

# Q4 and Full – Year 2005 Results



February 21, 2006

Results Conference Call Presentation

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*In particular, the actual results may differ (even materially) from the forecasted ones due to, among other reasons, changes in the financial conditions within Greece, fluctuations in the prices of crude oil and oil products in general, as well as fluctuations in foreign currencies rates, international petrochemicals prices, changes in supply and demand and changes of weather conditions. Consequently, it should be stressed that Hellenic Petroleum do not, and could not reasonably be expected to, provide any representation or guarantee, with respect to the creditworthiness of the forecasts.*

# AGENDA



- **Highlights of Q4 and Full – Year 2005**
- Industry and Macro Environment
- Q4 and Full – Year 2005 Group Financial Results
- Q4 and Full – Year 2005 Results and Update by Segment
- Q & A

## 2005 Q4 AND FULL-YEAR HIGHLIGHTS

### Positive Business Environment

- Q4 refinery margins strong in October but weakening thereafter due to warm winter and high inventory levels
- Q4 crude prices lower than Q3 following the stabilization of the markets after the GoM hurricanes. FY 2005 crude oil and product prices showed significant increases versus 2004, resulting in material inventory gains
- \$/€ exchange rate on average same as last year; 2005 year-end rate leads to loan revaluation
- Slightly declining overall Greek market demand for oil products in 2005

### Strong Operating Results

- Full year Earnings Before Tax of €0.5b (Q4 €112m), and Net Income of €0.3b (Q4 €75m)
- Group ROACE at 13.8% Vs 5.5% (2004 Full year) driven by strong Q4 performance; Adjusted Group ROACE (excluding DEPA & Power Gen) at 15.7% vs. 6.2% in 2004
- Net Debt at €700m with gearing (D/D+E) at 25%, as strong operating cashflow generation is offset by the high oil prices and resulting working capital financing requirements
- Proposed final dividend of €0.28 per share, in addition to the Interim dividend (€0.15), bringing the total to €0.43 per share (of which €0.25 is ordinary)

### Progress on 2005 key business objectives

- Safer operations (LWIF of 3.48 in 2005 compared to 4.75 in 2004)
- Higher market share in a slightly declining Greek wholesale market for oil products
- Improved performance of the Aspropyrgos refinery through yield uplift post 2004 upgrade
- International R&M subsidiaries delivering Net Income of €18.8m Vs €9.1m last year
- HEP's operating expenses in 2005 lower than 2004, delivering "self help" of €15m
- Commencement of commercial operation of the power plant in Thessaloniki at year end, as planned
- Exploration activity in Libya progressing in line with plans and commitments to NOC
- Progress made on FEED for Elefsina refinery upgrade

## Q4 AND FULL – YEAR 2005 GROUP KEY FINANCIALS (IFRS)

	<b>2005</b>	<b>Vs 2004</b>
• Net Proceeds	€6.7 bn	+36%
• EBITDA	€671 m	+80%
• Earnings Before Tax	€495 m	+106%
• Net Income	€334 m	+161%
• Operating Cashflow Measure*	€486 m	+545%
• EPS	€1.09	+161%
• Full-Year Dividend (per share) <i>(Incl. Interim Dividend 0.15€)</i>	€0.43	+65%

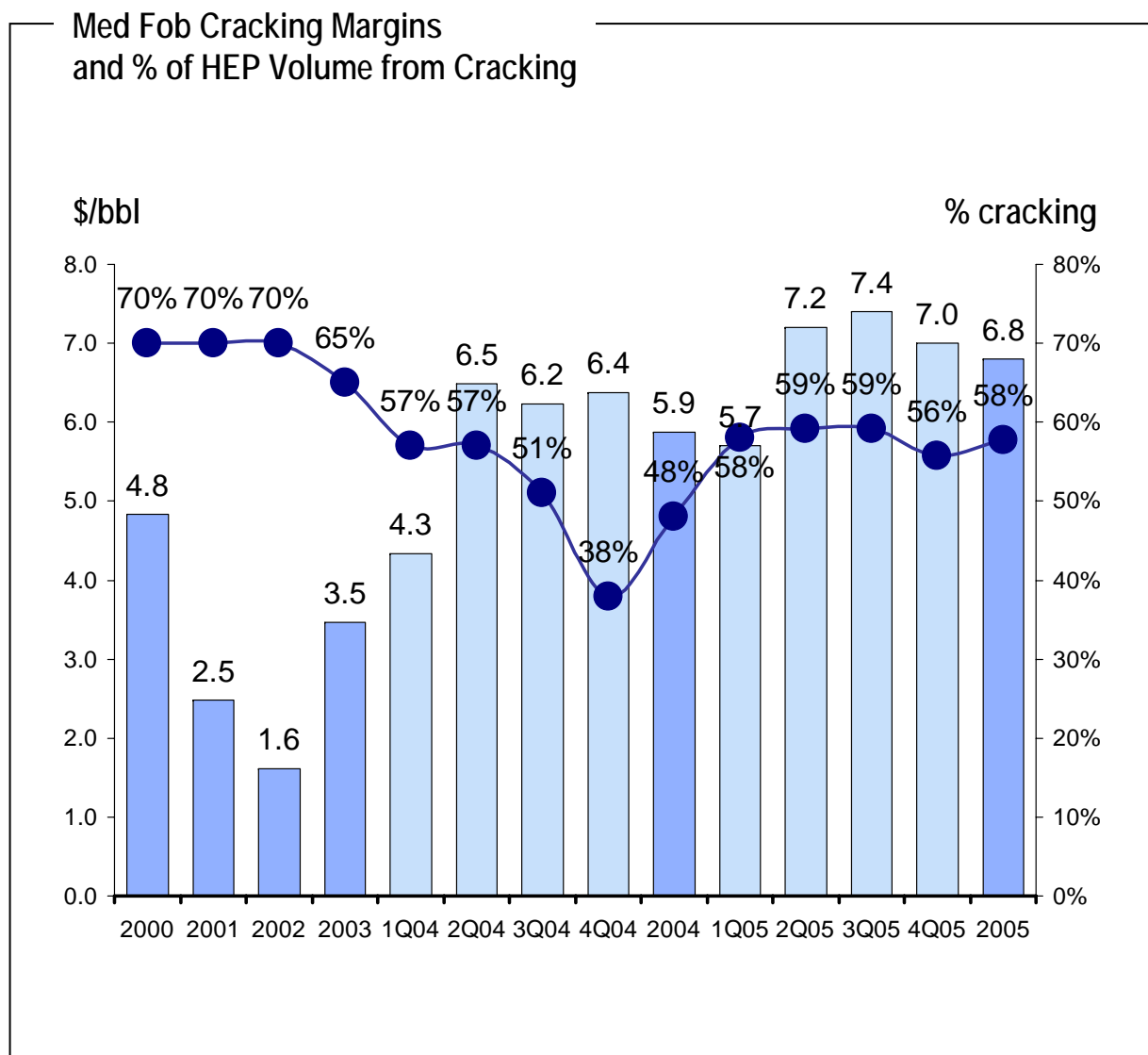
\* Calculated as EBITDA less CAPEX

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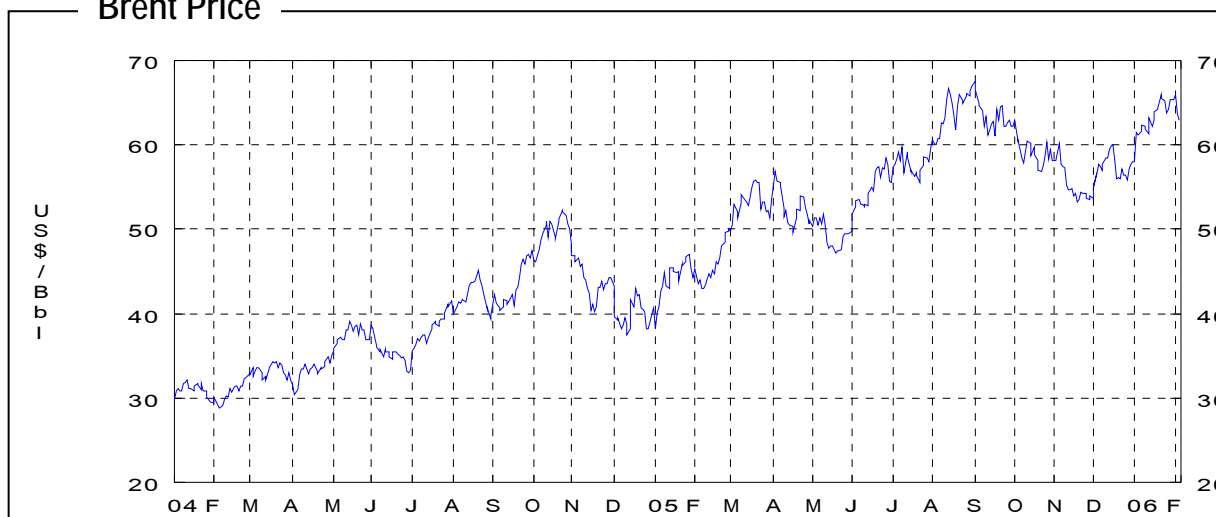
# INDUSTRY AND MACRO ENVIRONMENT – REFINING MARGINS



- Very strong reference cracking refining margins sustained in October, following GoM hurricanes, weakening in November and December  
Average for the year 15% above 2004 levels
- 2005 reference hydroskimming margins higher by 0.43 \$/bbl compared to 2004 but topping margins lower by 0.82 \$/bbl
- 58% of HEP’s Greek refining production dependent on cracking margin during 2005. In 2004, the respective ratio was 48% due to the Aspropyrgos refinery 6 – week turnaround

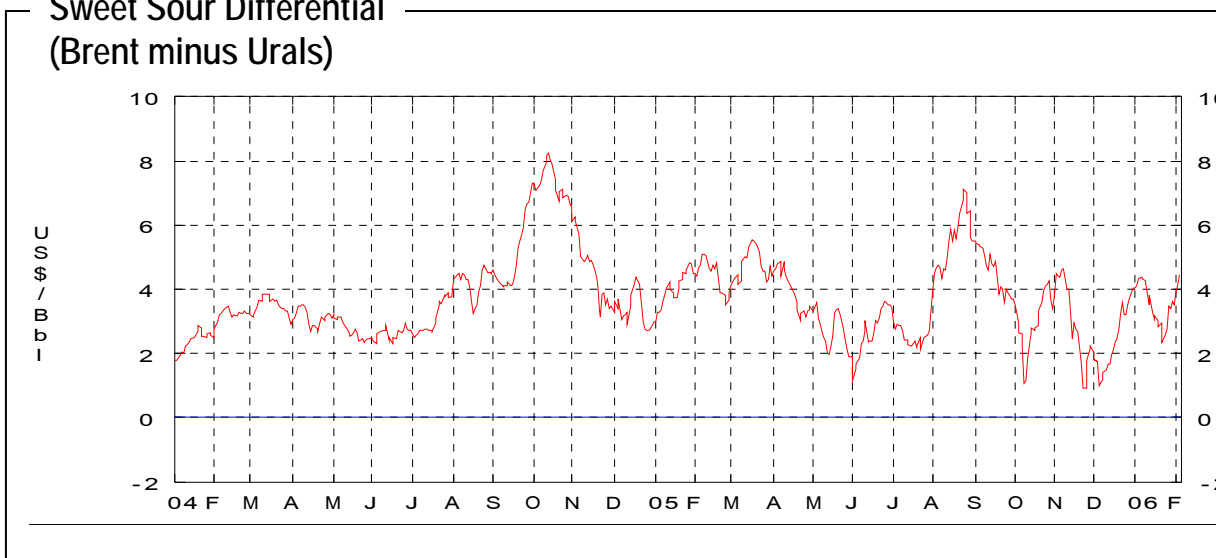
# INDUSTRY AND MACRO ENVIRONMENT – CRUDE PRICES

## Brent Price



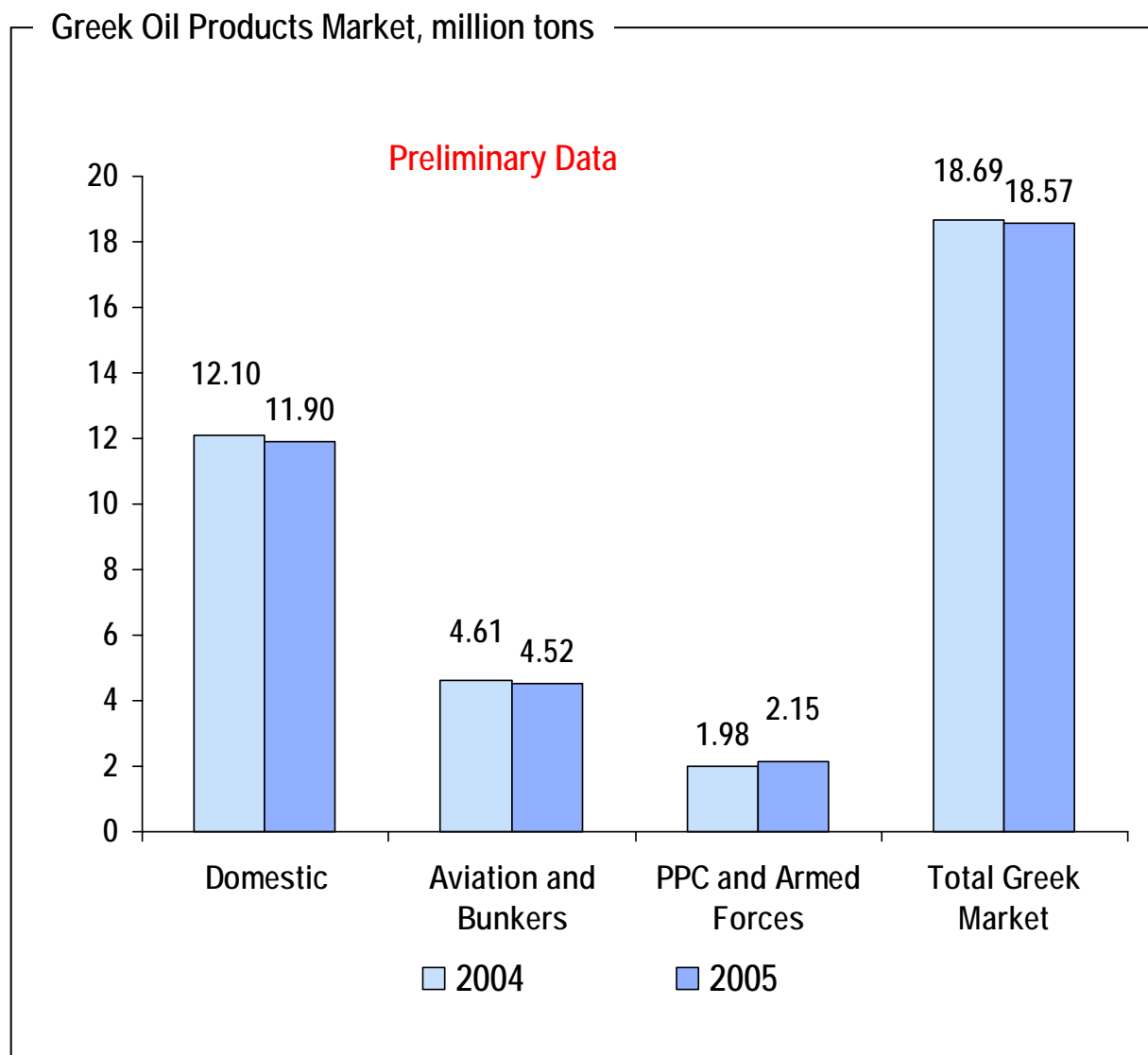
- Increasing oil prices during the 2005, with positive impact on profitability and significant inventory gains

## Sweet Sour Differential (Brent minus Urals)



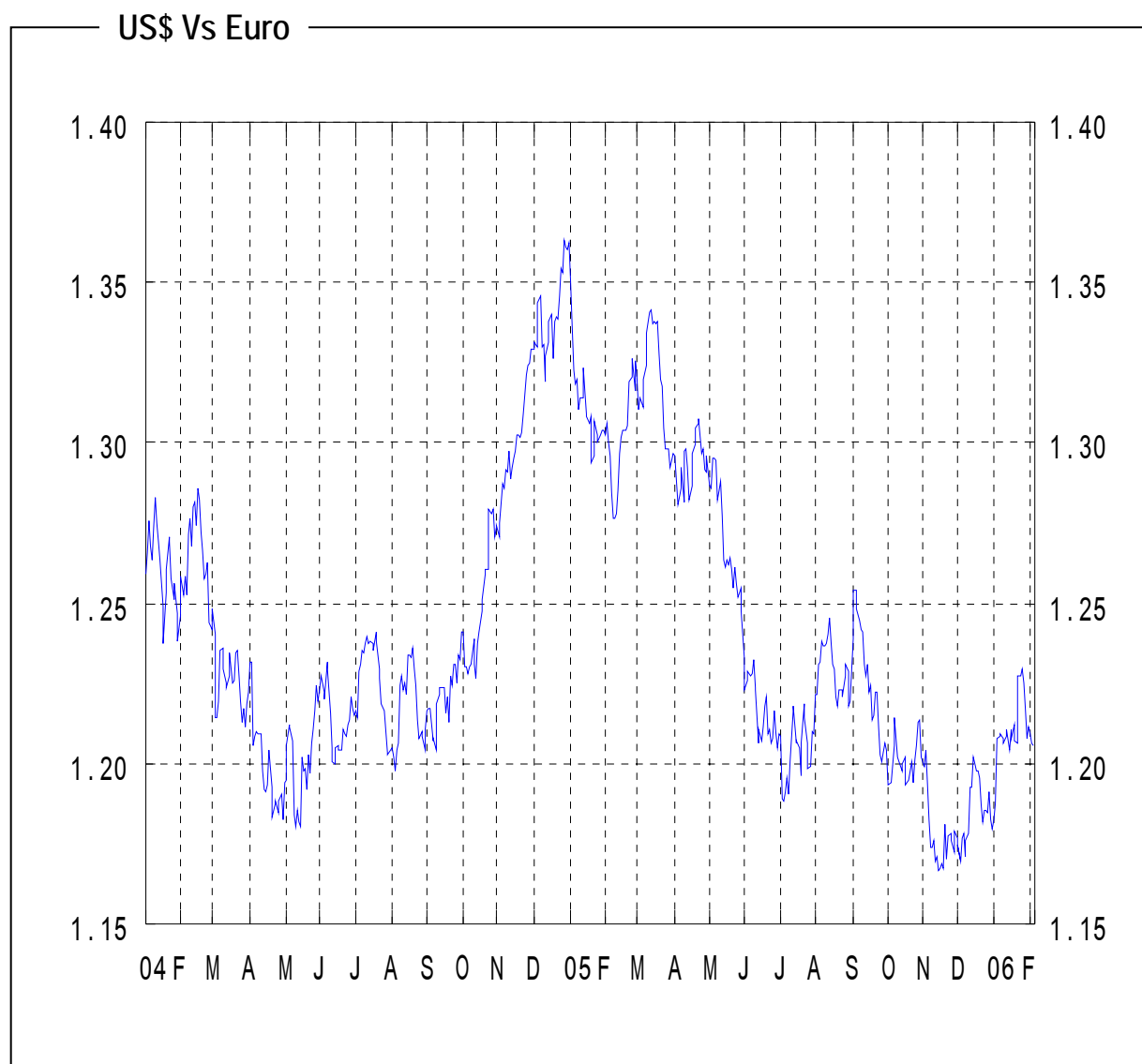
- Wide sweet - sour crude differential enhancing Hellenic Petroleum refineries' financial performance. Average 2004 and 2005 levels for Brent to Urals differential roughly at the same levels (3.7 \$/bbl)

# INDUSTRY AND MACRO ENVIRONMENT – GREEK WHOLESALE MARKET



- The total Greek wholesale market in 2005 was down 0.6% compared to 2004, mainly due to lower demand for asphalt (-143 KT) and lower demand for bunker fuels (-110 KT)
- The domestic market in 2005 was down 0.2% compared to 2004, with gasoline higher by 1.4%, and automotive diesel marginally higher by 0.2%
- Jet increased by 2.8% in 2005 while bunkers decreased by 3.0%

# INDUSTRY AND MACRO ENVIRONMENT – FOREIGN EXCHANGE



- 2005 average €/ \$ rate at 1.25, at similar levels to average 2004
- 31 December \$ appreciation (€/ \$ at 1.18) resulted in revaluation of \$ denominated loans and a negative impact on results close to €18m

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## Q4 AND FULL – YEAR 2005 FINANCIAL HIGHLIGHTS

- A record year with **€0.5 bn EBT** and **Net Income of €334 million**
- Higher than historic mid-cycle margins with exceptional performance for complex cracking refineries and significant inventory gains of over €200 m further boosted **Refining and Supply & Trading** results
- **Tight operating cost control** in Hellenic Petroleum SA delivered annual “self help” estimated at €15m. HEP’s operating expenses in 2005 lower than the previous year’s for the first time in the history of the company
- **Domestic retail** results lag 2004 performance due to lower average realized Marketing margins following aggressive pricing aimed at maintaining retail market share
- **International R&M subsidiaries deliver Net Income double** of that of 2004 on the back of a positive environment, network expansion and turnaround efforts
- **Strong balance sheet** with low gearing of 25% (D/D+E) and strong operating cashflow generation offset by high working capital financing requirements
- **ROACE at 13.8%** (vs. 5.5% in 2004). Adjusted ROACE (excluding DEPA and ENTHES) for 2005 at 15.7% (vs. 6.2% for 2004)
- **ROE 15.5%** in 2005 against 6.9% in 2004
- **Increased dividend** of €0.43 per share (+65% versus 2004), corresponding to 40% payout ratio

## Q4 AND FULL-YEAR 2005 FINANCIAL RESULTS GROUP KEY PROFIT AND LOSS FINANCIALS

Q4			IFRS €M	FULL YEAR		
2004	2005	Δ%		2004	2005	Δ%
1.450	1.995	38%	NET SALES	4.907	6.653	36%
38	150	299%	EBITDA	372	671	80%
-14	115	-	OPERATING RESULTS	211	526	149%
14	112	673%	EARNINGS BEFORE TAX	240	495	106%
1	75	-	NET INCOME AFTER TAX & MI	128	334	161%
			KEY RATIOS			
0,00	0,25	-	NET EARNINGS PER SHARE (€/ SHARE)	0,42	1,09	161%
-	-	-	ROACE %	5,5%	13,8%	-

## Q4 AND FULL-YEAR 2005 FINANCIAL RESULTS

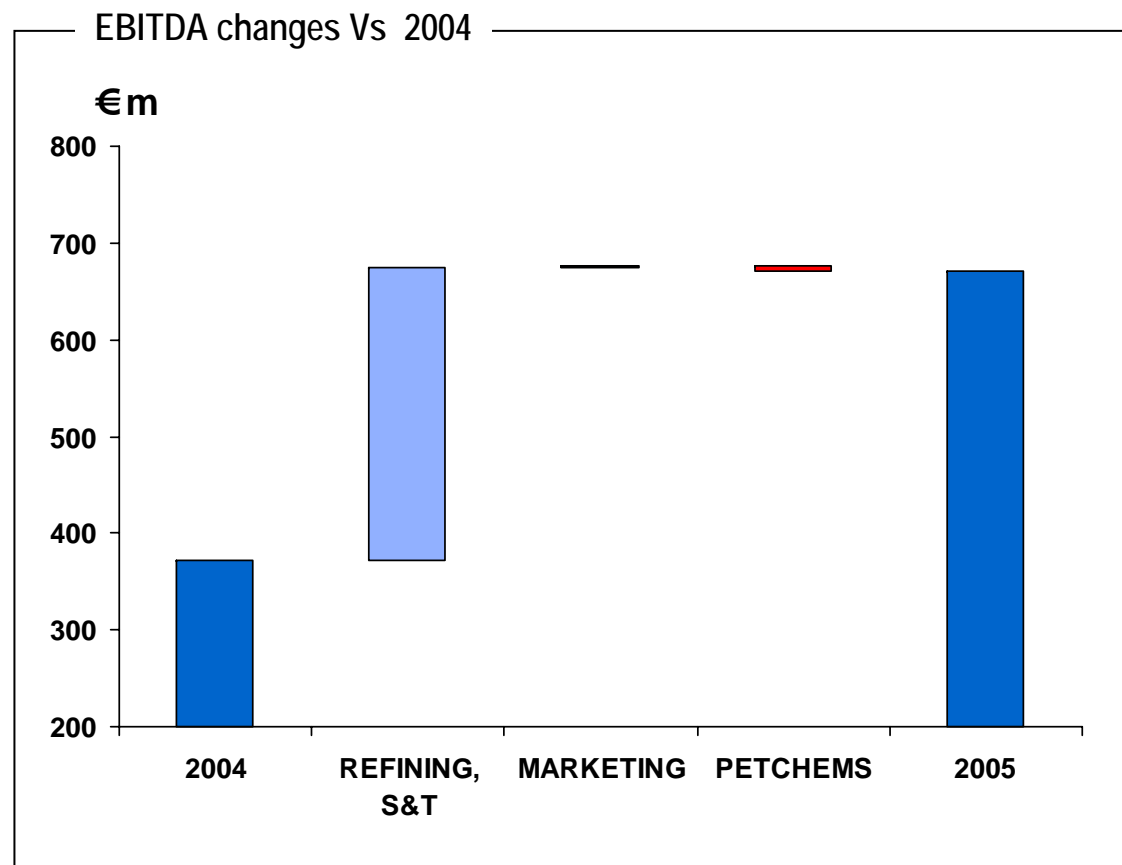
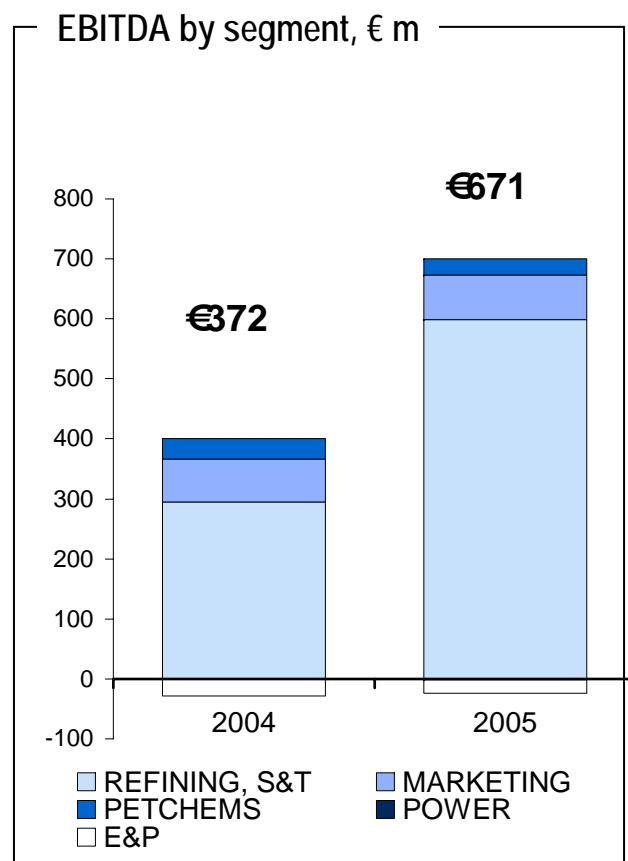
### GROUP KEY BALANCE SHEET, CASHFLOW INDICATORS

Q4			BALANCE SHEET & CASHFLOW			FULL YEAR			
2004	2005	Δ%	IFRS			2004	2005	Δ%	
			€M						
-	-	-	<b>CAPITAL EMPLOYED</b>			2.336	<b>2.956</b>	<b>27%</b>	
114	<b>48</b>	<b>-58%</b>	<b>CAPITAL EXPENDITURE</b>			297	<b>185</b>	<b>-38%</b>	
-76	<b>102</b>	-	<b>OPERATING CASH FLOW MEASURE (1)</b>			75	<b>486</b>	<b>545%</b>	
260	<b>12</b>	<b>-95%</b>	<b>FREE CASH FLOW</b>			-171	<b>-314</b>	<b>84%</b>	
-	-	-	<b>NET DEBT</b>			386	<b>700</b>	<b>81%</b>	
			KEY RATIOS						
-	-	-	<b>DEBT / (DEBT + EQUITY) RATIO</b>			17%	<b>25%</b>	-	
302%	<b>32%</b>	<b>-89%</b>	<b>CAPEX AS % OF EBITDA</b>			44%	<b>28%</b>	-	

(1) Calculated as EBITDA less Capex

# Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

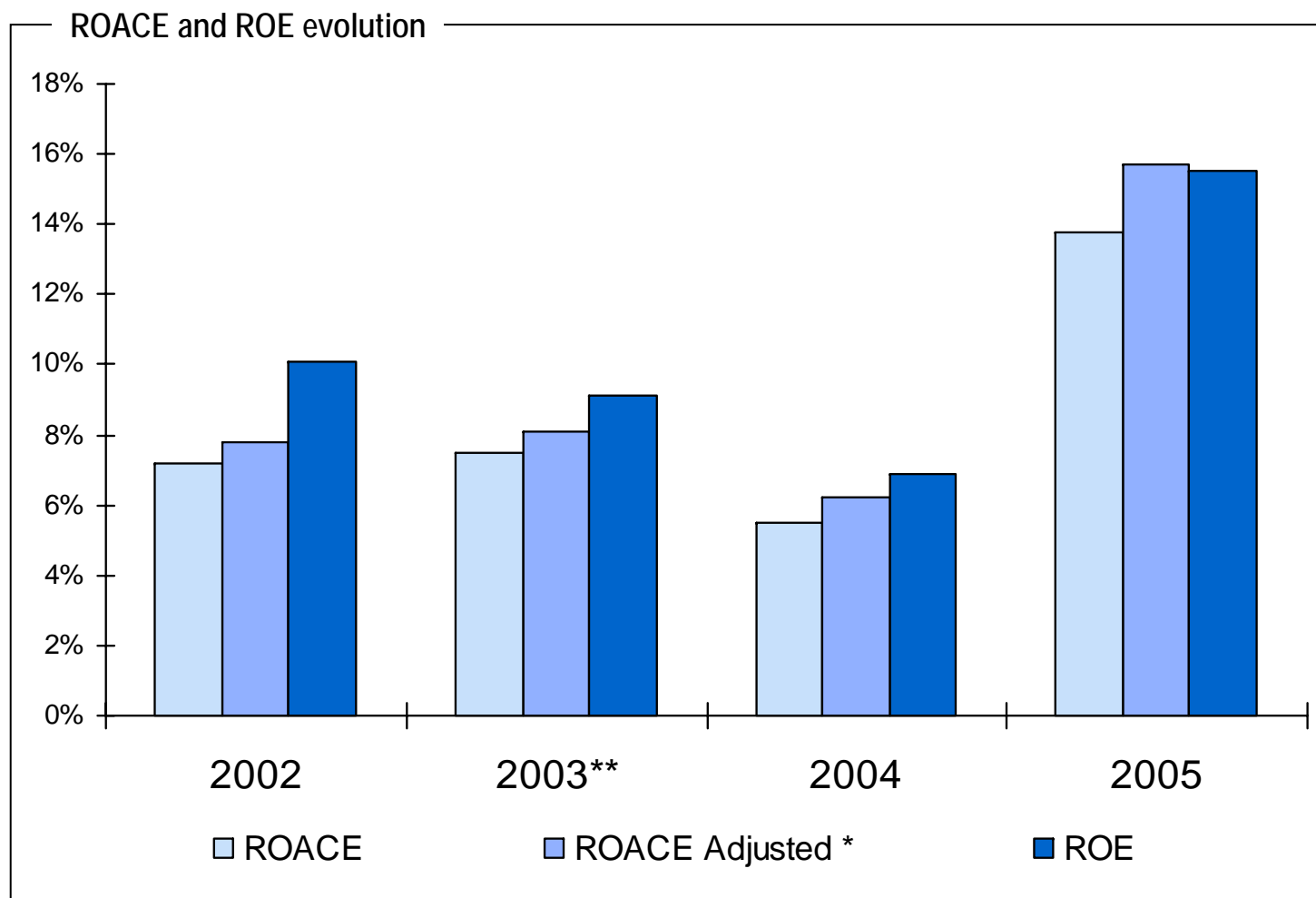
## EBITDA BY SEGMENT AND CHANGES FROM LAST YEAR



**Refining Sector comprises close to 90% of Group EBITDA**

# Q4 AND FULL –YEAR 2005 FINANCIAL RESULTS

## ROACE AND ROE EVOLUTION



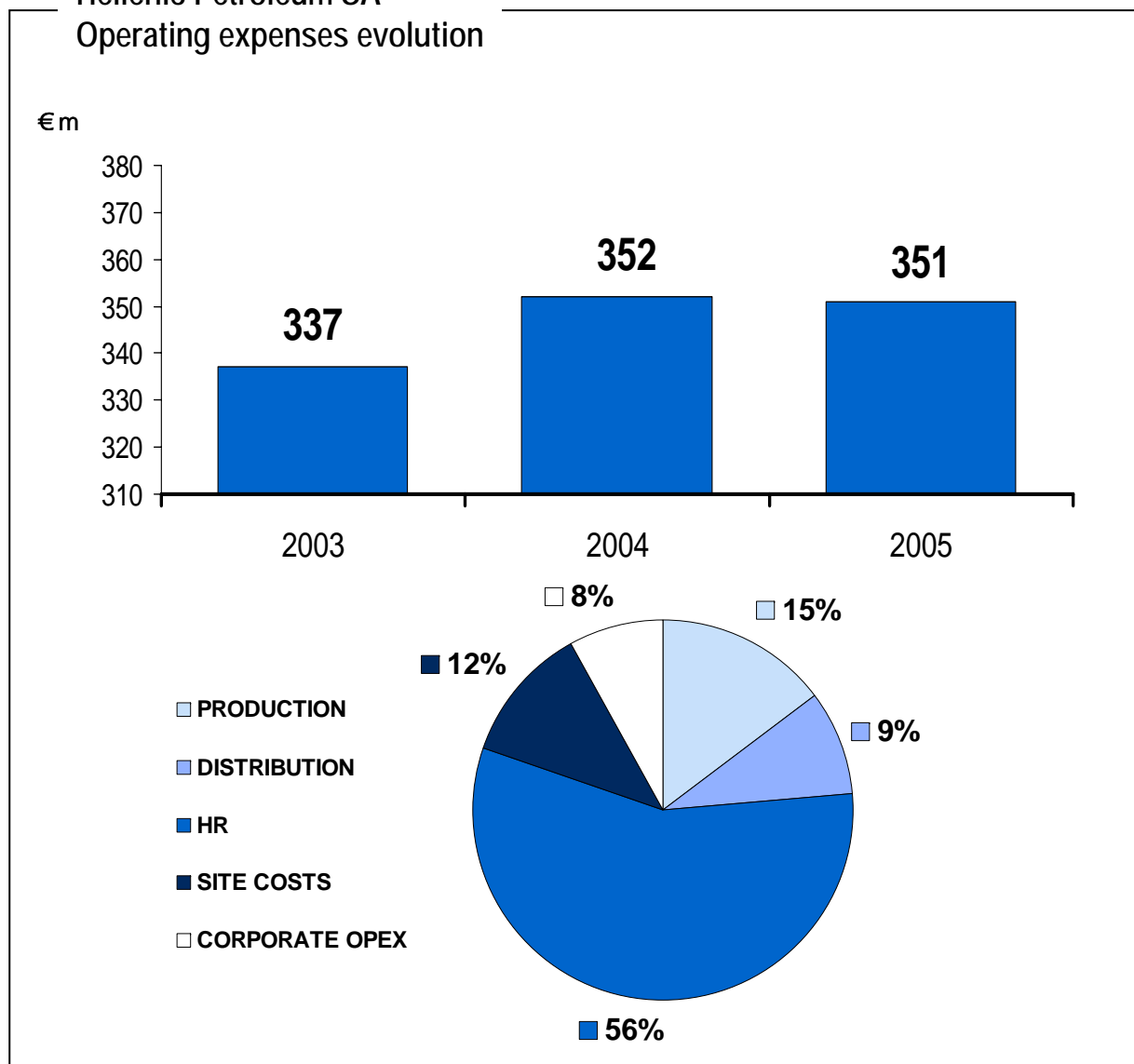
*\*Adjusted to exclude capital employed in DEPA and ENTHE for all years*

*\*\* Excluding DEPA option and consolidating Petrola for the full year in 2003*

# Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

## OPERATING COST BASE EVOLUTION

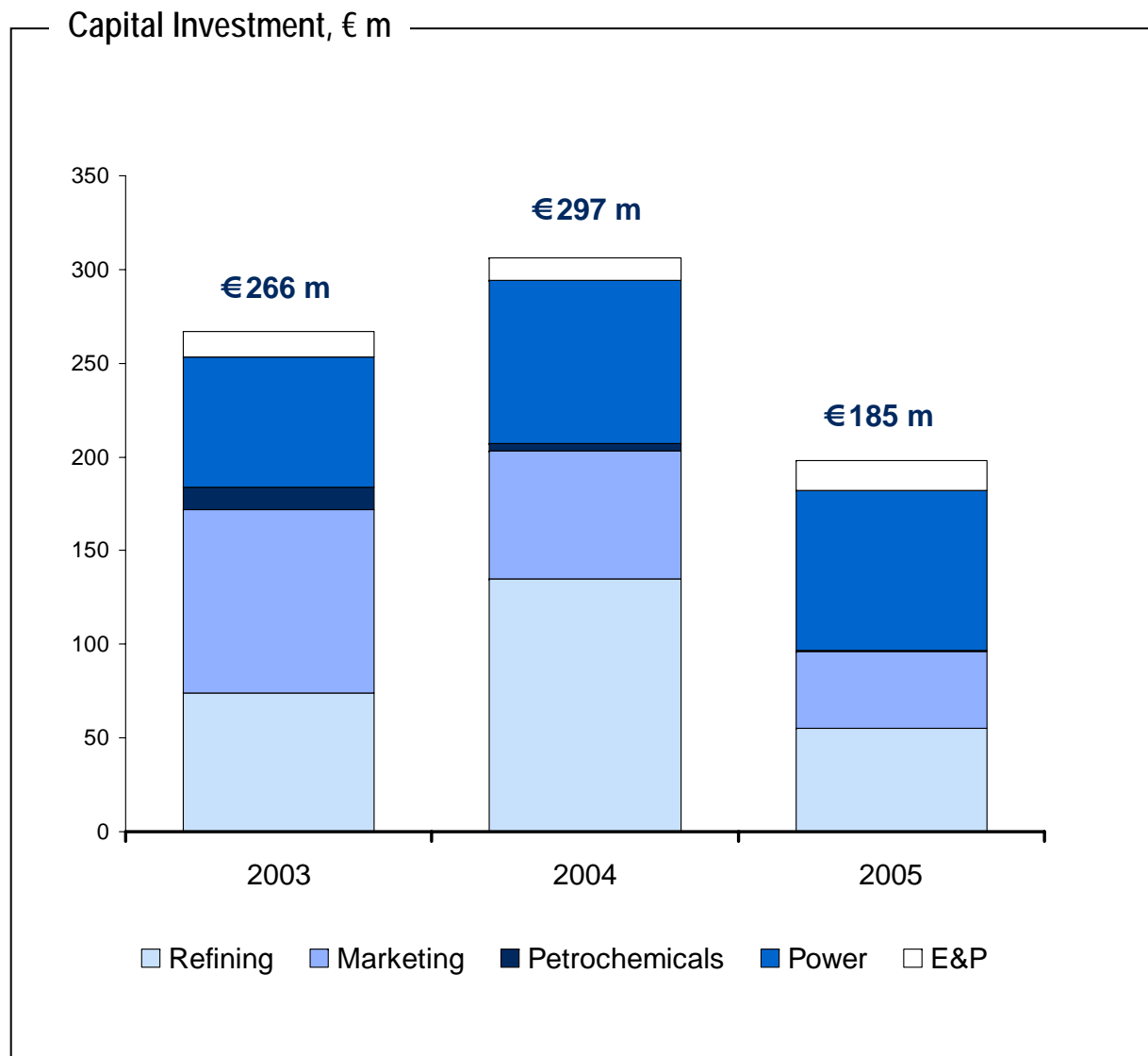
Hellenic Petroleum SA  
Operating expenses evolution



- Full-year Hellenic Petroleum SA budget aimed at flat operating costs
- Actual performance of €351m in line with budget confirms management commitment to controlling and ultimately managing cost base
- Delivered “self help” of €15m versus “business as usual” opex cost base growth

## Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

### CAPITAL INVESTMENT



- Full – year capex of €185m with investment criteria on value creation strictly applied. Key capital investment projects during 2005:

#### Power

- Completion of the construction of 390 MW power plant accounting for almost 50% of the total

#### Refining

- Mainly minor “maintenance” and product compliance projects
- FEED for Hydrocracker/Coker upgrade awarded

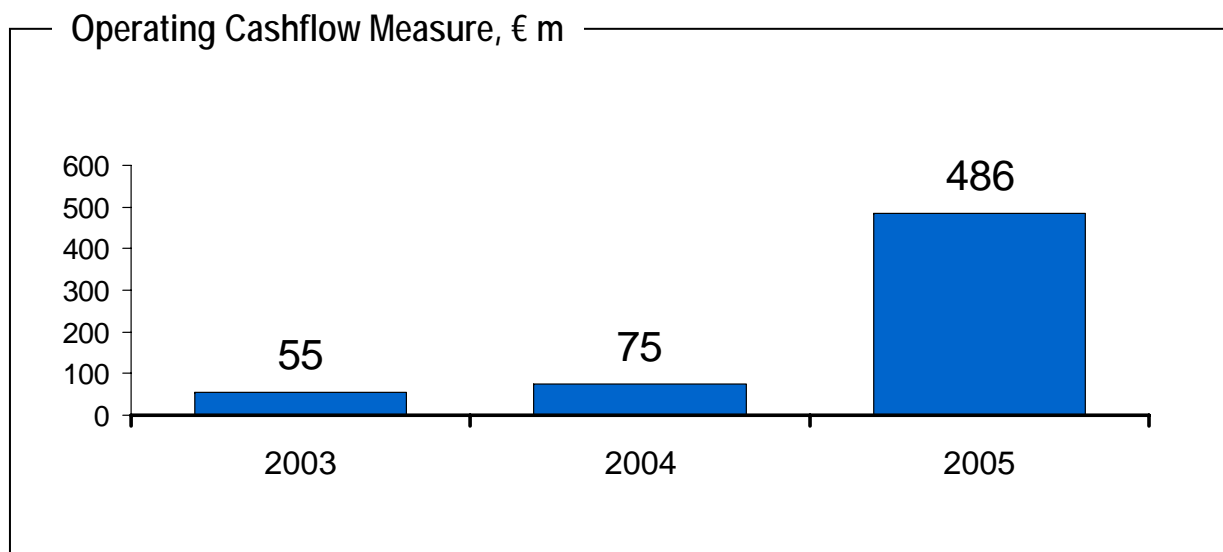
#### Marketing

- Key Greek market project is the creation of “Calypso” company owned retail stations
- International capital investment for expansion of service stations networks mainly in Serbia and Bulgaria

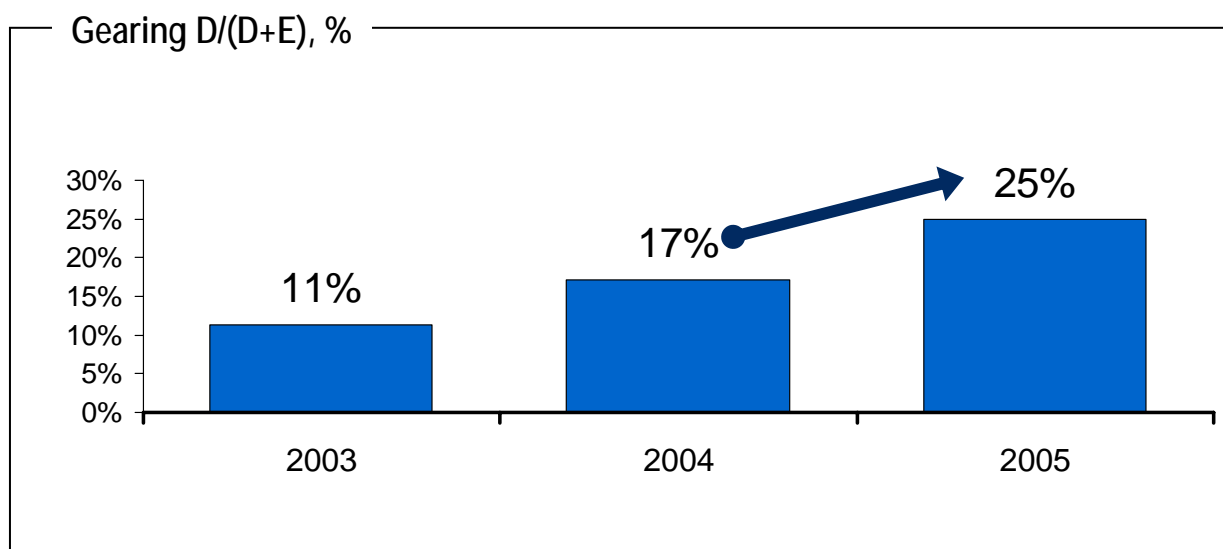
*Total CAPEX numbers do not include E&P investment which is expensed*

## Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

### CASHFLOW AND GEARING



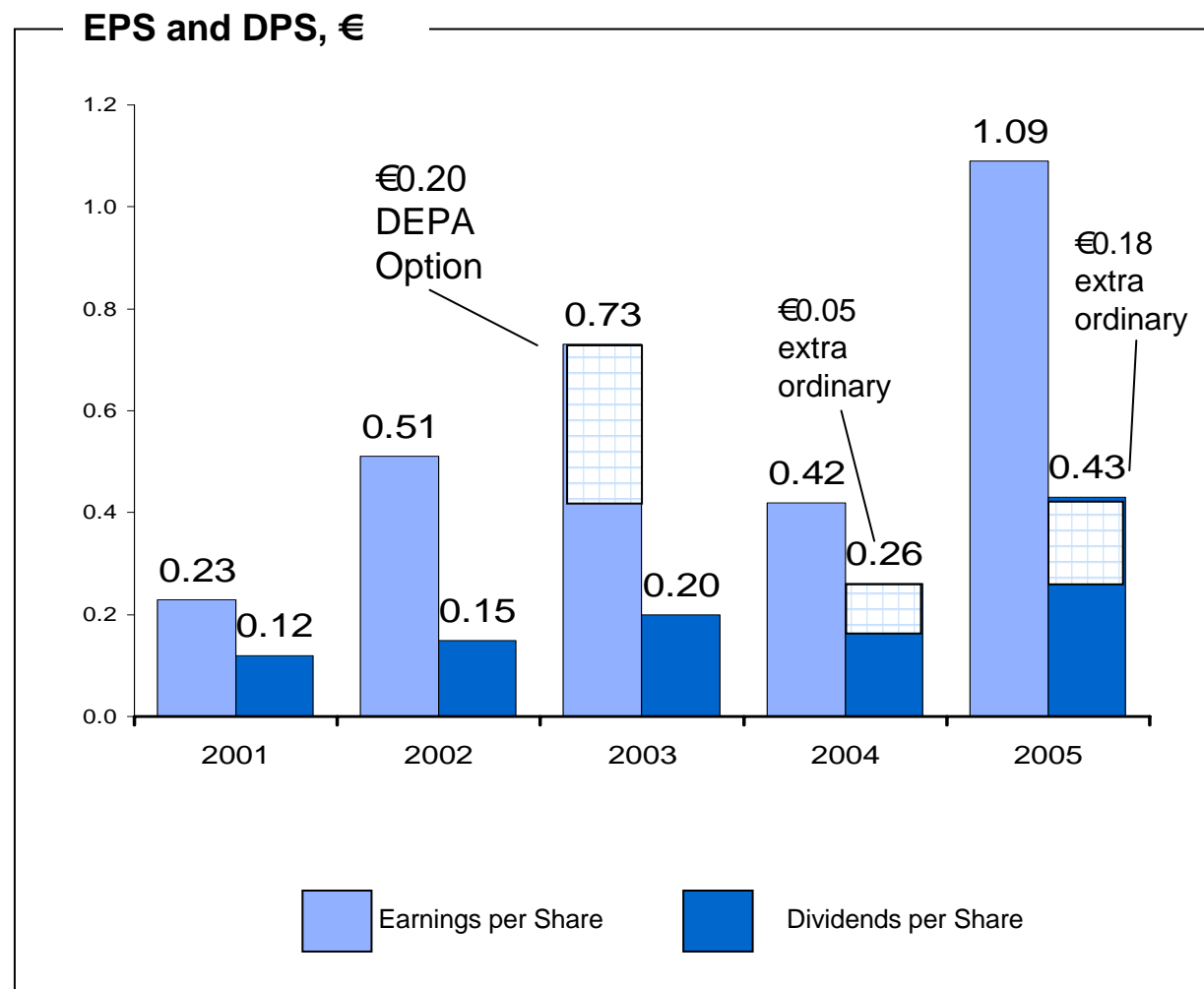
- High operating cashflow due to strong EBITDA and tight CAPEX control
- However, higher working capital requirements driven by high crude oil and oil products prices fully absorb cash generated from operations



- Net Debt at € 700m, up from € 386 m at the end of 2004 but down by € 13m from Q3
- Gearing ratio (D/(D+E)) at 25%, within 20-30% target band despite the high working capital requirements

## Q4 AND FULL – YEAR 2005 RESULTS

### DIVIDEND POLICY



- The December 2005 EGM approved an interim dividend of €0.15 per share
- Board recommendation to the AGM for total dividend of €0.43 per share (including the interim payment of €0.15 per share):
  - Ordinary: €0.25 per share
  - Extraordinary: €0.18 per share
- Dividend payout at 40% and dividend yield of:
  - 3.6% (based on 31/12/2005 share price)
  - 3.5% (based on 20/2/2006 share price)

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## Q4 AND FULL – YEAR 2005 KEY FINANCIAL RESULTS BY SEGMENT

€M	FULL YEAR 2005						TOTAL
	REFINING S&T	MARKETING	PETCHEMS	GAS & POWER	OTHERS	INTER- SEGMENT	
NET SALES	6.426,2	2.019,2	301,1	1,1	15,1	-2.109,6	6.653,1
EBITDA	598,7	73,7	26,6	-0,7	-23,3	-4,3	670,7
<b>OPERATING RESULTS</b>	<b>501,7</b>	<b>46,2</b>	<b>9,9</b>	<b>-0,7</b>	<b>-26,3</b>	<b>-4,3</b>	<b>526,4</b>
CAPITAL EXPENDITURE	55,4	41,1	0,6	87,9	0,0	0,0	185,0
<b>OPERATING CASHFLOW MEASURE</b>	<b>543,3</b>	<b>32,6</b>	<b>26,0</b>	<b>-88,6</b>	<b>-23,3</b>	<b>-4,3</b>	<b>485,7</b>

€M	CHANGES 2005 -2004						TOTAL
	REFINING S&T	MARKETING	PETCHEMS	GAS & POWER	OTHERS	INTER- SEGMENT	
NET SALES	1.896,3	493,5	31,5	1,1	-3,3	-673,3	1.745,8
EBITDA	303,3	1,6	-6,2	-0,7	5,1	-4,3	298,7
<b>OPERATING RESULTS</b>	<b>287,4</b>	<b>6,9</b>	<b>-4,5</b>	<b>-0,7</b>	<b>-3,3</b>	<b>29,7</b>	<b>315,4</b>
CAPITAL EXPENDITURE	-81,9	-27,4	0,6	1,2	-4,2	0,0	-111,7
<b>OPERATING CASHFLOW MEASURE</b>	<b>385,2</b>	<b>29,0</b>	<b>-6,8</b>	<b>-1,9</b>	<b>9,3</b>	<b>-4,3</b>	<b>410,4</b>

### PERCENTAGE CONTRIBUTION OF EACH BUSINESS SEGMENT

	FULL YEAR 2005						TOTAL
	REFINING S&T	MARKETING	PETCHEMS	GAS & POWER	OTHERS	INTER- SEGMENT	
NET SALES	97%	30%	5%	0%	0%	-32%	100%
EBITDA	89%	11%	4%	0%	-3%	-1%	100%
<b>OPERATING RESULTS</b>	<b>95%</b>	<b>9%</b>	<b>2%</b>	<b>0%</b>	<b>-5%</b>	<b>-1%</b>	<b>100%</b>
CAPITAL EXPENDITURE	30%	22%	0%	48%	0%	0%	100%
<b>OPERATING CASHFLOW MEASURE</b>	<b>112%</b>	<b>7%</b>	<b>5%</b>	<b>-18%</b>	<b>-5%</b>	<b>-1%</b>	<b>100%</b>

# Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

## REFINING AND SUPPLY & TRADING

Q4			IFRS	FULL YEAR		
2004	2005	Δ%		2004	2005	Δ%
4.505	<b>4.464</b>	-1%	€M	16.603	<b>16.503</b>	-1%
1.349	<b>1.930</b>	43%	<b>SALES VOLUME - KT</b>	4.530	<b>6.426</b>	42%
17	<b>134</b>	679%	NET SALES	295	<b>599</b>	103%
10	<b>110</b>	1027%	EBITDA	214	<b>502</b>	134%
73	<b>23</b>	-69%	OPERATING RESULTS	137	<b>55</b>	-60%
-56	<b>111</b>	-298%	CAPITAL EXPENDITURE	158	<b>543</b>	244%
44,7	<b>57,8</b>	29%	OPERATING CASH FLOW MEASURE	38,0	<b>55,1</b>	45%
6,41	<b>7,00</b>	9%	AVERAGE BRENT CRUDE PRICE - \$/bbl	5,88	<b>6,83</b>	16%
1,30	<b>1,19</b>	-8%	AVERAGE REFINERY MARGIN (FOB MED COMPLEX 50/50 \$/bbl)	1,24	<b>1,25</b>	1%
4.265	<b>4.167</b>	-2%	AVERAGE EURO / DOLLAR RATE (€1 =)	15.808	<b>15.545</b>	-2%
7	<b>120</b>	1560%	<b>DOMESTIC</b>	271	<b>566</b>	108%
1	<b>98</b>	7472%	VOLUME - KT	197	<b>476</b>	141%
240	<b>297</b>	24%	EBITDA	795	<b>958</b>	21%
10	<b>14</b>	43%	OPERATING RESULTS	24	<b>33</b>	38%
9	<b>12</b>	41%	<b>INTERNATIONAL</b>	17	<b>26</b>	51%
			VOLUME - KT			
			EBITDA			
			OPERATING RESULTS			

### Sales Volume

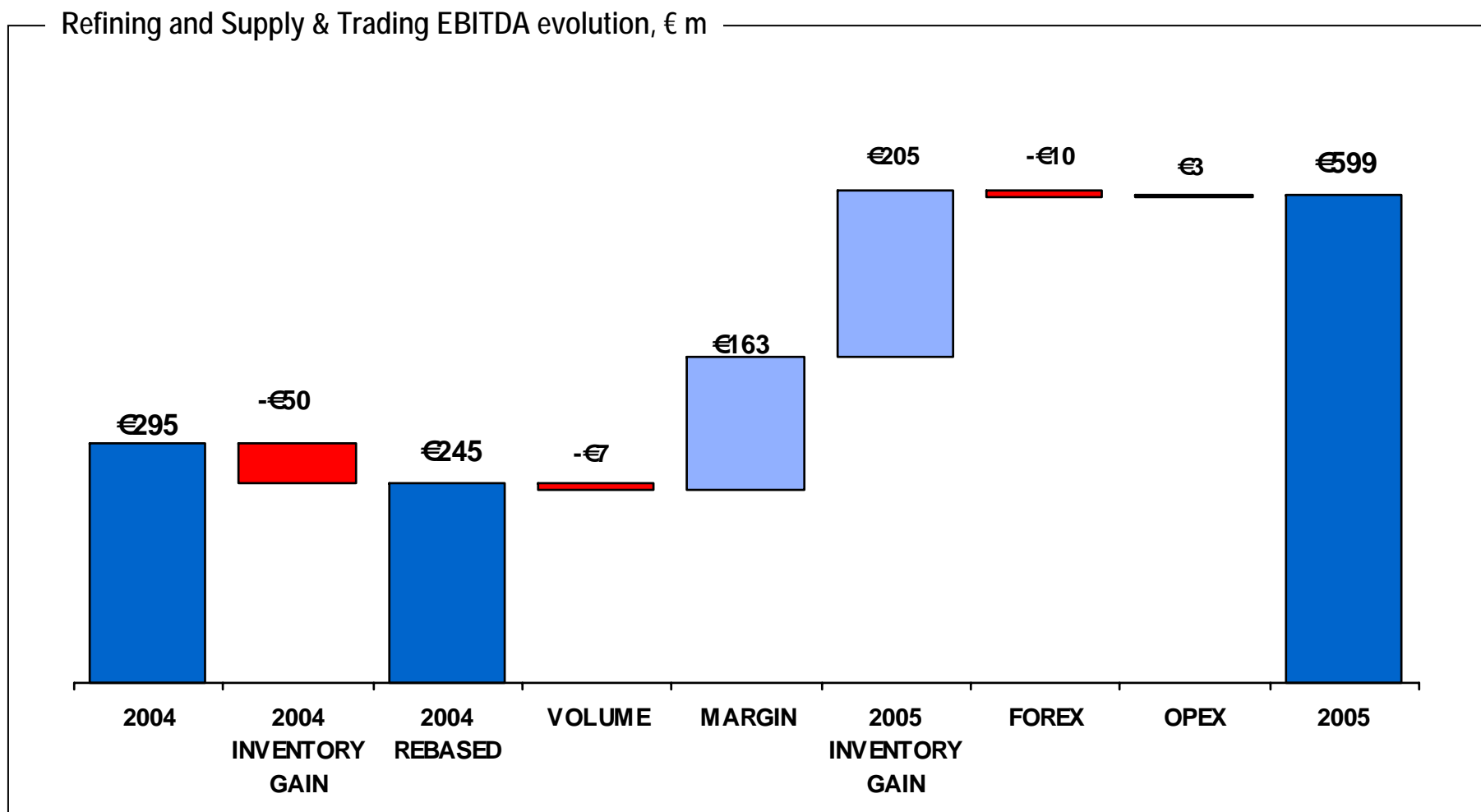
- Marginal share gains in slightly declining Greek wholesale market
- Q4 sales volume down by 1% in line with full year average
- OKTA full year sales volume up by 21% vs. last year

### Margins

- Q4 margins lower than Q3 and but still at levels higher than last year
- Increasing oil prices during the year lead to significant positive impact on results (inventory gain)
- Aspropyrgos yield uplift, as part of the 2004 upgrade, fully exploited in high-margin environment
- Used large terminal facilities for a series of provisionally – priced contango deals. These ensure not only improved realized margins but also reduce price volatility exposure

# Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

## REFINING AND SUPPLY & TRADING EBITDA EVOLUTION



*Note: Margin impact also includes yield improvement, product mix and synergies*

# Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

## MARKETING

Q4			IFRS €M	FULL YEAR		
2004	2005	Δ%		2004	2005	Δ%
1.232	1.243	1%	<b>SALES VOLUME - KT</b>	4.783	4.713	-1%
420	584	39%	(1) <b>NET SALES</b>	1.526	2.019	32%
23	12	-49%	<b>EBITDA</b>	72	74	2%
12	5	-62%	<b>OPERATING RESULTS</b>	39	46	18%
26	12	-53%	<b>CAPITAL EXPENDITURE</b>	69	41	-40%
-3	-1	-84%	<b>OPERATING CASH FLOW MEASURE</b>	4	33	805%
			<b>GREEK MARKET</b>			
1.068	1.096	3%	<b>VOLUME</b>	4.064	3.964	-2%
15	8	-47%	<b>EBITDA</b>	58	52	-10%
17	7	-59%	<b>CAPEX</b>	36	23	-36%
			<b>INTERNATIONAL</b>			
164	147	-10%	<b>VOLUME</b>	719	749	4%
8	4	-53%	<b>EBITDA</b>	14	22	54%
9	5	-55%	<b>CAPEX</b>	33	18	-44%

(1) Net sales excluding any sales and consumption taxes

### Greece

- Leading position in domestic market maintained with marginal market share gains in gasoline and diesel
- Overall weaker than expected results due to lower volumes, high costs and margin pressure, especially in Q4

### International

- Improved performance in most international subsidiaries, with volume and margin gains
- Balkans results in line with operating plans, following significant re-organization at head office and local level and retail expansion in Serbia and Bulgaria
- HEP Cyprus performance substantially improved, with Net Income of €12.2m

# Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

## PETROCHEMICALS

Q4			IFRS	FULL YEAR		
2004	2005	Δ%		2004	2005	Δ%
			€M			
92	99	8%	SALES VOLUME - KT	393	383	-3%
70	84	20%	NET SALES	270	301	12%
10	7	-33%	EBITDA	33	27	-19%
4	3	-18%	OPERATING RESULTS	14	10	-32%
2	0	N/A	CAPITAL EXPENDITURE	4	1	-86%
9	7	-21%	OPERATING CASH FLOW MEASURE	29	26	-9%
			<u>INTERNATIONAL PROFIT MARGINS (€/ T)</u>			
281,0	259,0	-8%	POLYPROPYLENE	241,0	254,0	5%
107,0	113,0	6%	PVC	109,0	78,0	-28%

- Sales in Q4 up by 8%, mainly due to higher PP sales.
- Full – year volumes affected by:
  - Continuation of weak market conditions of PVC
  - Unscheduled 3-week downtime for PP plant due to mechanical failure
- Full-year EBITDA and operating profits down as a result of lower PVC volumes and margins and once off bad debt provisions
- Positive on a cashflow basis as no new capital investments initiated

## Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS

### EXPLORATION & PRODUCTION

Group activities in E&P relate to exploration phase, with investments in 2005 of €14m. These are recorded as an expense in line with industry practices

- **Asset base and projects status**

- **Libya:** A JV of Woodside (45%, operator ) Repsol (35%) and HEP(20%) continued exploration activity (seismic acquisition and interpretation) in 6 blocks in Sirte and Murzuk basins, and evaluation of Atshan gas field, in line with plans and commitments to NOC. 2006 drilling program underway (6 wells planned)
  - **Albania:** A JV of OMV (51%, operator) and HEP (49%) carried out Kanina-1 well tests on zones with oil shows. Re-evaluation of all exploration data still ongoing.
  - **Montenegro:** Negotiations with Ramco for farm out have been concluded with HEP having acquired additional working interest of 40% of Ulcinji and 51% of Prevlaka areas. Local legal framework still to be revised to make it more attractive for exploration.
- **New business:** Investigating opportunities in North Africa and Middle East
    - **Egypt:** Submitted bid in EGPC exploration round for two blocks (February 2006). In advanced negotiations to acquire working interest in mature exploration block.

## **Q4 AND FULL – YEAR 2005 FINANCIAL RESULTS GAS & POWER**

### **POWER**

- Commercial operation of the 390MW power plant in Thessaloniki on 24/12/2005 following successful start up and testing
- Plant operations managed by RWE nPower (O&M contractor)
- Key issues include:
  - Gas supply framework, including tariffs and network codes, still under formulation by RAE and Ministry of Development
  - Power pool price (SMP) mechanism, with CO2 costs still not fully reflected in SMP
  - Power Availability Certificates still not set by RAE and Ministry of Development
- Power trading through imports at the North Interconnection and exports to Italy under way in 2006 after HEP secured capacity rights in interconnectors
- Award of power supply license to Hellenic Petroleum enables direct marketing of electricity to eligible customers

### **NATURAL GAS**

- Improved performance of DEPA, with Net Income from Associates of €3.5m in 2005 versus -€2.5 in 2004

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