



## PRESS RELEASE

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### FULL YEAR 2006 FINANCIAL RESULTS (In accordance with International Financial Reporting Standards)

**Reported net income of €260m, FY06 DPS of €0.43 and “clean” net income up 45%, despite the adverse global refining environment**

**2006 Consolidated Net Income reached €260m**, corresponding to **€0.85 per share (EPS)**. Adjusting for inventory gains/losses, “clean” net income rose 45% y-o-y to €277m. Group Earnings before Interest, Tax, Depreciation and Amortization (**EBITDA**) in 2006 amounted to **€502m** on a reported basis, while on a comparable, “clean” basis, they grew 45% to €525m.

Hellenic Petroleum’s Board of Directors will recommend to the forthcoming AGM the payment of **a final dividend of €0.28 per share**. Including the interim dividend of €0.15 per share which was paid out in December 2006, this brings the total **dividend for 2006 at €0.43 per share and implies a total yield of 3.9%** (based on yesterday’s closing share price).

Key financials for 2006, relative to the same period last year, were as follows:

- Revenues grew 22% to **€8,122m**
- EBT of **€358m**, lower by 28%
- Net profits amounted to **€260m**, down 22%
- Earnings per share of **€0.85**, a 22% decrease
- “Clean” EBT rose 32% to **€382m**
- “Clean” net income of **€277m**, a 45% increase
- ROACE of 8.7%
- ROE of 11.7%

#### **Main factors affecting the 2006 results:**

##### **(a) Improvement in underlying operating profitability:**

- Increased contribution by the Supply & Trading business unit, as well as from an effective risk management in the face of falling oil prices.
- Continuation of cost containment measures, with operating expenses flat for a third consecutive year, with “self-help” for the 2004-06 period amounting to around €75m.
- Improved performances by Petrochemicals and International Marketing activities.
- Positive contribution from the first full-year of operations of the power generation and trading activities.
- Significant gains from debt restructuring and effective management of FX risk.

##### **(b) Adverse international refining environment vis-à-vis 2005:**

- Crude oil and product prices fell considerably, thus reversing the exceptionally positive inventory gains (€205m) of 2005 into a loss of €24m.
- At the same time, benchmark refining margins were lower y-o-y, thus adversely impacting the profitability of our core Refining business.
- Slight weakening of the USD versus the EUR, with obvious negative translation effects.

##### **(c) Greek wholesale oil products market: up 3.4% in total**

- Sales of gasoline and automotive diesel were higher by 3.4% and 6.1%, respectively.
- Heating gasoil volume sales were down 0.7%.
- Aviation and bunker fuels posted 7.7% and 6.2% increases, respectively.

## **Key business developments for 2006:**

### **REFINING, SUPPLY & TRADING**

Refining, Supply & Trading dominates group results, accounting for approximately 83% of total pre-tax profits. In contrast to the previous year, 2006 results were negatively affected by the fall in crude oil and product prices towards year-end and the corresponding inventory losses. On a reported basis, EBITDA reached €373m (2005: €599m), while on a “clean” basis (ie adjusted for the inventory effect) were €397m (compared to €394m in 2005).

Key drivers for 2006 were:

- Increased volume sales by Greek refineries, which rose 2% to 15.9m tonnes. OKTA volumes grew 15% to 1.1m tonnes.
- Positive impact to profitability from successful trading and risk management transactions, taking advantage of the market’s structure (contango) and the large storage capacity of the Elefsina refinery. In this respect, higher provisionally priced stocks contributed to mitigating the impact of falling prices on compulsory safety stocks at the end of the year.
- Improved Safety, Hygiene and Environmental indicators: LWIF index of 2.92 in 2006 vs 3.5 in 2005

### **RETAIL MARKETING**

EKO sales volume in Greece was marginally up (+1%) compared to last year to 4m tonnes, as domestic sales were higher and sales of aviation and marine fuels were slightly lower than 2005. The performance in the last two quarters of the year partially counterbalanced the negative impact witnessed in the first half of 2006, thus FY EBITDA amounted to €47m, a 10% y-o-y drop.

In line with our strategy, in 2006 10 Calypso retail sites, which are fully company-owned/company-operated, were added to our branded petrol station network. Early indications are significantly encouraging, as these petrol stations, aside from their added contribution to group profitability, aid in the overall management of the network.

The results of International Marketing continue to be positive, with sales growing 15% vs 2005. Our foreign retail, aviation and industrial volume sales amounted to 0.8m tonnes in total. Note that the key markets of Serbia and Bulgaria posted volume sales increase of approximately 80%, as we continue to develop our network of petrol stations. The number of group branded petrol stations abroad increased to 219, up 32% from the end of 2005. Finally, as stated in the past, note that we continue to closely monitor developments surrounding the planned sale of the Serbian state-owned refinery, NIS. Following the country’s recent general elections, the sale of NIS is expected to soon follow through.

### **PETROCHEMICALS**

The increase in sales, a tight grip on operating expenses and the lack of any significant provisions led to a sharp improvement in the profitability of Petrochemicals; EBITDA grew 48% to €39m.

### **POWER GENERATION AND TRADING**

On the back of significantly higher utilisation rates in the second half of the year, particularly during the fourth quarter, Thessaloniki Power SA managed to reverse the negative performance seen in early-2006. In its first year of operations, power generation & trading posted total revenues, including cross-border trading, of €145m, while EBITDA amounted to €31m.

### **EXPLORATION & PRODUCTION**

In line with our stated strategic priorities, our focus in E&P lies in the continuation of our drilling campaign in Libya, the initiation of exploration activities in Egypt and the monitoring of international markets for a possible acquisition of a producing asset.

Following initial announcements, the joint venture of Hellenic Petroleum with Woodside (operator) and Repsol YPF, continues its exploration activity in the areas of Murzuk and Sirte in Libya, where several wells indicated the presence of hydrocarbons. In 2006, the cost of our drilling campaign amounted to €16m. As already announced, the study of exploration findings, the evaluation of expected commerciality and decisions on future developments in the specific area is estimated to require a period of 12-18 months.

In Egypt, a local branch has been established and staffed to initiate exploration activities in the West Obayed block, in the Western Desert, in which Hellenic Petroleum is the operator. In addition, the joint venture of Hellenic Petroleum (30%), Melrose (40% - Operator) and Oil Search (30%) was awarded the rights for the Mesaha block in the international bid round conducted by Egypt's GANOPE.

## **INVESTMENT PLAN**

Group investments during 2006 amounted to €145m (compared to €185m in 2005) and related mostly to small projects for the upgrading and maintenance of industrial sites and the development of our petrol stations networks in Greece and abroad.

As already announced, the Board of Directors has taken the Final Investment Decision to proceed with the upgrades of the Elefsina and Thessaloniki refineries, which are budgeted at approximately €1bn in total and are expected to be completed by 2010.

## **FINANCIAL POSITION**

Group capital employed amounted to €3.442m at end-2006, up 16% over 2005, the main reasons being the high crude oil and product prices and increased inventories. Group debt reached €1.004m (from €700m in 2005), with the gearing ratio (D/D&E) remaining within projected operating levels at 31%. Given that the majority of loans are USD-denominated and the strengthening of the € versus the \$ in 2006, FX gains boosted group results by €52m vs 2005.

As part of debt restructuring, a new refinancing plan was developed so as to bring the total debt of the group under Hellenic Petroleum Finance plc, achieving better terms and improved liquidity management. Hellenic Petroleum Finance plc already generated full-year savings in financing costs in excess of €2m on its first transaction (€300m multi-currency loan). Additional savings are expected from the \$1.2bn refining deal agreed at the end of 2006.

Key Financial Indicators for the Group are attached.

## HELLENIC PETROLEUM GROUP

### TWELVE MONTHS 2006 CONSOLIDATED KEY FINANCIAL RESULTS (Prepared in accordance with IFRS)

<u>€MILLION</u>	<u>2005</u>	<u>2006</u>	<u>%</u>
<b>Reported basis figures</b>			
Net Sales	6,653	8,122	22%
EBITDA	671	502	-25%
Earnings before Tax	495	358	-28%
Net Income	334	260	-22%
Earnings per Share (EPS) €	1.09	0.85	-22%
<b>“Clean” results, ie adjusted for inventory effects</b>			
EBITDA	466	526	13%
Net Income	191	277	45%
Earnings per Share (EPS) €	0.62	0.91	45%
<b>Balance sheet items</b>			
Capital Employed	2,956	3,442	16%-
Net Debt	700	1,044	--
Debt Gearing (D/D+E)	25%	31%	---