S.A."**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**  
**(PERIOD 01.01 – 31.12.2005)**

**I. RESULTS OF OPERATIONS**

The financial results for the year under review are as follows:

	Amounts in Euro 000s		% on Turnover		% change on Sales Turnover
	2005	2004	2005	2004	
Sales Turnover	3,237,376	2,219,042	100.00%	100.00%	45.89% *
Cost of Sales	<u>(2,952,147)</u>	<u>(2,003,219)</u>	-91.19%	-90.27%	-0.92
<b>Gross Profit</b>	<b>285,229</b>	<b>215,823</b>	<b>8.81%</b>	<b>9.73%</b>	<b>-0.92</b>
Distribution expenses	(44,097)	(42,299)	-1.36%	-1.91%	0.55
Administration expenses	(22,672)	(22,609)	-0.70%	-1.02%	0.32
Other operating income / (expenses)	<u>(14,112)</u>	<u>23,339</u>	-0.44%	1.05%	-1.49
<b>Operating Profit</b>	<b>204,348</b>	<b>174,254</b>	<b>6.31%</b>	<b>7.85%</b>	<b>-1.54</b>
Finance cost	<u>(12,991)</u>	<u>(6,413)</u>	-0.40%	-0.29%	-0.11
<b>Net Profit before Tax</b>	<b>191,357</b>	<b>167,841</b>	<b>5.91%</b>	<b>7.56%</b>	<b>-1.65</b>
Tax	(59,722)	(50,289)	-1.84%	-2.27%	0.43
<b>Net Profit after Tax</b>	<b><u>131,635</u></b>	<b><u>117,552</u></b>	<b>4.07%</b>	<b>5.29%</b>	<b>-1.22</b>

\* % change vs last year.

It is noted that this is the first time that the financial statements of the current year as well as the comparative figures of last year have been prepared according to the International Financial Reporting Standards (IFRS), as required by the relevant regulations. The date of transition from Greek GAAP to IFRS was January 1<sup>st</sup>, 2004.

In connection with the above results we note the following:

## 1. Sales Turnover

Group Sales Turnover has increased by € 1,018,334 or 45.89% compared to prior year, mainly due to the increase in prices.

Sales Turnover analysis by geographical segments of the Group activities and by sales category is as follows:

Geographical Segments	Sales Category	Amounts in Euro 000s		Change %
		2005	2004	
Foreign	Products/Fuel	1,137,560	772,215	47.31%
Foreign	Products/Lubricants	43,714	32,792	33.31%
Foreign	Merchandise/Fuel etc	<u>473,235</u>	<u>273,133</u>	73.26%
	<b>Total</b>	<b><u>1,654,509</u></b>	<b><u>1,078,140</u></b>	<b>53.46%</b>
Domestic	Products/Fuel	787,427	642,464	22.56%
Domestic	Products/Lubricants	39,961	35,784	11.67%
Domestic	Merchandise/Fuel etc	<u>755,479</u>	<u>462,654</u>	63.29%
	<b>Total</b>	<b><u>1,582,867</u></b>	<b><u>1,140,902</u></b>	<b>38.74%</b>
	<b>Grand Total</b>	<b><u>3,237,376</u></b>	<b><u>2,219,042</u></b>	<b>45.89%</b>

The total quantity of crude oil and other raw materials processed by the parent company during 2005 compared to the respective quantities of prior year is analysed as follows:

	<b>Tons 2005</b>	<b>Tons 2004</b>
Crude oil	4,605,148	4,927,113
Fuel Oil – raw material	812,013	910,766
Naphtha	69,175	1,678
Gas Oil	407,538	287,110
Chemical additives	<u>23,080</u>	21,921
<b>Total</b>	<b><u>5,916,954</u></b>	<b><u>6,148,588</u></b>

## 2. Gross Profit

Gross Profit for the Group amounts to € 285,229 thousand compared to € 215,823 thousand of prior year, an increase of 32.16%.

### 3. Operating Expenses

Group operating expenses are analysed per category as follows for 2005 and 2004:

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	<b>%</b>
Administration	22,672	22,609	63	0.28%
Distribution	44,097	42,299	1,798	4.25%
Other expense / (income)	<u>14,112</u>	<u>(23,339)</u>	<u>37,451</u>	-160.47%
<b>Total operating expenses</b>	<b><u>80,881</u></b>	<b><u>41,569</u></b>	<b><u>39,312</u></b>	<b>94.57%</b>

As per the above table, operating expenses have increased by € 39,312 thousand or 94.57%. In order though to have a better assessment and comparison with the prior year, the major expenses should be compared by category as follows:

#### (a) Administration expenses

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>% Change</b>
Payroll cost	13,613	13,999	-2.76%
Rental	2,636	2,446	7.78%
Other	<u>6,423</u>	<u>6,164</u>	4.20%
<b>Total administration expenses</b>	<b><u>22,672</u></b>	<b><u>22,609</u></b>	<b>0.28%</b>

#### (b) Distribution expenses

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>% Change</b>
Payroll cost	7,598	8,100	-6.20%
Rental	3,063	2,648	15.67%
Warehousing	4,565	4,793	-4.76%
Transportation	18,887	16,695	13.13%
Other	<u>9,984</u>	<u>10,063</u>	-0.79%
<b>Total distribution expenses</b>	<b><u>44,097</u></b>	<b><u>42,299</u></b>	<b>4.25%</b>

#### (c) Other Operating (income) / expenses

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>% Change</b>
FX losses	60,089	29,240	105.50%
FX gains	(35,876)	(42,378)	-15.34%
Sale of services	(6,687)	(6,750)	-0.93%
Rental income	(3,568)	(3,162)	12.84%
Other	<u>154</u>	<u>(289)</u>	-153.29%
<b>Total Other</b>	<b><u>14,112</u></b>	<b><u>(23,339)</u></b>	<b>-160.47%</b>
<b>Total Operating Expenses</b>	<b><u>80,881</u></b>	<b><u>41,569</u></b>	<b>94.57%</b>

The above expenses represent 2.50% and 1.87% on the sales turnover for the years 2005 and 2004 respectively.

#### 4. Finance Costs

Net finance costs (expenses) for the year have been increased from prior year by € 6,512 thousand. This variance is analysed per category in the following table:

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	
			<b>Amount</b>	<b>%</b>
Investment income	(378)	(1,168)	-790	-67.64%
Interest income	(1,096)	(1,004)	92	9.16%
Interest expense & bank charges	<u>14,631</u>	<u>8,817</u>	<u>5,814</u>	65.94%
<b>Total Finance cost (income)/expense</b>	<b><u>13,157</u></b>	<b><u>6,645</u></b>	<b><u>6,512</u></b>	<b>98.00%</b>

Investment income concerns mainly income from dividends and from sale of securities. Prior year also includes gain on liquidation of the subsidiary "Pyrros". The increase in interest expense is due to the increase in borrowings.

#### 5. Taxes

Taxes for 2005 were € 59,722 thousand and they have increased by € 9,433 thousand compared to last year or 18.76%.

The breakdown of taxes is presented hereunder:

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>
Income tax	69,354	51,484
Differences on prior years' tax audits	-	150
Discount on income tax down payment	(893)	(746)
Deferred tax	<u>(8,739)</u>	<u>(599)</u>
<b>Total</b>	<b><u>59,722</u></b>	<b><u>50,289</u></b>

It is noted that the parent company has been tax audited until the fiscal year 1999 inclusive, while the subsidiary "AVIN OIL AVENEP" until the fiscal year 2002 inclusive.

## **6. Dividends**

The parent company's management assessing the various factors determining the dividends' policy, proposes to the Annual Ordinary General Assembly the distribution of a total dividend of € 121,861,278 (or € 1.10 per share) for the fiscal year 2005. It is noted that an amount of € 22,156,596 (or € 0.20 per share) has been already paid as interim dividend for the fiscal year 2005 within December 2005.

## **II. PROSPECTS**

The course of the Group's activities within the new year 2006 is very satisfactory, until now, since the sales turnover for January 2006 was € 377,238,778 (January 2005: € 194,376,711) and the quantity of crude oil and other raw materials processed by the refinery was 585,853 Metric Tons (January 2005: 406,446 MT).

It is expected that, for the total year of 2006, the international refinery margins will remain approximately at the same high levels of 2005. It is also expected that the sales volume for the parent company for 2006 will increase by approximately 2%, and the sales revenues by approximately 5%.

## **III. CAPITAL EXPENDITURES**

The major projects that were completed during 2005 were the following:

- Replacement of equipment M-1100.
- Replacement and improvement of distillation tower C-1101.
- Works for MHC.
- Replacement of Outer Baskets in the Reformer reactors.
- New pier unloading line VGO.

The new project of the Hydro-cracking Unit installation was also completed within 2005 with a total cost of € 376 mil. The Hydro-cracking Unit has the ability to produce auto gasoil and gasoline with the new standards and also increases the production capacity of auto gasoil and heating oil of the refinery. It is expected that as from 2006, the completion of this project will boost the sales volume and the gross margins.

The estimated capital expenditures for 2006 are approximately € 62 mil. and the most important project is the natural gas network at the refinery and its connection to the DEPA network.

## **IV. SHAREHOLDERS**

It is noted that within 2005 "MOTOR OIL HOLDINGS S.A" sold its share of 16.4 % in the parent company "MOTOR OIL (HELLAS) CORINTH REFINERIES S.A.".

In 2005 the sale/acquisition of the shareholding of "ARAMCO OVERSEAS COMPANY BV" in "MOTOR OIL (HELLAS) CORINTH REFINERIES S.A." from "MOTOR OIL HOLDINGS S.A." was also completed.

## V. SIGNIFICANT POST BALANCE SHEET EVENTS

There are no significant events occurred to date, which may affect the Group's financial position as at 31 December 2005.

## VI. OWN SHARES

During 2004 the parent company disposed off 205,890 own shares acquired at a total cost of € 1,384,955 for € 1,544,175 i.e. with a gain of € 159,220. Afterwards the Company acquired 15,180 own shares, of nominal value € 0.30 each, for a total cost of € 113,592 for which the Company accounted for an equal reserve from Retained Earnings. As at 31.12.2005 the parent company had no own shares.

Maroussi , 24 February 2006

### THE CHAIRMAN OF THE BOD AND MANAGING DIRECTOR

VARDIS J. VARDINOYANNIS

### THE VICE CHAIRMEN

JOHN V. VARDINOYANNIS

PANAGIOTIS N. KONTAXIS

### THE DEPUTY MANAGING DIRECTORS

JOHN N. KOSMADAKIS

PETROS T. TZANNETAKIS

### THE MEMBERS OF THE BOD

NIKOS TH. VARDINOYANNIS

GEORGE P. ALEXANDRIDIS

GEORGE TH. THEODOROUKAKIS

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IRENE-KAROLINA A. KONTOYANNI

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