



## **HELLENIC PETROLEUM S.A.**

Financial Statements  
in accordance with IFRS for the  
year ended 31 December 2005

COMPANY REGISTRATION NUMBER: 2443/06/B/86/23  
REGISTERED OFFICE: 54 AMALIAS AVE, ATHENS, 54,105, GREECE

## **Index to the financial statements**

<b>Report of the auditors.....</b>	<b>4</b>
<b>Introduction.....</b>	<b>5</b>
<b>Balance sheet .....</b>	<b>6</b>
<b>Income statement .....</b>	<b>7</b>
<b>Statement of changes in equity .....</b>	<b>8</b>
<b>Cash flow statement.....</b>	<b>9</b>
<b>Notes to the financial statements .....</b>	<b>10</b>
<b>1 General information.....</b>	<b>10</b>
<b>2 Summary of significant accounting policies.....</b>	<b>11</b>
2.1 Basis of preparation .....	11
2.2 Investments in affiliated companies.....	13
2.3 Segment reporting.....	13
2.4 Foreign currency translation .....	13
2.5 Property, plant and equipment .....	13
2.6 Intangible assets .....	14
2.7 Impairment of non-financial assets .....	15
2.8 Financial assets .....	15
2.9 Derivative financial instruments and hedging activities .....	16
2.10 Government grants.....	17
2.11 Inventories .....	17
2.12 Trade and other receivables .....	17
2.13 Cash and cash equivalents .....	17
2.14 Share capital .....	17
2.15 Borrowings .....	17
2.16 Deferred income tax .....	18
2.17 Employee benefits .....	18
2.18 Trade and other payables .....	19
2.19 Provisions .....	19
2.20 Environmental liabilities.....	19
2.21 Revenue recognition .....	19
2.22 Leases .....	20
2.23 Dividend distribution .....	20
2.24 Comparative figures.....	20
<b>3 Financial risk management .....</b>	<b>20</b>
3.1 Financial risk factors.....	20
3.2 Fair value estimation.....	21
<b>4 Critical accounting estimates and judgements .....</b>	<b>22</b>
<b>5 Reconciliations between IFRS and Greek GAAP.....</b>	<b>23</b>
5.1 Reconciliation of equity.....	23

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5.2	Reconciliation of net income for the year ended 31 December 2004 .....	24
<b>6</b>	<b>Segment information.....</b>	<b>25</b>
<b>7</b>	<b>Property, plant and equipment .....</b>	<b>27</b>
<b>8</b>	<b>Intangible assets .....</b>	<b>28</b>
<b>9</b>	<b>Investment in affiliated companies .....</b>	<b>29</b>
<b>10</b>	<b>Inventories .....</b>	<b>29</b>
<b>11</b>	<b>Trade and other receivables .....</b>	<b>30</b>
<b>12</b>	<b>Cash and cash equivalents.....</b>	<b>30</b>
<b>13</b>	<b>Share capital .....</b>	<b>30</b>
<b>14</b>	<b>Reserves.....</b>	<b>31</b>
<b>15</b>	<b>Trade and other payables.....</b>	<b>32</b>
<b>16</b>	<b>Borrowings.....</b>	<b>33</b>
<b>17</b>	<b>Deferred income tax .....</b>	<b>34</b>
<b>18</b>	<b>Retirement benefit obligations .....</b>	<b>35</b>
<b>19</b>	<b>Provisions and other long term liabilities.....</b>	<b>36</b>
<b>20</b>	<b>Employee benefit expenses .....</b>	<b>36</b>
<b>21</b>	<b>Other operating income / (expenses) .....</b>	<b>36</b>
<b>22</b>	<b>Finance costs - net .....</b>	<b>37</b>
<b>23</b>	<b>Income tax expense .....</b>	<b>37</b>
<b>24</b>	<b>Earnings per share .....</b>	<b>38</b>
<b>25</b>	<b>Dividends per share.....</b>	<b>38</b>
<b>26</b>	<b>Cash generated from operations .....</b>	<b>38</b>
<b>27</b>	<b>Contingencies.....</b>	<b>39</b>
<b>28</b>	<b>Commitments .....</b>	<b>40</b>
<b>29</b>	<b>Related-party transactions .....</b>	<b>40</b>

## Report of the auditors

To the Shareholders of Hellenic Petroleum S.A.

We have audited the accompanying balance sheet of Hellenic Petroleum S.A. (the "Company") as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements set out on pages 5 to 41 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Greek Auditing Standards which are based on International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In addition, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB.

PRICEWATERHOUSECOOPERS   
PricewaterhouseCoopers S.A.

Athens, 2 March 2006

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## **Introduction**

These financial statements of Hellenic Petroleum S.A (the “Company”) for the year ended 31 December 2005 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and International Financial Reporting Standards issued by the IASB . Further details on the basis of preparation can be found in Note 2.1. to these financial statements.

As this is the first year that the holding company publishes financial statements in accordance with IFRS, these financial statements also include reconciliations which present the main differences between the statutory financial statements of the Company under Generally Accepted Accounting Practices in Greece (“Greek GAAP”) and IFRS.

However, they have not been prepared using the transitional provisions of IFRS 1 as the Hellenic Petroleum Group (the “Group”) has been preparing consolidated financial statements under IFRS for the last 7 years and, consequently, Group IFRS policies have been applied.

The last financial period for which the company has prepared financial statements under Greek GAAP was for the year ended 31 December 2004.

## Balance sheet

		As at	
	Note	31 December 2005	31 December 2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	657.028	700.797
Intangible assets	8	26.602	15.006
Investments in affiliated companies	9	685.145	693.257
Deferred income tax assets	17	27.606	-
Available-for-sale financial assets		5	5
		<b>1.396.386</b>	<b>1.409.065</b>
<b>Current assets</b>			
Inventories	10	1.071.322	614.530
Trade and other receivables	11	726.822	518.447
Cash and cash equivalents	12	75.956	89.083
		<b>1.874.100</b>	<b>1.222.060</b>
<b>Total assets</b>		<b>3.270.486</b>	<b>2.631.125</b>
<b>EQUITY</b>			
Share capital	13	1.019.964	1.019.158
Reserves	14	543.643	510.360
Retained Earnings		384.708	200.806
<b>Total equity</b>		<b>1.948.315</b>	<b>1.730.324</b>
<b>LIABILITIES</b>			
<b>Non- current liabilities</b>			
Borrowings	16	335.187	157.547
Deferred income tax liabilities	17	-	7.194
Retirement benefit obligations	18	108.711	100.694
Provisions and other liabilities	19	46.435	37.501
		<b>490.333</b>	<b>302.936</b>
<b>Current liabilities</b>			
Trade and other payables	15	552.055	415.407
Current income tax liabilities		135.247	40.750
Borrowings	16	116.870	141.707
Dividends payable		27.666	-
		<b>831.838</b>	<b>597.864</b>
<b>Total liabilities</b>		<b>1.322.171</b>	<b>900.800</b>
<b>Total equity and liabilities</b>		<b>3.270.486</b>	<b>2.631.124</b>

The notes on pages 10 to 41 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 February 2006

E Christodoulou	P Cavoulacos	A Shiamishis	A Solomos
Chairman of the Board	Chief Executive Officer	Chief Financial Officer	Accounting Director

## Income statement

		<b>For the year ended</b>	
	<b>Note</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Sales</b>		<b>6.293.075</b>	<b>4.529.772</b>
Cost of sales		(5.662.711)	(4.171.665)
<b>Gross profit</b>		<b>630.364</b>	<b>358.107</b>
Selling, distribution and administrative expenses		(167.392)	(173.635)
Exploration and development expenses		(11.579)	(13.115)
Other operating income/ (expenses) net	<b>21</b>	12.478	16.570
Impairment of investments	<b>9</b>	(2.000)	(18.000)
<b>Operating profit</b>		<b>461.871</b>	<b>169.927</b>
Finance costs -net	<b>22</b>	(6.197)	(1.007)
Currency exchange gains /(losses)		(16.118)	32.852
Dividend income		15.404	13.837
<b>Profit before income tax</b>		<b>454.960</b>	<b>215.609</b>
Income tax expense	<b>23</b>	(132.387)	(79.819)
<b>Profit for the year</b>		<b>322.573</b>	<b>135.790</b>
<b>Earnings per share attributable to the Company</b>			
<b>Shareholders (expressed in Euro per share):</b>	<b>24</b>	1,06	0,44

The notes on pages 10 to 41 are an integral part of these financial statements.

## Statement of changes in equity

	<b>Share Capital</b>	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
<b>Balance at 1 January 2004</b>	<b>1.018.835</b>	<b>491.673</b>	<b>144.797</b>	<b>1.655.305</b>
Profit for the year	-	-	135.790	135.790
Transfers to statutory and tax reserves	-	18.687	(18.687)	0
Exercise of share options	323	-	-	323
Dividends relating to 2003	-	-	(61.094)	(61.094)
<b>Balance at 31 December 2004</b>	<b>1.019.158</b>	<b>510.360</b>	<b>200.804</b>	<b>1.730.324</b>
Effect of adopting IFRS 3 (Negative Goodwill Restatement)	-	-	19.874	19.874
<b>Balance at 1 January 2005</b>	<b>1.019.158</b>	<b>510.360</b>	<b>220.678</b>	<b>1.750.198</b>
Profit for the year	-	-	322.573	322.573
Transfers to statutory and tax reserves	-	33.283	(33.283)	-
Exercise of share options	806	-	-	806
Dividends relating to 2004	-	-	(79.435)	(79.435)
Dividends relating to 2005	-	-	(45.827)	(45.827)
<b>Balance at 31 December 2005</b>	<b>1.019.964</b>	<b>543.643</b>	<b>384.706</b>	<b>1.948.315</b>

The notes on pages 10 to 41 are an integral part of these financial statements.



## Cash flow statement

		<b>For the year ended</b>	
	<b>Note</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	<b>26</b>	(19.304)	42.306
<b>Net cash (used in) / generated from operating activities</b>		<b>(19.304)</b>	<b>42.306</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment & intangible assets	<b>7,8</b>	(51.870)	(137.058)
Grants received		870	-
Interest received	<b>22</b>	8.522	9.288
Dividends received		15.404	13.837
Proceeds from sale of DEPA option		-	20.000
Proceeds from sales of securities		-	4.821
Decrease / (increase) in share capital of subsidiaries		3.948	(5.061)
<b>Net cash used in investing activities</b>		<b>(23.126)</b>	<b>(94.173)</b>
<b>Cash flows from financing activities</b>			
Share capital increase		806	322
Interest paid		(14.719)	(10.295)
Dividends paid		(97.596)	(61.093)
Proceeds from long term borrowings		278.656	-
Repayment of long term borrowings		(119.045)	(8.922)
Net movement in short term borrowings		(24.837)	(15.608)
<b>Net cash (used in) / generated from financing activities</b>		<b>23.265</b>	<b>(95.596)</b>
<b>Net decrease in cash &amp; cash equivalents</b>		<b>(19.165)</b>	<b>(147.463)</b>
<b>Cash &amp; cash equivalents at beginning of the year</b>	<b>12</b>	89.083	236.091
Exchange gains on cash & cash equivalents		6.038	455
Net decrease in cash & cash equivalents		(19.165)	(147.463)
<b>Cash &amp; cash equivalents at end of the year</b>	<b>12</b>	<b>75.956</b>	<b>89.083</b>

The notes on pages 10 to 41 are an integral part of these financial statements.

## **Notes to the financial statements**

### **1 General information**

Hellenic Petroleum S.A. (the “Company”) operates in the oil industry with its principal activities being those of refining of crude oil and sale of oil products, and the production and trading of petrochemical products. The Company is also engaged in exploration and production of hydrocarbons.

The Company is incorporated in Greece and the address of its registered office is 54 Amalias Ave., Athens, Greece. The shares of the Company are listed on the Athens Stock Exchange and the London Stock Exchange.

The same accounting policies and recognition and measurement principles are followed in these financial statements as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2005. The Company’s functional and presentation currency is the Euro, and the financial information in these financial statements is expressed in thousands of Euro (unless otherwise stated).

The financial statements of Hellenic Petroleum S.A. for year ended 31 December 2005 were approved for issue by the Board of Directors on 21 February, 2006. The shareholders of the Company have the power to amend the financial statements after issue.

Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2005 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. These are located on the Group’s website [www.hellenic-petroleum.gr](http://www.hellenic-petroleum.gr).

## **2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### **2.1 Basis of preparation**

These financial statements of Hellenic Petroleum for the year ended 31 December 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these financial statements have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the Commission adopted Regulations 2086/2004 and 1864/2005 requiring the use of IAS 39, minus certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005.

Since the Company is not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 39, these financial statements comply with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB.

Reconciliations and descriptions of the effect of the transition from Greek GAAP to IFRS on the Company's equity and its net income are provided in note 5.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Critical accounting estimates and judgments in note 4. These estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### *Changes in accounting policy*

In March 2004 IASB issued *IFRS 3, Business Combinations*, and revised standards *IAS 36, Impairment of Assets* and *IAS 38, Intangible Assets*.

The Company has applied IFRS 3 and the revised provisions of IAS 36 and IAS 38 from 1 January 2005. Accordingly, it has derecognised previously recognised negative goodwill with a net book value of €19,8 million from intangible assets (see note 8) with a corresponding adjustment to the opening balance of retained earnings.

As IFRS 3 is applicable prospectively, prior year comparatives have not been restated.

#### *Interpretations and amendments to published standards effective in 2005*

The following amendments and interpretations to standards became effective from 1 January 2005:

- IFRIC 2, *Members' Shares in Co-operative Entities and Similar Instruments*;
- SIC 12 (Amendment), *Consolidation - Special Purpose Entities*; and
- IAS 39 (Amendment), *Transition and Initial Recognition of Financial Assets and Financial Liabilities*.

Management assessed the relevance of those amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group.

*Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the group has not early adopted. These standards, amendments and interpretations to existing standards and their likely impact on the Group's financial statements are presented below:

- *IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)* Adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 January 2006.
- *IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)*

This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item.
- *IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006)*

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group does not expect that this Amendment will have significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 January 2006.
- *IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)*

Management considered this amendment to IAS 39 and concluded that it is not relevant to the Group.
- *IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards*

This amendment is not relevant to the Group since the Group is not a first time adopter of IFRS.
- *IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).*

This standard allows companies to retain existing practices in accounting for exploration and evaluation expenditures. Accordingly, the Group does not expect that the implementation of IFRS 6 from 1 January 2006 will have a significant impact on its consolidated financial statements.
- *IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements-Capital Disclosures (effective from 1 January 2007)*

IFRS 7 introduces a number of new disclosures to improve the information about financial instruments including qualitative and quantitative information about exposure to risks arising from financial instruments, specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- *IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006)*

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. Management is currently assessing the impact of IFRIC 4 on the Group's operations.

- *IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)*

IFRIC 5 is not currently relevant to the Group's operations since the Group does not participate in any Decommissioning, Restoration and Environmental Rehabilitation funds.

- *IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective from 1 December 2005)*

IFRIC 6 is not relevant to the Group's operations.

## **2.2 Investments in affiliated companies**

Investments in affiliated companies are presented at the cost of the interest acquired in the subsidiaries, associates, and joint ventures less any provisions for impairment.

## **2.3 Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and material returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## **2.4 Foreign currency translation**

### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in euros, which is the Company's functional and presentation currency.

### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are, included in the fair value reserve in equity.

## **2.5 Property, plant and equipment**

All property, plant and equipment is shown at historical cost less subsequent depreciation less subsequent impairment, except for land, which is shown at historical cost less subsequent impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement as incurred except for refinery refurbishment costs which are deferred and charged against income on a straight line basis over the scheduled refurbishment period.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as shown on the table below for the main classes of assets:

– Land	Nil
– Buildings	13 - 20 years
– Specialised industrial installations	7 - 15 years
– Machinery, equipment and transportation equipment	5 - 8 years
– Computer hardware	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement within 'Other income / (expenses) – net'.

#### *Capitalisation of borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Borrowing costs are capitalised to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. All other borrowing costs are expensed.

## **2.6 Intangible assets**

### *(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. In the event that the fair value of the Company's share of the identifiable assets of the acquired subsidiary/associate at the date of acquisition is higher than the cost, the excess remaining is recognised immediately in the income statement.

Until 31 December 2004 goodwill was amortised on a straight-line basis for a period not exceeding 20 years. As a result of the adoption of IFRS 3, goodwill ceases to be amortised and, instead, it is carried at book value and tested for impairment annually. Previously recognised negative goodwill as at 1 January 2005, has been transferred to retained earnings.

*(b) Licences and rights*

License fees for the use of know-how relating to the new polypropylene plant have been capitalised in accordance with IAS 38, Intangible Assets. They have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is being calculated using the straight-line method to allocate the cost of licences and rights over their estimated useful lives (15 years).

*(c) Computer software*

These include primarily the costs of implementing the (ERP) computer software program.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

*(d) Exploration costs*

The Company's policies for accounting for oil and gas are in accordance with industry practice. The Company applies the successful efforts method of accounting for exploration and development costs, as described below.

Geological costs are expensed as incurred.

Exploration expenditure is expensed as incurred. When proved reserves of oil and gas are determined, and development is sanctioned, the relevant expenditure from that point onwards is capitalised to property, plant and equipment. Exploration leasehold acquisition costs are included in intangible assets and amortised over the period of the licence. When exploration is determined to be unsuccessful the expenditure is charged against income at that time.

## **2.7 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and, instead, are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (discounted cash flows they are expected to generate based upon management's expectations of future economic and operating conditions). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.8 Financial assets**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

*(a) Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘Financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer’s specific circumstances.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

## **2.9 Derivative financial instruments and hedging activities**

The Company uses derivative financial instruments such as foreign currency contracts and commodity contracts to hedge its risks associated with foreign currency and certain commodity prices fluctuations. Such derivative financial instruments are stated at fair value unless they are designated and qualify for hedge accounting.

The Company did not have any transactions qualifying for hedge accounting. For other derivatives that do not qualify for ‘hedge accounting’, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

The fair value of forward commodity contracts is calculated by reference to current market values of forward commodity contracts with similar maturity profiles. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.



## **2.10 Government grants**

Investment and development grants related to tangible fixed assets received by the Company are initially recorded as deferred income. Subsequently, they are credited to income over the useful lives of the related assets in direct relationship to the depreciation charged on such assets.

Other grants, which have been provided to the Company, which under certain conditions are repayable, are included in other liabilities until the likelihood of repayment is less than probable. They are then disclosed as contingent liabilities until the possibility of loss becomes remote.

## **2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of inventories is determined using the average cost method.

## **2.12 Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade receivables include bills of exchange and promissory notes from customers.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

## **2.13 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments such as marketable securities and time deposits with original maturities of three months or less.

## **2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

## **2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet and within financing activities in the cash flow statement.

## **2.16 Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## **2.17 Employee benefits**

### *(a) Pension obligations*

The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly administered Social Security funds on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. None of the Company's defined benefit plans are funded.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

### *(b) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Share-based compensation

The Company operates a share option compensation plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, at the date of granting. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## **2.18 Trade and other payables**

Liabilities for trade and other amounts payable which are normally settled on 30-90 days terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## **2.19 Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

## **2.20 Environmental liabilities**

Environmental expenditure that relates to current or future revenues is expensed or capitalised as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

Liabilities for environmental remediation costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

## **2.21 Revenue recognition**

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised as follows:

(a) Sales of goods – wholesale

Revenue on sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales of goods are recognised when the Company has delivered the products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured.

(b) Sales of goods – retail

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

## **2.22 Leases**

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

The Company does not presently have any leases that are classified as finance leases.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

## **2.23 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

## **2.24 Comparative figures**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

# **3 Financial risk management**

## **3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Company's overall risk management programme focuses on the unpredictability of commodity and financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Commodity price risk management is supervised by Risk Management Committee which includes Finance and Trading departments Senior Management. Non commodity price risk management is carried out by the Finance

Department under policies approved by the Board of Directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Company's operating units.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. As part of its risk management process the Company enters into hedging derivatives if market conditions are appropriate with a view to minimise the net impact of such transactions. In addition, part of the funding strategy addresses the issue by selecting to borrow in US dollar denominated loans to partially offset the impact of movements in foreign exchange rates on inventory.

(ii) Price risk

The Company is exposed to commodity price risk to the extent that inventory value is exposed to future price volatility. Protection against this volatility is achieved where possible through derivative contracts. The price risk management involves forward price protection where possible for forecasted sales and inventory. This, however, is not possible to do in all market conditions and as a result only a small part of the price risk is effectively hedged. In addition, this risk is also addressed by the fact that the pricing policy of the Company passes on changes in underlying international prices to its customers.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history or public sector organisations. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

### **3.2 Fair value estimation**

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for valuation purposes where applicable. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

#### **4 Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *(a) Income taxes*

Estimates are required in determining the provision for income taxes that the Company is subjected to in different jurisdictions. This requires significant judgement. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### *(b) Provision for environmental restoration*

The Company operates in the oil industry with its principal activities being that of exploration and production of hydrocarbons, refining of crude oil and sale of oil products, and the production and trading of petrochemical products. Environmental damage caused by such substances may require the Company to incur restoration costs to comply with the regulations in the various jurisdictions in which the Company operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Company together with its legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Company's financial statements. When the final determination of such obligation amounts differs from the recognised provisions, the Company's income statement is impacted.

##### *(c) Estimated impairment of investments*

The Company tests annually whether investments and receivables have suffered any impairment in accordance with its accounting policies. Significant judgement is involved in management's determination of these estimates.

## 5 Reconciliations between IFRS and Greek GAAP

The following reconciliations provide a quantification of the effect and details of the impact of the transition to IFRS on:

– equity as at 31 December 2003, and as at 31 December 2004 (Note 5.1)

– net income for the year ended 31 December 2004 (Note 5.2)

### 5.1 Reconciliation of equity

	As at	
	31 December 2004	31 December 2003
<b>Total equity under Greek GAAP</b>	<b>1.702.266</b>	<b>1.674.943</b>
<i><u>Reconciliation to IFRS</u></i>		
Replacement of the provision for statutory indemnities and the defined benefit plan with the provision as calculated by the actuarial valuation	31.118	29.525
Provision for deferred tax	(7.200)	2.913
Reversal of tax revaluation of fixed assets and depreciation thereon	(17.372)	(16.298)
Write off of capitalised costs with no future benefit	(7.734)	(14.634)
Write off of capitalised research and development costs and reversal of related depreciation	(33.750)	(32.668)
Adjustment of depreciation to conform with the group policy	59.261	45.479
Provision for environmental restorations	(1.092)	(1.092)
Bad debt provision adjustments	(6.853)	0
Other provision adjustments	(12.280)	(6.280)
Impairment provision for affiliates	(18.000)	0
Reclassification of grant from equity to deferred income or liabilities	(77.489)	(83.471)
Income tax	(4.500)	(4.500)
IPO cost to share premium	(5.192)	(5.377)
Goodwill and depreciation of goodwill	(19.874)	(22.713)
Recognition of deferred exchange gains	40.768	30.440
Dividends	79.433	61.092
Valuation of inventories	29.035	(2.145)
Fair value adjustment to forward contract	38	0
Other	(259)	90
<b>Total reconciling items</b>	<b>28.058</b>	<b>(19.639)</b>
<b>Total equity under IFRS</b>	<b>1.730.324</b>	<b>1.655.305</b>

## **5.2 Reconciliation of net income for the year ended 31 December 2004**

<b>Profit after tax under Greek GAAP</b>	<b>183.824</b>
<i><u>Reconciliation to IFRS</u></i>	
Replacement of the provision for statutory indemnities and the defined benefit plan with the provision as calculated by the actuarial valuation	1.593
Provision for deferred tax	(10.113)
Reversal of tax revaluation of fixed assets and the effect of depreciation thereon.	142
Write off of capitalised costs with no future benefit	6.900
Write off of capitalised research and development costs and reversal of related depreciation	(1.082)
Adjustment of depreciation to conform with the group policy	13.782
Bad debt provision adjustments	(6.853)
Other provision adjustments	(6.000)
Reclassification of grant from equity to deferred income or liabilities	(2.027)
Income tax	(70.559)
IPO cost to share premium	185
Goodwill and depreciation of goodwill	2.839
Exchange gains (timing differences)	10.328
Impairment of investments	(18.000)
Valuation of inventories	31.180
Fair value adjustment to forward contract	38
Other	(387)
<b>Total reconciling items</b>	<b>(48.034)</b>
<b>Net income under IFRS</b>	<b>135.790</b>



## 6 Segment information

### (a) Primary reporting format – business segments

The Company is organised into three main business segments determined in accordance with the type of business activity:

- Supply, refining and trading (Refining)
- Exploration & production (E&P)
- Petrochemicals

The segment results for the year ended 31 December 2005 are as follows:

	Refining	Petro-chemicals	E & P	Total
<b>Sales</b>	<b>6.012.904</b>	<b>279.042</b>	<b>1.129</b>	<b>6.293.075</b>
Operating profit	480.596	1.498	(20.223)	461.871
Foreign exchange gains / (losses)	(16.118)	-	-	(16.118)
<b>Profit before tax, dividend income &amp; finance costs</b>	<b>464.478</b>	<b>1.498</b>	<b>(20.223)</b>	<b>445.753</b>
Finance costs - net				(6.197)
Dividend income				15.404
<b>Profit before income tax</b>				<b>454.960</b>
Income tax expense				132.387
<b>Profit for the year</b>				<b>322.573</b>

The segment results for the year ended 31 December 2004 are as follows:

	Refining	Petro-chemicals	E & P	Total
<b>Sales</b>	<b>4.280.172</b>	<b>248.500</b>	<b>1.100</b>	<b>4.529.772</b>
Operating profit	185.897	500	(16.470)	169.927
Foreign exchange gains / (losses)	32.852			32.852
<b>Profit before tax, dividend income &amp; finance costs</b>	<b>218.749</b>	<b>500</b>	<b>(16.470)</b>	<b>202.779</b>
Finance costs - net				(1.007)
Dividend income				13.837
<b>Profit before income tax</b>				<b>215.609</b>
Income tax expense				(79.819)
<b>Profit for the year</b>				<b>135.790</b>

Other segment items included in the income statement are as follows

	<b>For the year ended 31 December 2005</b>			
		<b>Petro-</b>		
	<b>Refining</b>	<b>chemicals</b>	<b>E &amp; P</b>	<b>Total</b>
Depreciation and amortisation*	(68.577)	(11.004)	(2.398)	(81.979)
Impairment of trade receivables	(60.774)	(5.171)	0	(65.945)
*net of grant amortisation				

	<b>For the year ended 31 December 2004</b>			
		<b>Petro-</b>		
	<b>Refining</b>	<b>chemicals</b>	<b>E &amp; P</b>	<b>Total</b>
Depreciation and amortisation*	(61.342)	(15.500)	(2.700)	(79.542)
Impairment of trade receivables	(57.049)	0	0	(57.049)
*net of grant amortisation				

The segment assets and liabilities at 31 December 2005 are as follows:

		<b>Petro-</b>			
	<b>Refining</b>	<b>chemicals</b>	<b>E &amp; P</b>	<b>Unallocated</b>	<b>Total</b>
Assets	3.013.980	215.800	13.100	27.606	3.270.486
Liabilities	(1.036.585)	(122.722)	-	(162.868)	(1.322.175)
Capital Expenditure	50.418	818	-	-	51.236

The segment assets and liabilities at 31 December 2004 are as follows:

		<b>Petro-</b>			
	<b>Refining</b>	<b>chemicals</b>	<b>E &amp; P</b>	<b>Unallocated</b>	<b>Total</b>
Assets	2.381.216	230.119	12.595	7.194	2.631.124
Liabilities	(348.867)	(200.931)	(10.998)	(340.006)	(900.802)
Capital Expenditure	135.339	1.719	-	-	137.058

*(b) Secondary reporting format – geographical segments*

The Company's activities are conducted mainly within Greece. Therefore no geographical segments are presented.

## 7 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Motor vehicles	Furniture and fixtures	Assets Under Construction	Total
<b>Cost</b>							
<b>As at 1 January 2004</b>	<b>115.587</b>	<b>124.393</b>	<b>974.042</b>	<b>7.766</b>	<b>29.972</b>	<b>87.286</b>	<b>1.339.046</b>
Additions	-	14.920	106.286	422	3.531	9.543	134.702
Disposals	-	(200)	(1.694)	(18)	(39)	-	(1.951)
Transfers & other movements	(51)	-	1.107	-	-	-	1.056
<b>As at 31 December 2004</b>	<b>115.536</b>	<b>139.113</b>	<b>1.079.741</b>	<b>8.170</b>	<b>33.464</b>	<b>96.829</b>	<b>1.472.853</b>
<b>Accumulated Depreciation</b>							
<b>As at 1 January 2004</b>	-	<b>72.155</b>	<b>592.180</b>	<b>6.520</b>	<b>20.691</b>	-	<b>691.546</b>
Charge for the year	-	6.537	70.946	444	2.890	-	80.817
Disposals	-	(31)	(266)	(3)	(6)	-	(306)
<b>As at 31 December 2004</b>	-	<b>78.661</b>	<b>662.860</b>	<b>6.961</b>	<b>23.575</b>	-	<b>772.057</b>
<b>Net Book Value at 31 December 2004</b>	<b>115.536</b>	<b>60.452</b>	<b>416.881</b>	<b>1.209</b>	<b>9.889</b>	<b>96.829</b>	<b>700.797</b>
<b>Cost</b>							
<b>As at 1 January 2005</b>	<b>115.536</b>	<b>139.113</b>	<b>1.079.741</b>	<b>8.170</b>	<b>33.464</b>	<b>96.829</b>	<b>1.472.853</b>
Additions	1	75	1.570	498	2.086	45.826	50.056
Capitalised projects	-	2.616	37.301	147	103	(40.167)	-
Disposals	-	-	(3.040)	-	(44)	-	(3.084)
Transfers & other movements	(8.500)	8.565	1.939	-	(455)	97	1.646
<b>As at 31 December 2005</b>	<b>107.037</b>	<b>150.369</b>	<b>1.117.511</b>	<b>8.815</b>	<b>35.154</b>	<b>102.585</b>	<b>1.521.471</b>
<b>Accumulated Depreciation</b>							
<b>As at 1 January 2005</b>	-	<b>78.661</b>	<b>662.860</b>	<b>6.961</b>	<b>23.575</b>	-	<b>772.057</b>
Charge for the year	-	7.589	83.193	476	3.240	-	94.498
Disposals	-	-	(2.911)	-	(44)	-	(2.955)
Transfers & other movements	-	-	1.069	-	(226)	-	843
<b>As at 31 December 2005</b>	-	<b>86.250</b>	<b>744.211</b>	<b>7.437</b>	<b>26.545</b>	-	<b>864.443</b>
<b>Net Book Value at 31 December 2005</b>	<b>107.037</b>	<b>64.119</b>	<b>373.300</b>	<b>1.378</b>	<b>8.609</b>	<b>102.585</b>	<b>657.028</b>

The company has not pledged any property, plant and equipment as security for borrowings.

Within the balance of Assets Under Construction as at 31 December 2005, an amount of €35m (2004: €33m) relates to costs in respect of the upgrade of the Elefsina refinery for which a Front End Engineering Design (FEED) is already in progress.

## 8 Intangible assets

	<b>Goodwill</b>	<b>Computer software</b>	<b>Licences &amp; Rights</b>	<b>Total</b>
<b>Year ended 31 December 2004</b>				
<b>Cost</b>				
<b>As at 1 January 2004</b>	<b>(22.713)</b>	<b>30.557</b>	<b>31.582</b>	<b>39.426</b>
Additions	-	2.356	-	2.356
Transfers, acquisitions & other movements	-	(1.055)	-	(1.055)
<b>As at 31 December 2004</b>	<b>(22.713)</b>	<b>31.858</b>	<b>31.582</b>	<b>40.727</b>
<b>Accumulated Amortisation</b>				
<b>As at 1 January 2004</b>	-	<b>18.334</b>	<b>2.427</b>	<b>20.761</b>
Charge for the year	(2.839)	6.619	1.180	4.960
<b>As at 31 December 2004</b>	<b>(2.839)</b>	<b>24.953</b>	<b>3.607</b>	<b>25.721</b>
<b>Net Book Value 31 December 2004</b>	<b>(19.874)</b>	<b>6.905</b>	<b>27.975</b>	<b>15.006</b>
<b>Cost</b>				
<b>As at 31 December 2004</b>	<b>(22.713)</b>	<b>31.858</b>	<b>31.582</b>	<b>40.727</b>
Effect of adopting IFRS 3 (Negative Goodwill Restatement)	22.713	-	-	22.713
<b>As at 1 January 2005</b>	-	<b>31.858</b>	<b>31.582</b>	<b>63.440</b>
Additions	-	1.813	-	1.813
Disposals	-	(225)	-	(225)
Transfers, acquisitions & other movements	-	(1.550)	-	(1.550)
<b>As at 31 December 2005</b>	-	<b>31.896</b>	<b>31.582</b>	<b>63.478</b>
<b>Accumulated Amortisation</b>				
<b>As at 31 December 2004</b>	<b>(2.839)</b>	<b>24.953</b>	<b>3.607</b>	<b>25.721</b>
Effect of adopting IFRS 3 (Negative Goodwill Restatement)	2.839	-	-	2.839
<b>As at 1 January 2005</b>	-	<b>24.953</b>	<b>3.607</b>	<b>28.560</b>
Charge for the year	-	5.742	3.486	9.228
Disposals	-	(69)	-	(69)
Transfers, acquisitions & other movements	-	(843)	-	(843)
<b>As at 31 December 2005</b>	-	<b>29.783</b>	<b>7.093</b>	<b>36.876</b>
<b>Net Book Value 31 December 2005</b>	-	<b>2.113</b>	<b>24.489</b>	<b>26.603</b>

As a result of adopting IFRS 3, negative goodwill which arose on the 2003 Petrola acquisition of NBV €19,8 million has been shown as a movement in 2005 through reserves.

Licenses and rights include Upstream Exploration rights which are amortised over the period if the exploration period as per the terms of the relevant EPSA rounds. Details of the accounting policy are given in note 2.6.

## 9 Investment in affiliated companies

	As at	
	31 December 2005	31 December 2004
<b>Beginning of the year</b>	<b>693.257</b>	<b>706.196</b>
Increase in share capital of subsidiaries	52	5.061
Return of share capital in subsidiaries	(4.000)	-
Impairment provision	(2.000)	(18.000)
Reclassification from liabilities	(2.164)	-
<b>End of the year</b>	<b>685.145</b>	<b>693.257</b>

Name	Participating interest	Country of Incorporation
Asprofos SA	100,0%	Greece
Diaxon ABEE	100,0%	Greece
EKO Georgia LTD	1,0%	Rep. of Georgia
EKO Natural Gas	1,0%	Greece
EKO ABEE	100,0%	Greece
ELPET Balkan SA	63,0%	Greece
Energiaki Thessaloniki SA	51,0%	Greece
HELPE - Apollon Shipping Co	100,0%	Greece
HELPE International AG	100,0%	Austria
HELPE - Poseidon Shipping Co	100,0%	Greece
Global Albania SA	99,9%	Albania
Public Gas Corporation of Greece S.A. (DEPA)	35,0%	Greece
Volos Pet Industries SA	35,0%	Greece
Athens Airport Fuel Pipeline Company S.A. (EAKAA)	50,0%	Greece
Thraki SA	25,0%	Greece
VANCO	100,0%	Greece
EANT	9,0%	Greece
STPC	16,7%	Greece
NAPC	16,7%	Greece

An €18 million impairment provision was charged to the profit and loss account in the year ending 31 December 2004 and an additional amount of €2 million was charged in the year ending 31 December 2005 in respect of investments in subsidiaries. The €4 million return of share capital in 2005 relates to the two shipping companies.

## 10 Inventories

	As at	
	31 December 2005	31 December 2004
Crude oil	359.821	209.498
Refined products and semi-finished products	622.382	318.983
Petrochemicals	30.983	28.321
Consumable materials and other	58.136	57.728
	<b>1.071.322</b>	<b>614.530</b>

During 2005, the Company has written down certain consumable materials and other inventories to their estimated net realisable value by an amount of €4 million charged to Cost of sales.

## 11 Trade and other receivables

	As at	
	31 December 2005	31 December 2004
Trade receivables	723.664	508.483
Less: provision for impairment of receivables	(65.945)	(57.049)
<b>Trade receivables net</b>	<b>657.719</b>	<b>451.434</b>
Other Receivables	68.633	72.109
Less: provision for impairment of other receivables	(8.176)	(9.469)
	<b>60.457</b>	<b>62.640</b>
Deferred charges and prepayments	8.646	4.373
<b>Total</b>	<b>726.822</b>	<b>518.447</b>

The carrying amounts of the receivables approximate their fair value.

Other receivables include balances in respect of VAT, advances to personnel and government grants.

## 12 Cash and cash equivalents

	As at	
	31 December 2005	31 December 2004
Cash at Bank and in Hand	59.850	57.883
Short term bank deposits	16.106	31.200
<b>Total cash and cash equivalents</b>	<b>75.956</b>	<b>89.083</b>

The weighted average effective interest rate on cash and cash equivalents was:

	As at	
	31 December 2005	31 December 2004
Euro	2,06%	2,04%
USD	3,07%	1,34%

## 13 Share capital

	Number of Shares (authorised and issued)	Share Capital	Share premium	Total
<b>As at 1 January 2004</b>	<b>305.463.934</b>	<b>665.911</b>	<b>352.924</b>	<b>1.018.835</b>
Exercise of employee share options	49.491	108	215	323
<b>As at 31 December 2004</b>	<b>305.513.425</b>	<b>666.019</b>	<b>353.139</b>	<b>1.019.158</b>
Exercise of employee share options	108.820	237	569	806
<b>As at 31 December 2005</b>	<b>305.622.245</b>	<b>666.256</b>	<b>353.708</b>	<b>1.019.964</b>

All ordinary shares were authorised, issued and fully paid up. The nominal value of each ordinary share is €2,18 (31 December 2004: €2,18).

### Share options

Hellenic Petroleum S.A. offered until the end of 2004 a share option scheme to management executives. The exercise price was determined based on the Company's share performance compared to the market and the options were fully vested at the grant date and exercisable within five years. During the AGM of Hellenic Petroleum S.A. held on 25 May 2005 a revised share option scheme was approved with the intention to link the number of share options granted to employees with the results and performance of the Company and its management. No options have been granted under this scheme as of 31 December 2005.

	<b>2005</b>		<b>2004</b>	
	<b>Average Exercise Price in € per share</b>	<b>Options</b>	<b>Average Exercise Price in € per share</b>	<b>Options</b>
<b>At 1 January</b>	<b>8,52</b>	<b>191.627</b>	<b>8,83</b>	<b>146.448</b>
Granted	-	-	6,97	94.670
Exercised	7,41	(108.820)	6,49	(49.491)
Lapsed	6,97	(11.137)	-	-
<b>At 31 December</b>	<b>10,52</b>	<b>71.670</b>	<b>8,52</b>	<b>191.627</b>

Share options outstanding at the year end have the following expiry date and exercise prices:

<b>Expiry Date</b>	<b>Exercise Price in € per share</b>	<b>No. of shares as at</b>	
		<b>31 December 2005</b>	<b>31 December 2004</b>
29/05/06	6,49	0	11.137
16/05/07	13,06	20.570	20.570
26/11/07	9,68	47.660	65.250
02/03/09	6,97	3.440	94.670
<b>Total</b>		<b>71.670</b>	<b>191.627</b>

## 14 Reserves

	<b>Statutory reserve</b>	<b>Special reserves</b>	<b>Tax reserves</b>	<b>Total</b>
<b>Balance at 1 January 2004</b>	<b>51.082</b>	<b>71.660</b>	<b>368.931</b>	<b>491.673</b>
Transfer to statutory and tax reserves	5.712	-	12.975	18.687
<b>Balance at 31 December 2004</b>	<b>56.794</b>	<b>71.660</b>	<b>381.906</b>	<b>510.360</b>
Transfer to statutory and tax reserves	15.246	14.835	3.202	33.283
<b>Balance at 31 December 2005</b>	<b>72.040</b>	<b>86.495</b>	<b>385.108</b>	<b>543.643</b>

During 2005, and following the implementation of IFRS in all EU countries, the Company has analysed and reclassified its reserves to reflect the new statutory framework.

### *Statutory reserves*

Under Greek law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a statutory reserve until such reserve equals one third of outstanding share capital. This reserve cannot be distributed during the existence of the corporation, but can be used to offset accumulated losses.

### *Special reserves*

Special reserves primarily relate to reserves arising from revaluations which have been included in the holding company accounts in accordance with the relevant legislation.

### *Tax reserves*

Tax reserves include:

- (i) Tax deferred reserves are retained earnings which have not been taxed with the prevailing corporate income tax rate as allowed by Greek law under various statutes. Certain of these retained earnings will become liable to tax at the rate prevailing at the time of distribution to shareholders or conversion to share capital. A deferred tax liability has not been provided as future distributions to shareholders and conversions to share capital are not normally anticipated to be made through these reserves.
- (ii) Partially taxed reserves are retained earnings, which have been taxed at a rate less than the corporate tax rate as allowed by Greek law. Certain of these retained earnings will be subject to the remaining tax up to the corporate tax rate prevailing at the time of distribution to shareholders or conversion to share capital.
- (iii) Tax free reserves include amounts under L 3220/2004 (€81 m) for which the EU is evaluating the appropriateness of treatment in respect of income tax. The Company has not made any changes in its accounts as this issue is still being investigated between the EU and the Greek state.

A deferred tax liability has not been provided as future distributions to shareholders and conversions to share capital through these reserves are not anticipated.

## **15 Trade and other payables**

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Trade payables	468.395	322.719
Accrued Expenses & Deferred Income	41.818	60.545
Other payables	41.842	32.143
<b>Total</b>	<b>552.055</b>	<b>415.407</b>

Accruals and deferred income include unamortised government grants. Other payables include amounts in respect of payroll and other staff related costs, social security obligations and sundry taxes.



## 16 Borrowings

	As at	
	31 December 2005	31 December 2004
<b>Non-current borrowings</b>		
Bank borrowings	38.501	157.547
Bond loan	296.686	-
<b>Total non-current borrowings</b>	<b>335.187</b>	<b>157.547</b>
<b>Current borrowings</b>		
Short term loans	107.948	132.785
Current portion of long term debt	8.922	8.922
<b>Total current borrowings</b>	<b>116.870</b>	<b>141.707</b>
<b>Total borrowings</b>	<b>452.057</b>	<b>299.254</b>

The maturity of non-current borrowings is as follows:

	As at	
	31 December 2005	31 December 2004
Between 1 and 2 years	17.844	36.453
Between 2 and 5 years	314.529	109.358
Over 5 years	2.814	11.736
	<b>335.187</b>	<b>157.547</b>

The weighted average effective interest margins at the balance sheet date were as follows:

	As at	
	31 December 2005	
	€	US\$
Bank Borrowings (short-term)	Euribor + 0,23%	-
Bank Borrowings (long-term)	Euribor	-
Bond loan	-	Libor + 0,35%
	As at	
	31 December 2004	
	€	US\$
Bank Borrowings (short-term)	-	Libor + 0,37%
Bank Borrowings (long-term)	Euribor	-
Syndicated loans	-	Libor + 0,37%

The carrying amount of the Company's borrowings which approximate their fair value are denominated in the following currencies:

	As at	
	31 December 2005	31 December 2004
Euro	155.371	56.345
US dollar	296.686	242.909
<b>Total borrowings</b>	<b>452.057</b>	<b>299.254</b>

### *Bond Loan*

In February 2005, the Company issued a five year US \$ 350 million (€279 million) Bond Loan with Mandated Lead Arrangers The Bank of Tokyo – Mitsubishi Ltd, Citigroup Global Markets Ltd., EFG Telesis Finance S.A.

and National Bank of Greece S.A. and with the participation of sixteen financial institutions. The loan is part of the Company's refinancing arrangement of existing credit lines. Part of this loan was utilised to repay the existing syndicated loan amounting €200 million. As at 31 December 2005 the full amount of the loan has been drawn.

## 17 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

The gross movement in the deferred income tax asset/ (liability) is as follows:

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Beginning of the year	(7.194)	2.919
Income statement (charge) / recovery	34.800	(10.113)
<b>End of year</b>	<b>27.606</b>	<b>(7.194)</b>

Deferred tax relates to the following types of deductible (taxable) temporary differences:

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Intangible and fixed assets	(7.513)	(9.915)
Inventory valuation	2.578	(8.552)
Environmental provision	1.298	273
Unrealised exchange gains	0	(13.056)
Employee benefits provision	29.815	23.893
Other temporary differences	1.428	163
<b>Net deferred income tax asset/(liability)</b>	<b>27.606</b>	<b>(7.194)</b>
 <b>Deferred income tax liabilities</b>	 <b>(20.275)</b>	 <b>(48.284)</b>
 <b>Deferred income tax assets</b>	 <b>47.881</b>	 <b>41.090</b>

## 18 Retirement benefit obligations

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Balance sheet obligations for:</b>		
Pension benefits	108.711	100.694
<b>Total as per balance sheet</b>	<b>108.711</b>	<b>100.694</b>

	<b>Year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Income statement charge (Note 20):</b>		
Pension benefits	16.429	14.113
<b>Total as per income statement</b>	<b>16.429</b>	<b>14.113</b>

The amounts recognised in the balance sheet are as follows:

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Present value of unfunded benefit obligations	153.244	140.859
Unrecognised actuarial gains / (losses)	(37.637)	(37.757)
Unrecognised prior service cost	(6.896)	(2.408)
<b>Liability in the Balance Sheet</b>	<b>108.711</b>	<b>100.694</b>

The amounts recognised in the income statements are as follows:

	<b>Year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Current service cost	7.069	6.274
Interest cost	6.257	5.436
Net actuarial (gains) / losses recognised in the year	2.205	1.796
Past service cost	173	-
<b>Regular profit &amp; loss charge</b>	<b>15.704</b>	<b>13.506</b>
Additional cost of extra benefits	725	607
<b>Total included in employee benefit expense</b>	<b>16.429</b>	<b>14.113</b>

The movement in liability recognised in the balance sheet is as follows:

	<b>31 December 2005</b>	<b>31 December 2004</b>
Beginning of the year	100.694	85.123
Total expense included in employee benefit expense	-	14.113
Reclassification of other post retirement benefits	16.429	7.456
Payments	(8.412)	(5.998)
<b>Total</b>	<b>108.711</b>	<b>100.694</b>

The principal actuarial assumptions used were as follows:

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Discount Rate	5,00%	5,00%
Future Salary Increases	4,50%	4,50%
Average future working life	11.32 years	11.23 years

## 19 Provisions and other long term liabilities

	As at	
	31 December 2005	31 December 2004
Government advances	25.614	25.614
Environmental provisions	5.192	1.092
Other provisions and long term liabilities	15.629	10.795
<b>Total</b>	<b>46.435</b>	<b>37.501</b>

### *Government advances*

Advances by the Government (Hellenic State) to the Company for the purposes of research and exploration amount to € 25.614 and have been recorded as a liability since such an amount may become payable if income is generated from activity in the relevant areas. The terms of repayment will be determined by the Ministry of Development and Industry, if applicable.

### *Environmental costs*

A provision of € 1.092 has been established for the estimated cost of rectifying environmental damage, as required by regulatory authorities, at various Company facilities.

Additionally the Company has made a provision of €4.100 in 2005 for obligations in respect of CO<sub>2</sub> emissions which is charged to the cost of sales.

### *Other provisions*

Amounts included in other provisions and long term liabilities relate to sundry operating items and risks arising from the Company's ordinary activities.

## 20 Employee benefit expenses

	For the year ended	
	31 December 2005	31 December 2004
Wages and salaries	131.670	131.126
Social security costs	23.603	22.900
Pension costs	16.429	14.113
Other employment benefits	24.300	28.352
<b>Total</b>	<b>196.002</b>	<b>196.491</b>

Included in Other employment benefits are medical insurance, catering, and transportation expenses.

## 21 Other operating income / (expenses)

	For the year ended	
	31 December 2005	31 December 2004
Income from grants	14.835	6.026
Services to third parties	706	2.282
Loss on sale of fixed assets	(285)	(756)
Rental income	736	484
Other provisions	(3.514)	8.534
<b>Total</b>	<b>12.478</b>	<b>16.570</b>

## 22 Finance costs - net

	<b>For the year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Interest expense</b>		
- Bank borrowings	(14.719)	(10.295)
	<b>(14.719)</b>	<b>(10.295)</b>
<b>Interest income</b>		
- Deposits	830	4.068
- Trade receivables	7.692	5.220
	<b>8.522</b>	<b>9.288</b>
<b>Finance costs -net</b>	<b>(6.197)</b>	<b>(1.007)</b>

## 23 Income tax expense

	<b>For the year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Current tax	167.187	69.706
Deferred tax (Note 17)	(34.800)	10.113
<b>Total</b>	<b>132.387</b>	<b>79.819</b>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the company, as follows:

	<b>For the year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Profit Before Tax</b>	<b>454.960</b>	<b>215.609</b>
Tax calculated at tax rates applicable to profits	145.587	64.683
Income not subject to tax	(9.676)	(4.151)
Expenses not deductible for tax purposes	3.281	5.362
Other	(6.805)	13.925
<b>Tax Charge</b>	<b>132.387</b>	<b>79.819</b>

The basic tax rate was 32% for the period ending 31 December 2005 (30% for the year ending 31 December 2004, due to special tax rates applying as a result of the merger with Petrola).

Other items for 2004 include an amount of €11,9 million in respect of additional taxes from tax audits for prior years (1997 – 2001) which was recorded in the 2004 tax charge. The Company has not been tax audited for years from 2002 onwards.

## 24 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

Earnings per share attributable to the shareholders of the Company (expressed in euro per share):

	<b>For the year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
Earnings per share (€ per share)	1,06	0,44
Profit for the period	322.573	135.790
Average number of ordinary shares outstanding	305.516.704	305.465.154

Diluted earnings per share were the same as basic earnings per share.

## 25 Dividends per share

A dividend in respect of 2004 of €0,26 per share (amounting to a total of €79.433.490,50) was approved by the Annual Shareholders Meeting held on 25 May 2005 to all shares issued and outstanding at that date. In addition in respect of 2005 an interim dividend of €0,15 per share (amounted to a total of €45.843.449,55) was approved by an extraordinary shareholders general meeting held at 12 December 2005. The interim dividend is paid to all shareholders who are entitled to profits from 2005.

Following the approval of the financial statements the Board of Directors will propose to the forthcoming Annual Shareholders Meeting a final dividend of €0,28 per share (total € 85.574)

## 26 Cash generated from operations

		<b>For the year ended</b>	
	<b>Note</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Profit before tax</b>		<b>454.960</b>	<b>215.609</b>
Depreciation and amortisation of tangible and intangible assets and government grants	<b>7, 8</b>	81.979	79.542
Financial (income)/ expenses	<b>22</b>	(9.207)	(12.830)
Provisions		46.538	37.571
Foreign exchange (gains) / losses		14.803	(19.842)
Loss on sale of fixed assets		286	756
		<b>589.359</b>	<b>300.806</b>
<b>Changes in working capital</b>			
(Increase) / decrease in inventories		(456.792)	(168.599)
(Increase) / decrease in trade and other receivables		(211.596)	(115.042)
Increase / (decrease) in payables		132.513	73.086
Taxes paid		(72.788)	(47.945)
		<b>(608.663)</b>	<b>(258.500)</b>
<b>Net cash generated from / (used in) operating activities</b>		<b>(19.304)</b>	<b>42.306</b>

## **27 Contingencies**

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. They are as follows:

- (i) The Government advanced the Company in prior years € 43.434 to undertake research and exploration, as determined by Law 367/1976. A portion of the amounts received of € 25.614, may become repayable once the Company generates income from the discoveries resulting from its expenditure and therefore is included as part of the long-term liabilities (note 19). The remaining € 17.902 has been written off as it is considered highly unlikely, because of the nature of the expenditure, that it will ever become repayable. The terms of repayment will be determined by the Ministry of Development, if applicable.
- (ii) The Company is involved in a number of legal proceedings and has various unresolved claims pending arising in the ordinary course of business. Based on currently available information, management believes the outcome will not have a significant effect on the company's operating results or financial position.
- (iii) The Company has entered into a contract with the Hellenic State for the construction of sports facilities at the Thessaloniki refinery premises for the use by the general public and the employees of the Company until the year 2017. Management is not in a position to determine whether the terms of the contract will be extended indefinitely or whether the land will be reposessed by the Hellenic State.
- (iv) During 2004, Hellenic Petroleum S.A. was audited by the Greek tax authorities for the years ended 31 December 1997 to 2001. An amount of €11,9 million of additional taxes, plus fines was assessed by tax authorities for prior year tax audits and was recorded in the financial statements for the year ended 31 December 2004. The Company has not undergone a tax audit for the years ended 31 December 2002 to 31 December 2005. Management believes that no additional material liability will arise as a result of open tax years over and above the tax liabilities and provisions recognised in the financial statements.
- (v) Following an accident involving the motor tanker KRITI-GOLD in November 1998 at the Company's mooring installation in Thessaloniki, four seamen died. Claims have been lodged in connection with this accident against the ship owner and the Company. Of the four claims, three have already been settled with the involvement of the insurers. The last one is still pending but its outcome is not likely to have a material effect.
- (vi) The Company has given letters of comfort and guarantees of €323 million to banks for loans undertaken by subsidiaries and associates of the Company, the outstanding amount of which was €250 million as of 31 December 2005. The Company has also issued letters of credit and guarantees in favour of third parties amounting to € 228 million mainly for the completion of contracts entered into by the Company.
- (vii) In addition, in October 2002 the Company guaranteed, through a Performance Bond issued by the National Bank of Greece of € 45 million, its performance of the Investment Programme committed under the share purchase agreement for the acquisition of Jugopetrol AD Kotor., which as at 31. December 2005 has decreased to € 24 million.
- (viii) The Company has recorded an amount of € 81 million as tax free reserves under L.3220/2004. The EU is presently investigating the applicability of this law and its compliance with EU policies. No adjustment has been made to the financial statements as this issue is being investigated by the EU and the Greek state.

## 28 Commitments

Significant contractual commitments of the Group are as follows:

- Capital investment in upgrading Hellenic Petroleum refinery installations of €22 million.
- Upstream exploration and development costs of €19 million (2004: €15 million) have been committed as part of the Joint Operating Agreement (JOA) international JOA in place. These commitments will depend on the progress of exploration activities.

## 29 Related-party transactions

### i) Sales of goods and services

	<b>For the year ended</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Sales of goods</b>		
Affiliated Companies	2.023.788	1.390.972
Non affiliated	675.075	456.840
<b>Sales of services</b>		
Affiliated Companies	7.223	4.755
	<b>2.706.086</b>	<b>1.852.567</b>

### ii) Purchases of goods and services

<b>Purchases of goods</b>		
Affiliated Companies	4.095	3.913
Non affiliated	24.259	21.190
<b>Purchases of services</b>		
Affiliated Companies	36.227	31.517
	<b>64.581</b>	<b>56.620</b>

### iii) Period balances arising from sales / purchases of goods / services

	<b>As at</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Receivables from related parties</b>		
<u>Affiliated Companies</u>		
- Receivables	163.789	98.717
<u>Non affiliated (outside the Group)</u>		
- Receivables	97.735	40.056
	<b>261.524</b>	<b>138.773</b>
<b>Payables to related parties</b>		
<u>Affiliated Companies</u>		
- Payables	8.622	8.769
<u>Non affiliated (outside the Group)</u>		
- Payables	4.602	6.686
	<b>13.224</b>	<b>15.455</b>
<b>Net balances from related parties</b>	<b>248.300</b>	<b>123.318</b>

Affiliated companies are listed in note 9



The Company has loans amounting to €111.052 as at 31 December 2005 (2004: €77.307) which represent loan balances due to related financial institutions.

All transactions with related parties are done under normal trading and commercial terms

Non affiliated or Governmental organisations include the Hellenic National Defence Force and the Public Power Corporation (Hellas). They are considered related parties due to the shareholding in the Company by the Hellenic State.

Transactions and balances with related parties are in respect of the following:

- a) Parties which are under common control with the Company due to the shareholding and control rights of the Hellenic State:
  - Public Power Corporation Hellas
  - Hellenic Armed Forces
  - Olympic Airways/Airlines
- b) Financial institutions (including subsidiaries) which are under common control with the Company due to the shareholding and control rights of the Hellenic State:
  - National Bank of Greece
  - Agrotiki Bank
  - Commercial Bank of Greece
- c) Joint ventures with other third parties:
  - OMV Aktiengesellschaft
  - Sipetrol
  - Woodside – Repsol – Elpe
- d) Associates of the Company:
  - Athens Airport Fuel Pipeline Company S.A. (EAKAA)
  - Public Gas Corporation of Greece S.A. (DEPA)
  - Volos Pet Industries A.E.
  - Spata Aviation Fuel Company S.A. (SAFCO)
- e) Financial institutions (including subsidiaries) in which substantial interest is owned by parties which hold significant participation in the share capital of the Company.
  - EFG Eurobank
- f) Enterprises in which substantial interest is owned by parties which hold significant participation in the share capital of the Company.
  - Lamda Shipyards
  - Argonautis