

**DIRECTORS' REPORT**  
**ON THE 35TH BALANCE SHEET AND PROFIT & LOSS STATEMENT OF**  
**"MOTOR OIL (HELLAS) CORINTH REFINERIES S.A."**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

The chairman of the Board of Directors and Managing Director Mr. Vardis J. Vardinoyannis submits for approval to the Annual Ordinary General Assembly of the Shareholders, the Directors' Report for the period 1.1.2005 - 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	2,923,769	1,937,191	100.00%	100.00%	50.93% *
Cost of Sales	<u>(2,682,623)</u>	<u>(1,762,742)</u>	-91.75%	-90.99%	-0.76
<b>Gross Profit</b>	<b>241,146</b>	<b>174,449</b>	<b>8.25%</b>	<b>9.01%</b>	<b>-0.76</b>
Distribution expenses	(12,801)	(12,618)	-0.44%	-0.65%	0.21
Administration expenses	(14,805)	(15,163)	-0.51%	-0.78%	0.27
Other operating income / (expenses)	<u>(17,322)</u>	<u>20,394</u>	-0.59%	1.05%	-1.65
<b>Operating Profit</b>	<b>196,218</b>	<b>167,062</b>	<b>6.71%</b>	<b>8.62%</b>	<b>-1.91</b>
Finance cost	<u>(7,688)</u>	<u>(376)</u>	-0.26%	-0.02%	-0.24
<b>Net Profit before Tax</b>	<b>188,530</b>	<b>166,686</b>	<b>6.45%</b>	<b>8.60%</b>	<b>-2.15</b>
Tax	<u>(57,843)</u>	<u>(48,026)</u>	-1.98%	-2.48%	0.50
<b>Net Profit after Tax</b>	<b><u>130,687</u></b>	<b><u>118,660</u></b>	<b>4.47%</b>	<b>6.12%</b>	<b>-1.65</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**

Sales Turnover has increased by € 986,578 thousand or 50.93% compared to prior year mainly due to the increase in prices but also increase in the volume by approx. 5%.

Sales Turnover analysis by geographical segments 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>435,559</u>	<u>241,554</u>	80.32%
	<b>Total</b>	<b><u>1,616,833</u></b>	<b><u>1,046,561</u></b>	<b>54.49%</b>
Domestic	Products/Fuel	787,427	642,464	22.56%
Domestic	Products/Lubricants	39,961	35,784	11.67%
Domestic	Merchandise/Fuel etc	<u>479,548</u>	<u>212,382</u>	125.80%
	<b>Total</b>	<b><u>1,306,936</u></b>	<b><u>890,630</u></b>	<b>46.74%</b>
	<b>Grand Total</b>	<b><u>2,923,769</u></b>	<b><u>1,937,191</u></b>	<b>50.93%</b>

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

	Tons 2005	Tons 2004
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>	<u>21,921</u>
<b>Total</b>	<b><u>5,916,954</u></b>	<b><u>6,148,588</u></b>

## 2. Gross profit

Gross Profit for the Company amounts to € 241,146 thousand compared to € 174,449 thousand of prior year, an increase of 38.23%.

## 3. Operating expenses

Operating expenses for the Company for the years 2005 and 2004 are as follows:

Amounts in Euro 000s	2005	2004	Variance	%
Administration	14,805	15,163	-358	-2.36%
Distribution	12,801	12,618	183	1.45%
Other expense / (income)	<u>17,322</u>	<u>(20,394)</u>	<u>37,716</u>	-184.94%
<b>Total</b>	<b><u>44,928</u></b>	<b><u>7,387</u></b>	<b><u>37,541</u></b>	<b>508.20%</b>

As per the above table operating expenses have increased by € 37,541 thousand or 508.20%. This increase is mainly due to realised FX differences that have affected the current year. It is noted that the above difference represents just 1.28% of the Sales Turnover.

In order 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	8,652	9,723	-11.02%
Rental	1,819	1,652	10.11%
Other	<u>4,334</u>	<u>3,788</u>	14.41%
<b>Total Administration</b>	<b><u>14,805</u></b>	<b><u>15,163</u></b>	<b>-2.36%</b>

**(b) Distribution expenses**

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>% Change</b>
Payroll cost	2,158	2,274	-5.10%
Transportation	6,547	5,976	9.55%
Awarehousing	2,560	2,788	-8.18%
Other	<u>1,536</u>	<u>1,580</u>	-2.78%
<b>Total Distribution</b>	<b><u>12,801</u></b>	<b><u>12,618</u></b>	<b>1.45%</b>

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

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>% Change</b>
FX losses	59,497	28,531	108.53%
FX gains	(35,046)	(41,670)	-15.90%
Sale of services	(6,687)	(6,750)	-0.93%
Other	<u>(442)</u>	<u>(505)</u>	-12.47%
<b>Total Other</b>	<b><u>17,322</u></b>	<b><u>(20,394)</u></b>	<b>-184.94%</b>
<b>Total Operating Expenses</b>	<b><u>44,928</u></b>	<b><u>7,387</u></b>	<b>508.20%</b>

The above expenses represent 1.54% and 0.38% on the sales turnover for the years 2005 and 2004 respectively.

#### 4. Finance Costs

Finance costs (expenses) for the year have been increased. This increase is mainly due to the fact that during last year the liquidation of the subsidiary “Pyrros” resulted in additional investment income in 2004 while 2005 has been materially affected by additional interest expenses on loans. The change is analysed as follows:

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>	<b>Variance</b>	
			<b>Amount</b>	<b>%</b>
Investment income	(4,225)	(6,031)	1,806	-29.94%
Interest income	(548)	(320)	(228)	71.25%
Interest expense & bank charges	<u>12,461</u>	<u>6,727</u>	<u>5,734</u>	85.24%
<b>Total Finance cost (income)/expense</b>	<b><u>7,688</u></b>	<b><u>376</u></b>	<b><u>7,312</u></b>	<b>1,944.68%</b>

Investment income is dividends from the subsidiary “AVIN OIL AVENEP” and the associate “Olympic Fuel Company SA”.

#### 5. Taxes

Income taxes for the fiscal year 2005 were € 57,843 thousand, € 9,817 thousand above last year or 20.44% increase.

Taxes are analysed as follows:

<b>Amounts in Euro 000s</b>	<b>2005</b>	<b>2004</b>
Income tax	67,515	48,992
Discount on income tax down payment	(893)	(746)
Deferred tax	<u>(8,779)</u>	<u>(220)</u>
<b>Total</b>	<b><u>57,843</u></b>	<b><u>48,026</u></b>

It is noted that the Company has been tax audited until the fiscal year 1999 inclusive.

#### 6. Own shares

During 2004 the 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 which the Company disposed off within 2005 for € 186,009 i.e. with a gain of € 72,417. As at 31.12.2005 the Company had no own shares.

## **7. Dividends**

The Company's management assessing the various factors determining the Company's 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 Company's activities within the new year 2006 is very satisfactory, until now, since the sales turnover for January 2006 was € 295,440,079 (January 2005: € 166,298,176) 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 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 € 53 mil. And the most important project is the natural gas network at the refinery and its connection to the DEPA network.

## **IV. ASSETS**

### **1. Fixed assets**

Total Net Book Value of tangible fixed assets (Property, Plant and Equipment) as at 31.12.2005 was € 698,065 thousand (31.12.2004: € 565,775 thousand). The site with the technical installations and buildings of the Company is located at Soussaki, Ag. Theodori of Corinth.

### **2. Cash in foreign currency**

Cash in foreign currency as at 31 December 2005 was \$ 2,168,676.76 or € 1,838,329.04.

### **3. Branches**

The refinery of the Company at Soussaki, Ag. Theodori of Corinth operates as branch of the Company.

### **V. SHAREHOLDERS**

It is noted that within 2005 “MOTOR OIL HOLDINGS S.A” sold its share of 16.4 % in “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.

### **VI. SIGNIFICANT POST BALANCE SHEET EVENTS**

There are no significant events occurred todate, which may affect the Company’s financial position as at 31 December 2005.

In light of the above analysis and the attached Financial Statements and the notes thereto, a complete picture of the Company’s activities and the actions resolved by the Board of Directors, please Messrs. Shareholders, approve these and discharge the Board of Directors and the Auditors from any liability for this year.

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

KONSTANTINOS B. MARAVEAS

IRENE-KAROLINA A. KONTOYANNI

LEONIDAS K. GEORGOPOULOS

DESPINA N. MANOLI