

Q4 and Full Year 2004 Results and Strategy Update



**HELLENIC
PETROLEUM**

22 February 2005

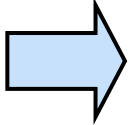
Results Conference Call Presentation

DISCLAIMER

Hellenic Petroleum do not in general publish forecasts regarding their future financial results. The financial forecasts contained in this document are based on a series of assumptions, which are subject to the occurrence of events that can neither be reasonably foreseen by Hellenic Petroleum, nor are within Hellenic Petroleum's control. The said forecasts represent management's estimates, and should be treated as mere estimates. There is no certainty that the actual financial results of Hellenic Petroleum will be in line with the forecasted ones.

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



- **Key Highlights of 2004**

- Industry and Macro Environment
- 2004 Financial Results
- Update on Strategy
- Q & A

2004 KEY HIGHLIGHTS

Marginally Positive Business Environment

- Increased Med cracking refinery margins, but slightly lower topping and hydroskimming margins
- Record levels for sweet - sour crude price differential, positively affecting profitability
- Weaker \$ versus € with negative impact on refining gross margin
- Increased and volatile oil prices resulting in higher working capital needs and year end stock devaluation

Strong Operating Results

- Strong operating results despite €30m stock devaluation at year end
- Earnings before tax of €240m, higher than last year (excluding DEPA option) despite impairment provisions of €28m taken in 2004
- Proposed dividends – including extra ordinary - of €0.26 per share reflecting a 30% increase compared to 2003
- ROACE of 6.2% (at statutory tax rate); 60% of portfolio has ROACE higher than 10%

Successful Post Merger Integration and Synergies Realization

- Post merger integration effort leading to full realization of synergies in 2004
- Domestic market share maintained at higher than projected levels

Positioned for Growth in 2005

- Major Aspropyrgos turn-around and upgrade completed successfully resulting into improved performance
- Strategy review and identification of key investment priorities
- New management structure in place and business processes strengthened
- Planned 2005 Capex of €300m

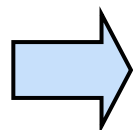
HEP GROUP KEY FINANCIALS (IFRS)

	2004	Vs 2003
• Net Proceeds	4.9 € bn	+7%
• EBITDA*	372 € m	+14%
• Earnings Before Tax*	240 € m	+3%
• Net Income*	128 € m	-21%
• Operating Cashflow Measure**	77 € m	+41%
• EPS*	0.42 €	-21%
• Dividend/share (Incl. extraordinary)	0.26 €	+30%

* Adjusted for DEPA option income in 2003 and Petrola merger

** Calculated as EBITDA less CAPEX

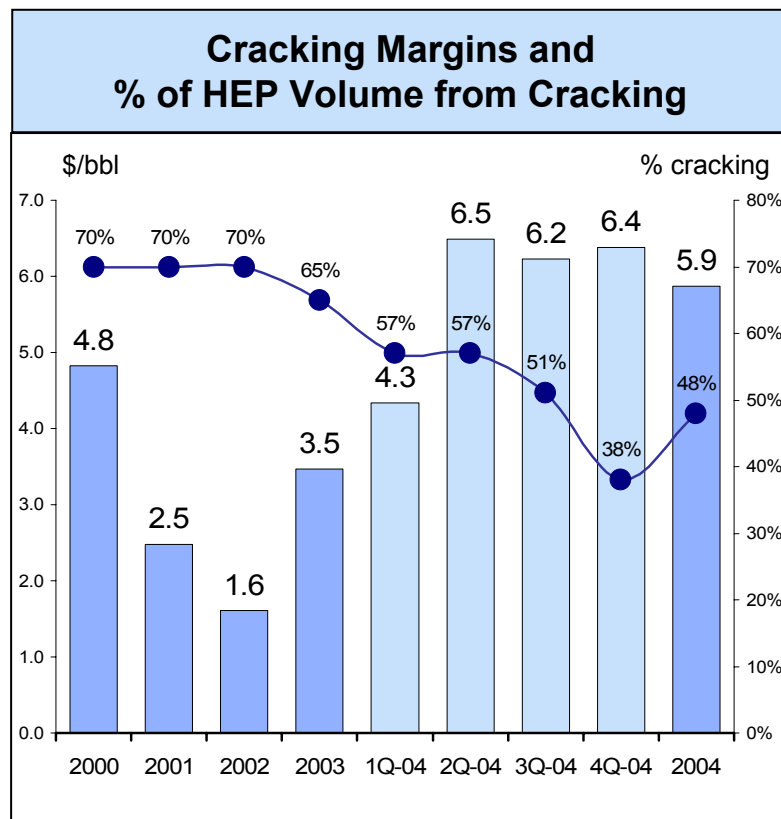
AGENDA



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- **Industry and Macro Environment**
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INDUSTRY AND MACRO ENVIRONMENT

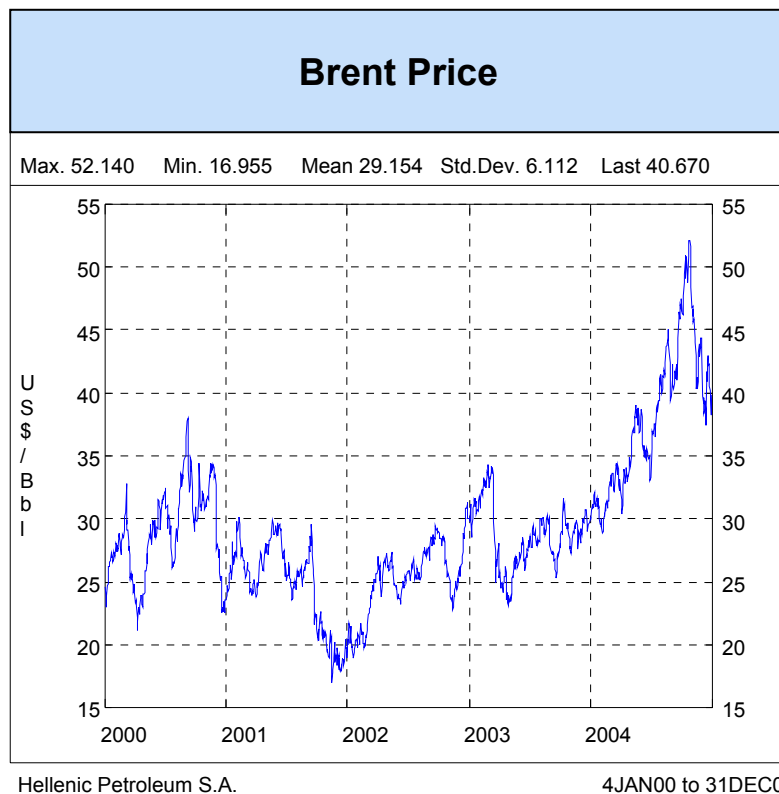
REFINING MARGINS



- Gasoline and middle distillates demand surge unmatched by spare refinery capacity
- Record \$ cracking margins from Q2 to Q4
- Slightly weaker topping and hydroskimming margins
- HEP performance 50% cracking margin dependent

INDUSTRY AND MACRO ENVIRONMENT

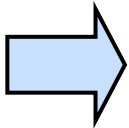
CRUDE PRICES



- Increasing oil prices during most of 2004 with positive impact on profitability
- Peak during October with year end dip to \$40 /bbl range, causing a stock devaluation hit
- Benefit for HEP due to widening of sweet - sour crude differential

AGENDA

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- Industry and Macro Environment



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Q4 AND 2004 FINANCIAL RESULTS

KEY PROFIT AND LOSS FINANCIALS

Q4 (OCT-DEC)			
2003	2003	2004	Δ%
PROFORMA			

1,065	1,065	1,450	36%
47	47	38	-20%
20	20	0	-100%
38	38	-14	N/A
64	64	14	-78%
42	42	1	-98%
18	18	14	-23%
44	44	14	-68%
42	42	1	-98%

IFRS
€ M

NET SALES
EBITDA (excl. DEPA)
DEPA OPTION
OPERATING RESULTS
EARNINGS BEFORE TAX
NET INCOME (AFTER TAX AND MINORITIES)
ADJUSTED BUSINESS SEGMENTS OPERATING RESULTS BEFORE TAX
(1) ADJUSTED EARNINGS BEFORE TAX
(1) ADJUSTED EARNINGS AFTER TAX

FULL YEAR 2004			
2003	2003	2004	Δ%
PROFORMA			

3,895	4,589	4,907	7%
303	325	372	14%
80	80	0	-
260	275	211	-23%
297	313	240	-23%
211	222	128	-42%
180	195	239	22%
217	233	240	3%
151	162	128	-21%

(1) Adjusted for DEPA option of €80m in 2003, Proforma results include Petrola comparables

Q4 AND 2004 FINANCIAL RESULTS

BALANCE SHEET, CASHFLOW, KEY RATIOS

Q4 (OCT-DEC)				IFRS	FULL YEAR 2004			
2003	2003	2004	Δ%		2003	2003	2004	Δ%
PROFORMA				€ M	PROFORMA			
-	-	-	-	CAPITAL EMPLOYED	2,099	2,099	2,335	11%
105	105	113	8%	CAPITAL EXPENDITURE	266	270	295	9%
-58	-58	-75	-	(2) OPERATING CASH FLOW MEASURE	36	55	77	41%
324	149	260	74%	FREE CASH FLOW	172	70	-171	-
-	-	-	-	DEBT / EQUITY - GEARING RATIO	12%	12%	21%	-
0.16	0.14	0.00	-	NET EARNINGS PER SHARE	0.77	0.73	0.42	-
0.15	0.15	0.05	-	(1) ADJUSTED EARNINGS BEFORE TAX PER SHARE	0.80	0.76	0.78	-

(1) Adjusted for DEPA option of €80m in 2003, Proforma results include Petrola comparables

(2) Calculated as EBITDA less Capex

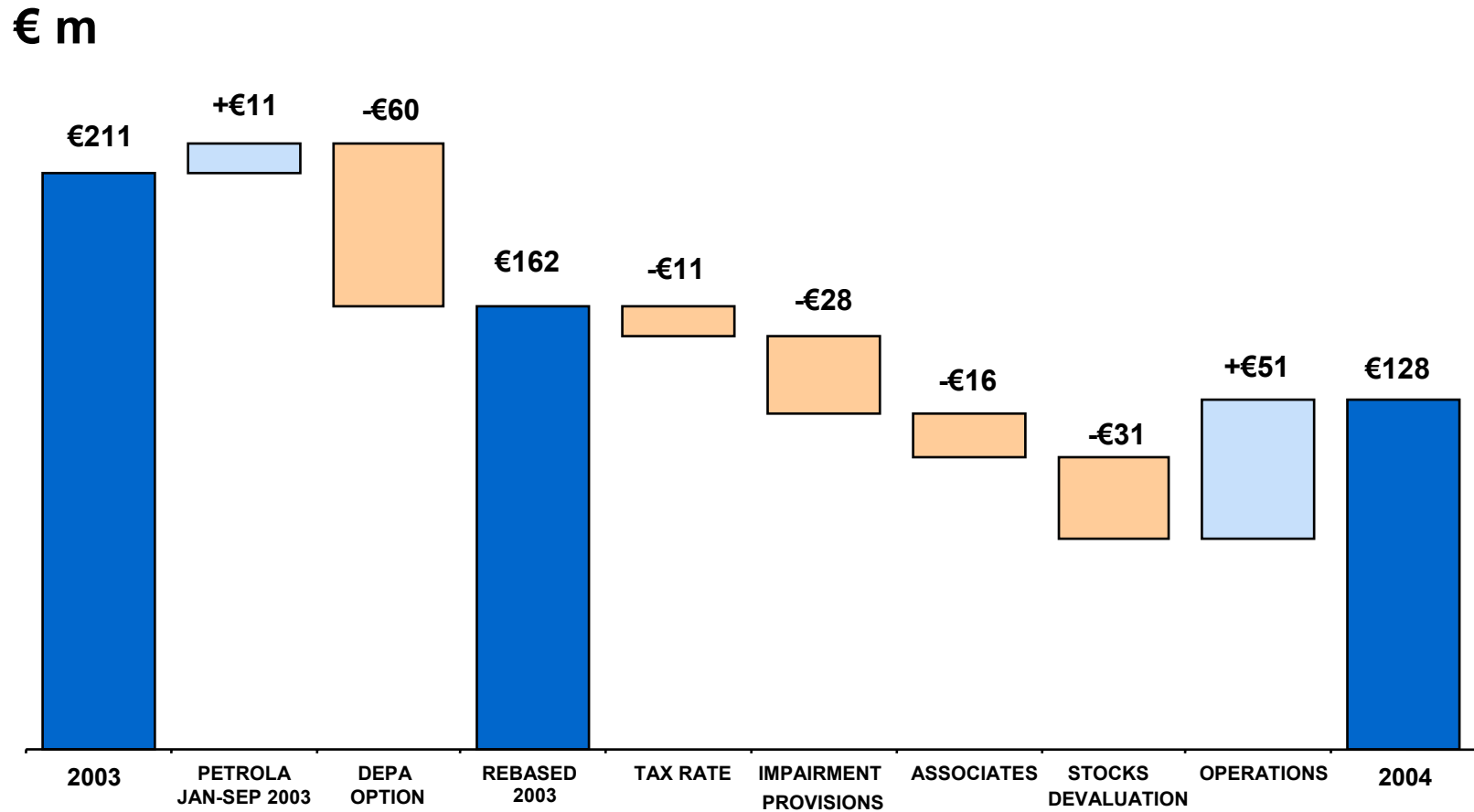
Q4 AND 2004 FINANCIAL RESULTS SPECIAL AND ONE OFF ITEMS

	Impact on Results	
	2004	2003
<ul style="list-style-type: none"> • DEPA Option* Sale of Option (pre-tax) 	-	€80m
<ul style="list-style-type: none"> • Impairment Provisions* Write-down of S.E. Europe acquisition premia 	(€28m)	-
<ul style="list-style-type: none"> • Petrola Results* Adjustment for Petrola Jan-Sep 2003 results 	-	€15m
<ul style="list-style-type: none"> • Tax Rates (Impact on Net Income) Merger Incentive/Relief 	30%	25%

* Impact on results before taxation

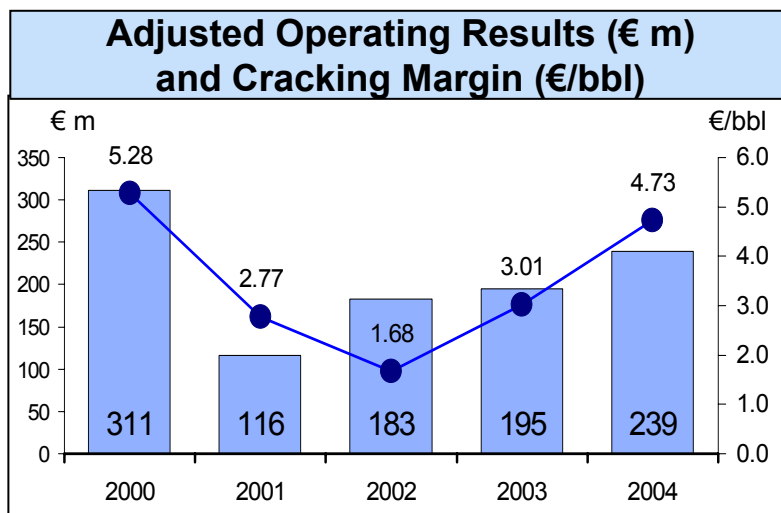
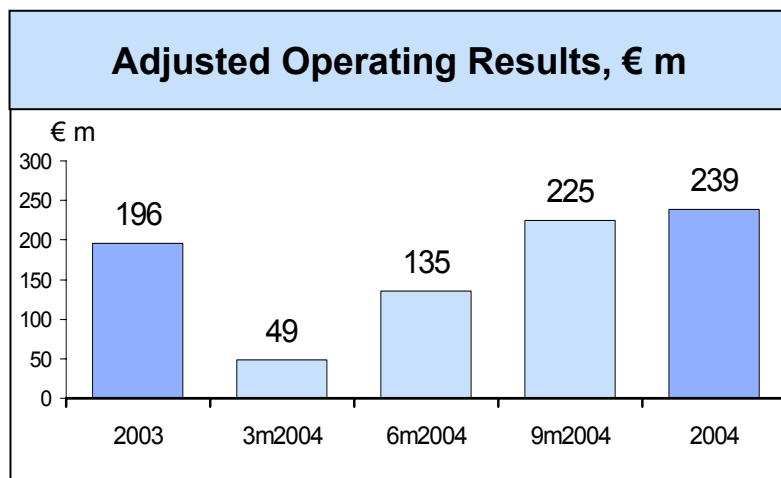
2004 RESULTS Vs 2003

NET INCOME EVOLUTION



Q4 AND 2004 RESULTS

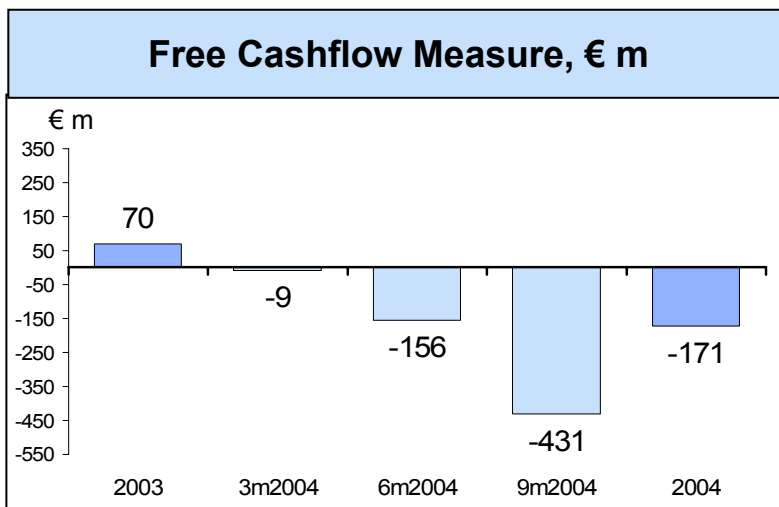
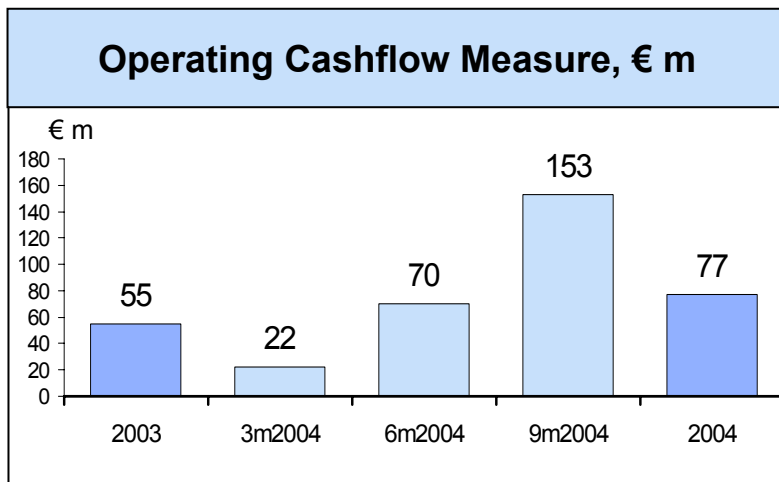
ADJUSTED OPERATING RESULTS



- 2004 Operating results at second highest level in company's history - despite stock devaluation by €30m and 6-week Aspropyrgos turn-around
- Continuous operating earnings growth over the last 3 years -the main driver being Med cracking margins
- Merger synergies in excess of €20m and lower than projected market share losses

Q4 AND 2004 RESULTS

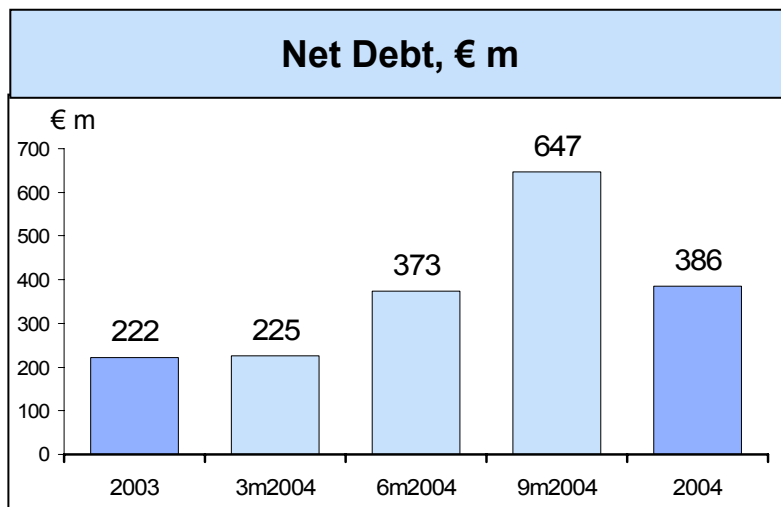
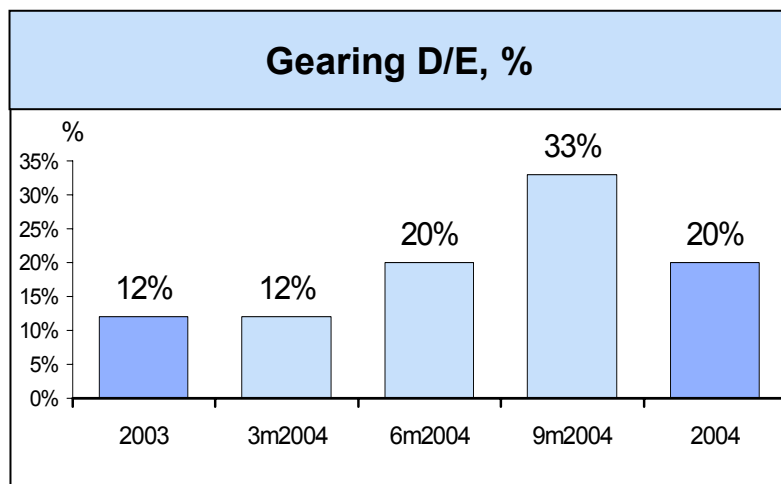
CASH GENERATION



- Operating cashflow measure improves from last year as EBITDA grows
- Free cashflow affected by higher oil prices and higher stock volume (particularly in preparation from Aspropyrgos turn-around)
- Implemented tighter and disciplined working capital management

Q4 AND 2004 RESULTS

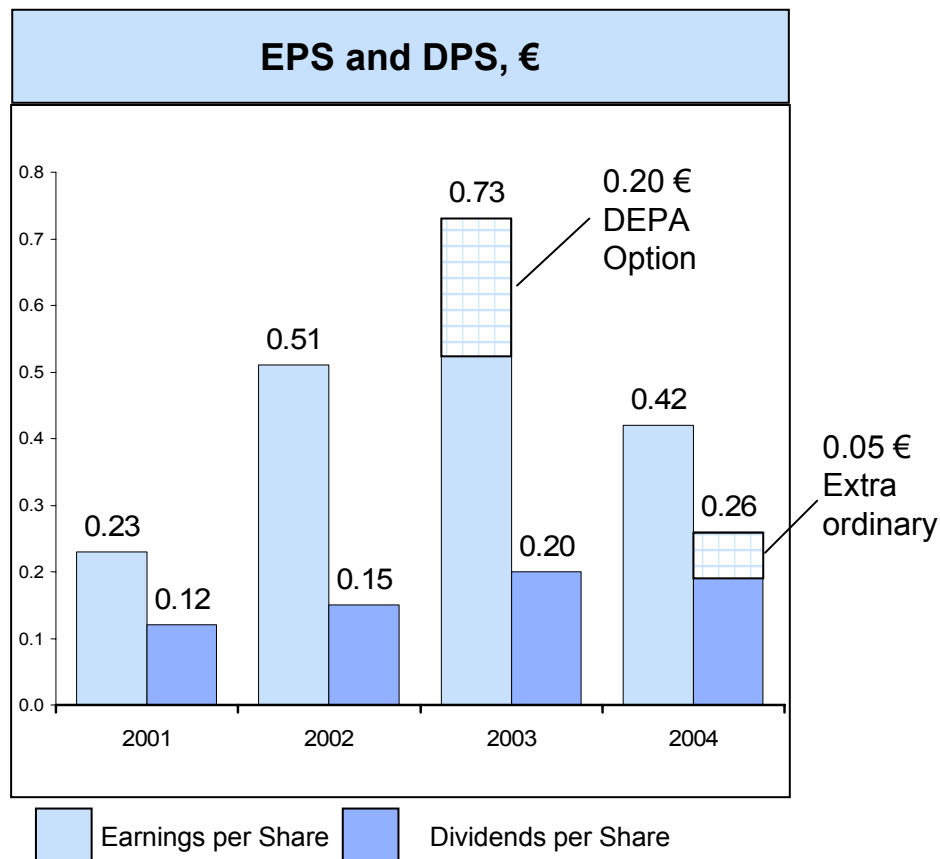
GEARING AND CAPITAL STRUCTURE



- Strong balance sheet with low 20% D/E gearing.
- Going forward:
 - Target 30 - 40% gearing ratio excluding major new investments and project finance funding
 - Review asset base to reduce unnecessary capital tie ups
 - Revisit funding profile and capital structure to ensure best fit for long term strategy and funding cost optimization

Q4 AND 2004 RESULTS

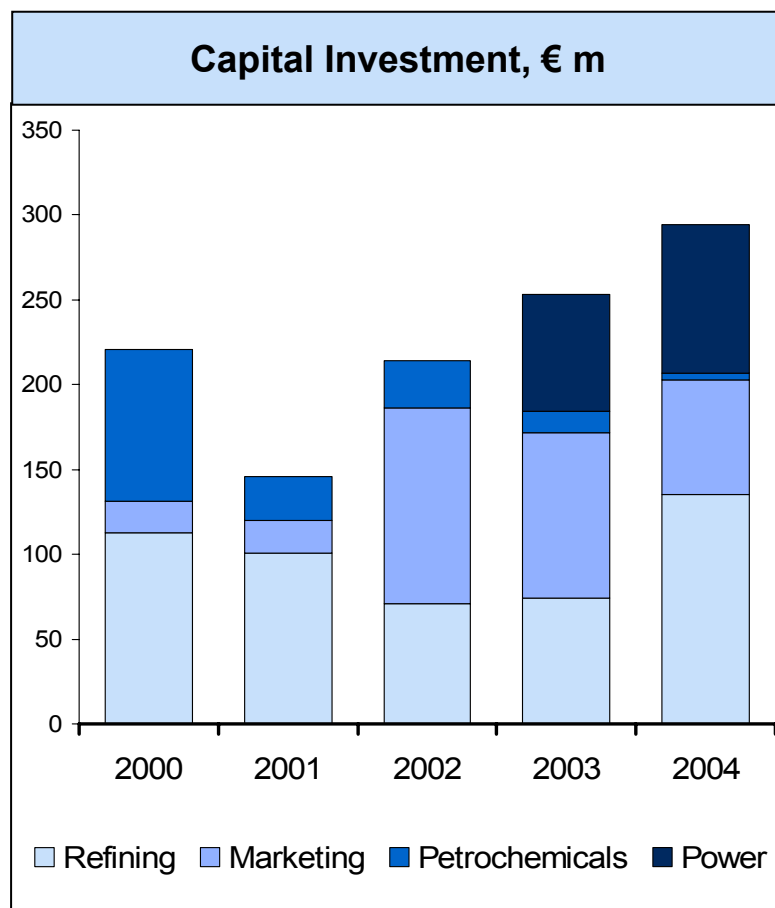
DIVIDEND POLICY



- Recommendation to AGM calls for 5% increase in ordinary dividend from 0,20€ to 0,21€ and for an extraordinary dividend of 0,05 € per share to reflect strong earnings during 2003 – 2004
- Going forward:
 - Maintain stable growth of dividend per share
 - Distribute extraordinary dividend when appropriate

Q4 AND 2004 RESULTS

CAPITAL EXPENDITURE



Refining 2004

- Upgrade for 2005 Auto Oil II specs
- Aspropyrgos major turn-around and upgrade

Marketing 2004

- Domestic market retail network modernization
- Moderate international expansion

Power 2004

- On-going construction of 390MW power plant

Q4 AND 2004 RESULTS

REFINING, SUPPLY & TRADING

Q4 (OCT-DEC)				IFRS	FULL YEAR 2004			
2003	2003	2004	Δ%		2003	2003	2004	Δ%
PROFORMA				€ M	PROFORMA			
4,400	4,400	4,505	2%	SALES VOLUME - KT	13,380	17,225	16,603	-4%
1,037	1,037	1,349	30%	NET SALES	3,406	4,342	4,530	4%
28.3	28.3	17.3	-39%	EBITDA	223.9	246.4	295.4	20%
14.7	14.7	9.8	-33%	BUSINESS SEGMENT OPERATING RESULTS PRE TAX	153.7	168.7	214.3	27%
40.3	40.3	63.1	56%	CAPITAL EXPENDITURE	73.5	77.4	135.1	75%
-12.1	-12.1	-45.8	280%	OPERATING CASH FLOW MEASURE	150.4	169.0	160.3	-5%
29.3	29.3	44.5	52%	AVERAGE BRENT CRUDE PRICE - \$/bbl	28.7	28.7	38.2	33%
2.89	2.89	6.42	122%	AVERAGE REFINERY MARGIN (FOB MED COMPLEX 50/50 \$/bbl)	3.49	3.49	5.88	68%
1.19	1.19	1.30	9%	AVERAGE EURO / DOLLAR RATE (€ 1 =)	1.13	1.13	1.24	10%

Q4 results

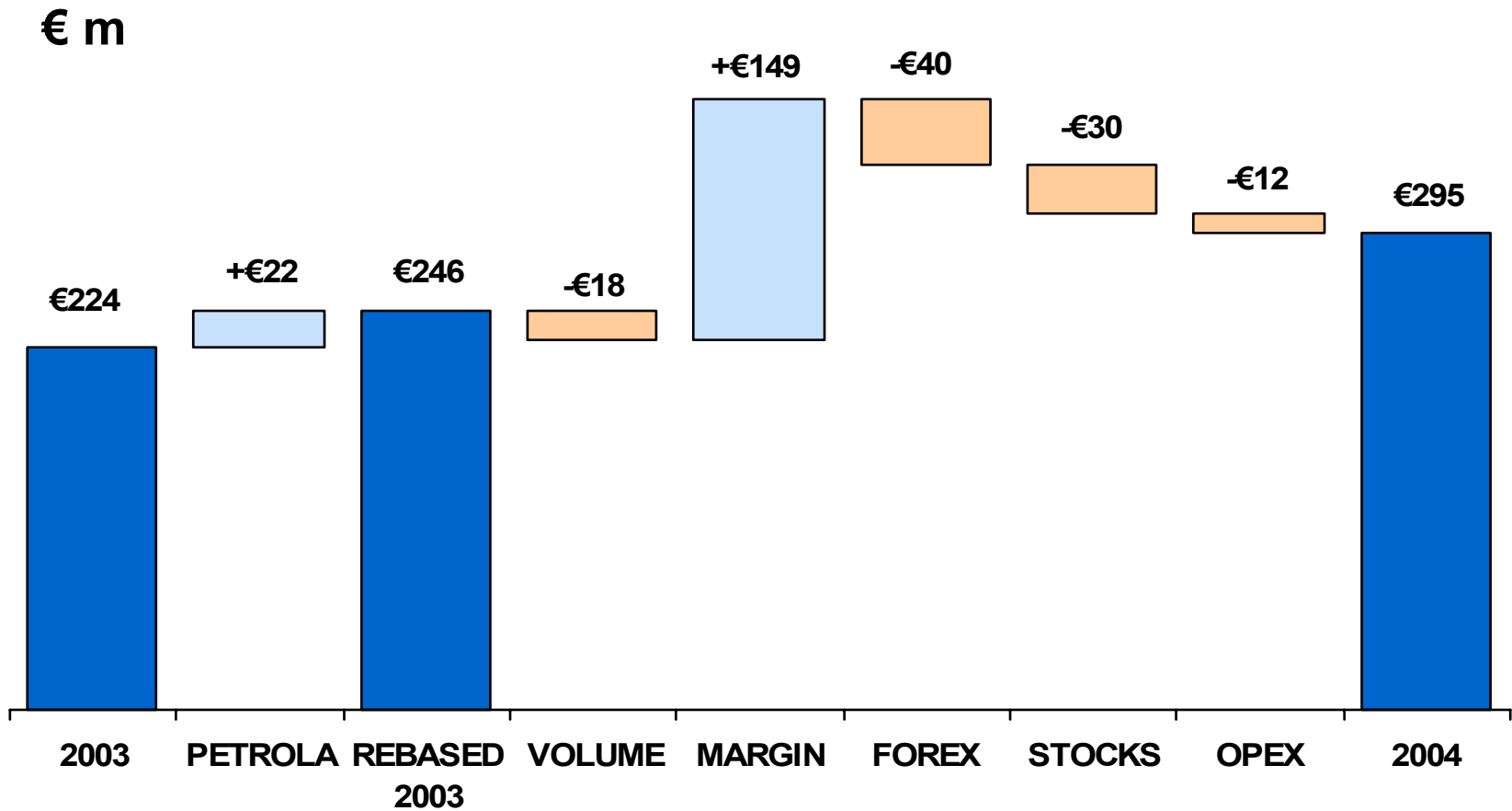
- Strong volume performance in Q4 in domestic market despite the 6 week major turn-around
- Year end oil price and \$ drop lead to over €30m stock devaluation
- Operating cashflow measure further affected by turn-around and upgrade capex

Full year results

- High Med cracking refinery margins positively affect results in 2004
- Managed to avoid significant market share loss projected during merger
- Realized synergies in excess of €20m/year, with additional €5m planned

Q4 AND 2004 RESULTS

REFINING & SUPPLY AND TRADING EBITDA EVOLUTION



Q4 AND 2004 RESULTS MARKETING

Q4 (OCT-DEC)		
2003	2004	Δ%

1,402	1,173	-16%
347	420	21%
14.4	22.5	57%
5.0	12.4	150%
39.9	20.3	-49%
-25.6	2.2	N/A

1,090	984	-10%
312	189	-40%

15	16	5%
-1	6	N/A

IFRS
€ M

SALES VOLUME - KT
NET SALES
EBITDA
BUSINESS SEGMENT OPERATING RESULTS PRE TAX
CAPITAL EXPENDITURE
OPERATING CASH FLOW MEASURE

<u>SALES VOLUMES</u>
GREEK MARKET
INTERNATIONAL SUBSIDIARIES

<u>EBITDA</u>
GREEK MARKET
INTERNATIONAL SUBSIDIARIES

FULL YEAR 2004		
2003	2004	Δ%

5,041	4,783	-5%
1,376	1,526	11%
63.5	72.1	13%
30.1	39.3	31%
98.2	68.5	-30%
-34.7	3.6	N/A

4,143	4,038	-3%
898	745	-17%

55	57	3%
8	15	80%

Domestic

- A positive last quarter with sales revenues and profits up from last year
- Volume and share marginally down from last year
- KINITRON® differentiated product range drives higher profitability in 2004
- Capex focused on improving existing network and optimizing footprint

International

- HP Cyprus drives Q4 and full year profitability
- Balkans start ups and acquisitions still lagging performance targets

Q4 AND 2004 RESULTS

EXPLORATION AND PRODUCTION

- **E&P projects relate to exploration phase with investments in 2004 of €12m, recorded as an expense in line with industry practices**
- **Asset base and projects status**
 - **Greece:**
Preparation of next licensing round (Katakolon and Epanomi)
 - **Albania:**
Kanina-1 well drilled by OMV (51%, operator) HEP (49%) JV with hydrocarbon shows – well tests ongoing
 - **Libya:**
A JV of Woodside (45%, operator) Repsol (35%) and HEP(20%) carrying exploration works (geology, seismic) in 6 blocks and evaluating Atshan gas field
 - **Montenegro:**
Preparing for exploration works by JV consisting of JPK, HEP and Ramco

Q4 AND 2004 RESULTS

PETROCHEMICALS

Q4 (OCT-DEC)		
2003	2004	Δ%

106	92	-13%
61	70	14%
5.8	10.2	75%
0.1	3.8	3625%
0.5	1.4	166%
5.3	8.8	66%

276.0	283.0	3%
158.0	186.0	18%

IFRS
€ M

SALES VOLUME - KT
NET SALES
EBITDA
BUSINESS SEGMENT OPERATING RESULTS PRE TAX
CAPITAL EXPENDITURE
OPERATING CASH FLOW MEASURE

INTERNATIONAL PROFIT MARGINS (€ / T)
POLYPROPYLENE
PVC

FULL YEAR 2004		
2003	2004	Δ%

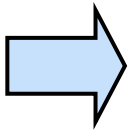
397	393	-1%
241	270	12%
28.0	32.8	17%
10.1	14.4	43%
11.7	4.2	-64%
16.3	28.6	75%

288.0	301.0	5%
147.0	153.0	4%

- Q4 performance strong as margins recover in PVC and Solvents
- Overall 2004 performance improved due to margins increase
- Positive operating cash generation

AGENDA

- Key Highlights of 2004
- Industry and Macro Environment
- 2004 Financial Results



- **Update on Strategy**

- Q & A

STRATEGIC INITIATIVES 2004

- Reviewed existing businesses and asset portfolio and identified key investment priorities
- Set long term strategic objectives in terms of financial value metrics (ROACE, EBITDA, Cashflow)
- Implemented new management structure and introduced new strengthened business processes

STRATEGIC INITIATIVES 2004

PORTFOLIO REVIEW & ASSESSMENT

- Established refining asset complexity targets to further increase core value generating capacity
- Defined new E&P strategy focusing on a more balanced portfolio to include development / producing assets, aiming to deliver material contribution mid-term
- Revisited domestic marketing business model to increase profitability through investment in company – owned service stations, improved volume mix, and higher non – fuel sales
- Reviewed international businesses and set country / market priorities. Took necessary impairment provisions for excessive acquisition premia. Focus will be on larger / structured markets
- Completing power generation plant construction, developing power trading capabilities and closely monitoring market developments
- Closely monitoring government decisions and developments with respect to natural gas market liberalization

STRATEGIC INITIATIVES 2004

FINANCIAL GOAL SETTING

- Set medium term ROACE target at 12%
 - Stricter capital expenditure assessment
 - Cost management discipline
 - Risk management policies
- Set 2009 EBITDA target at €500-600m at mid-cycle margins
- Target sustainable earnings and free cash flow growth
- Aim to reduce volatility through non-refinery portfolio development

STRATEGIC INITIATIVES 2004

ORGANIZATION

- Established new management structure with clear distinction between business units and support functions with specific accountability for results
- Consolidated all international businesses under a single SBU
- Put emphasis on Corporate Governance issues and control environment (Board committees, Internal Audit)
- Initiated Business Process Re-engineering in key areas (e.g. Group reporting, performance management, risk management, procurement)
- Identified areas for future corporate synergies at Group level

2005 PLANS

Business Environment

- Cracking margins above mid cycle but below 2004 highs
- High and volatile oil prices
- Weak \$ versus €

Support Functions

- **Operating Expenses**
 - Budget opex target below 2004 actual
- **Finance**
 - New \$350 m syndicated bond loan as part of refinancing strategy
- **Organization and People**
 - Implement new business processes
 - Move to new headquarters building
 - Recruit new skills at senior levels and initiate renewal of personnel
 - Implement variable compensation scheme for management
 - Identify and implement synergies at Group Corporate Level

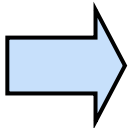
Business Units

- **Refining**
 - Obtain permits and Board decision to invest in a Distillate Hydrocracker
 - Capture improved Aspropyrgos performance after the 2004 upgrade
- **Domestic Retail**
 - Expand position of company-owned retail stations
 - Increase market share in differentiated products
- **International Refining and Marketing**
 - Expand presence in Serbia and Bulgaria
 - Improve performance in JPK and OKTA
 - Maintain strong performance in Cyprus
- **Exploration and Production**
 - Evaluate exploration well in Albania
 - Start exploration drilling in Libya
- **Power Generation**
 - Start up the 390 MW plant in Thessaloniki
 - Begin power trading
- **Chemicals**
 - Invest for increasing propylene production

Total CAPEX plan for 2005: €300m

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- **Q & A**

Thank you