D I R E C T O R S´ R E P O R T

ON THE FINANCIAL STATEMENTS OF
“MOTOR OIL (HELLAS) CORINTH REFINERIES S.A.”
AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2006
(PERIOD 01.01 – 31.12.2006)

I. RESULTS OF OPERATIONS

The financial results of the **Group** for the year under review are as follows:

	Amounts in Euro 000s		% on Turnover		% change on Sales Turnover
	2006	2005	2006	2005	
Sales Turnover	3,977,091	3,237,376	100.00%	100.00%	**22.85%** *
Cost of Sales	(3,729,274)	(2,952,147)	-93.77%	-91.19%	-2.58%
Gross Profit	**247,817**	**285,229**	**6.23%**	**8.81%**	**-2.58%**
Distribution expenses	(47,747)	(44,097)	-1.20%	-1.36%	0.16%
Administration expenses	(27,576)	(22,672)	-0.69%	-0.70%	0.01%
Other operating income / (expenses)	50,249	(14,112)	1.26%	-0.44%	1.70%
Operating Profit	**222,743**	**204,348**	**5.60%**	**6.31%**	**-0.71%**
Finance costs	(31,576)	(12,991)	-0.79%	-0.40%	-0.39%
Net Profit before Tax	**191,167**	**191,357**	**4.81%**	**5.91%**	**-1.10%**
Income Taxes	(63,576)	(59,722)	-1.60%	-1.84%	0.24%
Net Profit after Tax	**127,591**	**131,635**	**3.21%**	**4.07%**	**-0.86%**

* % change vs last year

Respectively the financial results of the C**ompany** for the year under review are as follows:

	Amounts in Euro 000s		% on Sales Turnover		Change on % of sales turnover
	2006	**2005**	**2006**	**2005**	
Sales Turnover	3,629,694	2,923,769	100.00%	100.00%	**24.14% ***
Cost of Sales	(3,427,013)	(2,682,623)	-94.42%	-91.75%	-2.67%
Gross Profit	**202,681**	**241,146**	**5.58%**	**8.25%**	**-2.67%**
Distribution expenses	(12,748)	(12,801)	-0.35%	-0.44%	0.09%
Administration expenses	(19.727)	(14,805)	-0.54%	-0.51%	-0.03%
Other operating income / (expenses)	45,126	(17,322)	1.24%	-0.59%	1.83%
Operating Profit	**215,332**	**196,218**	**5.93%**	**6.71%**	**-0.78%**
Finance costs	(25,733)	(7,688)	-0.71%	-0.26%	-0.45%
Net Profit before Tax	**189,599**	**188,530**	**5.22%**	**6.45%**	**-1.23%**
Income Taxes	(62,125)	(57,843)	-1.71%	-1.98%	0.27%
Net Profit after Tax	**127,474**	**130,687**	**3.51%**	**4.47%**	**-0.96%**

* % change vs last year

In connection with the above results we note the following:

1. **Sales Turnover**

Group Sales Turnover has increased by € 739,715 thousand or 22.85% compared to prior year mainly due to the increase in prices by approximately 12% while Company Sales Turnover has increased by € 705,925 thousand or 24.14% compared to prior year mainly due to the increase in prices but also due to sales volume increase by 9.5%.

Sales Turnover analysis by geographical segments of the Group activities and by sales category is as follows:

Geographical Segments	Sales Category	Amounts in Euro 000s 2006	2005	Change %
Foreign	Products/Fuel	1,011,721	1,137,560	-11.06%
Foreign	Products/Lubricants	73,710	43,714	68.62%
Foreign	Merchandise/Fuel etc	452,577	473,235	-4.37%
	Total	**1,538,008**	**1,654,509**	**-7.04%**
Domestic	Products/Fuel	1,717,483	787,427	118.11%
Domestic	Products/Lubricants	56,737	39,961	41.98%
Domestic	Merchandise/Fuel etc	664,863	755,479	-11.99%
	Total	**2,439,083**	**1,582,867**	**54.09%**
	Grand Total	**3,977,091**	**3,237,376**	**22.85%**

The total quantity of crude oil and other raw materials processed by the Company during 2006 compared to the respective quantities of prior year is analysed as follows:

	Tons 2006	Tons 2005
Crude oil	5,292,466	4,605,148
Fuel Oil – raw material	1,188,636	812,013
Naphtha	117,348	69,175
Gas Oil	936,243	407,538
Chemical additives	22,146	23,080
Total	**7,556,839**	**5,916,954**

2. Gross Profit

Gross Profit for the Group amounts to € 247,817 thousand compared to € 285,229 thousand in the prior year, decreased by 13.12%, while Gross Profit for the Company was € 202,681 thousand, compared to € 241,146 thousand in the prior year decreased by 15.95%.

3. Operating Expenses

Group operating expenses are analysed per category as follows for 2006 και 2005:

Amounts in Euro 000s	2006	2005	Variance Amount	%
Administration	27,576	22,672	4,904	21.63%
Distribution	47,747	44,097	3,650	8.28%
Other expenses / (income)	(50,249)	14,112	(64,361)	-456.07%
Total operating expenses	**25,074**	**80,881**	**(55,807)**	**-69.00%**

As per the above table, operating expenses have decreased by € 55,807 thousand or 69.00%. In order to have a better assessment and comparison with the prior year, the major expenses should be compared by category as follows:

(a) Administration expenses

Amounts in Euro 000s	2006	2005	% change
Payroll costs	14,864	13,613	9.19%
Rental	3,809	2,636	44.50%
Other	8,903	6,423	38.61%
Total administration expenses	**27,576**	**22,672**	**21.63%**

(b) Distribution expenses

Amounts in Euro 000s	2006	2005	% change
Payroll costs	8,716	7,598	14.71%
Rental	4,038	3,063	31.83%
Warehousing	4,799	4,565	5.13%
Transportation	20,010	18,887	5.95%
Other	10,184	9,984	2.00%
Total distribution expenses	**47,747**	**44,097**	**8.28%**

(c) Other operating (income) / expenses

Amounts in Euro 000s	2006	2005	% change
Foreign exchange losses	38,913	60,089	-35.24%
Foreign exchange gains	(75,955)	(35,876)	111.72%
Services rendered	(7,627)	(6,687)	14.06%
Rental income	(3,693)	(3,568)	3.50%
Other	(1,887)	154	-1,325.32%
Total other	**(50,249)**	**14,112**	**-456.07%**

Total Operating Expenses	**25,074**	**80,881**	**-69.00%**

The above expenses represent 0.63 % and 2.50% of the sales turnover for the years 2006 and 2005 respectively.

Respectively the **Company's** operating expenses are analysed per category as follows for 2006 και 2005:

Amounts in Euro 000s	2006	2005	Variance amount	Variance %
Administration	19,727	14,805	4,922	33.25%
Distribution	12,748	12,801	(53)	-0.41%
Other expense / (income)	(45,126)	17,322	(62,448)	-360.51%
Total operating expenses	**(12,651)**	**44,928**	**(57,579)**	**-128.16%**

As per the above table, operating expenses have decreased by € 57,579 thousand or 128.16%. This decrease is mainly due to the foreign exchange gain that had a positive effect on the current year. It is noted that as a percentage on sales revenue this variance is 1.59%.

In order though to have a better assessment and comparison with the prior year, the major expenses should be compared by category as follows:

(a) Administration expenses

Amounts in Euro 000s	2006	2005	% change
Payroll costs	9,976	8,652	15.30%
Rental	2,926	1,819	60.86%
Other	6,825	4,334	57.48%
Total administration expenses	**19.727**	**14,805**	**33.25%**

(b) Distribution expenses

Amounts in Euro 000s	2006	2005	% change
Payroll costs	2,565	2,158	18.86%
Transportation	6,039	6,547	-7.76%
Warehousing	2,508	2,560	-2.03%
Other	1,636	1,536	6.51%
Total distribution expenses	**12,748**	**12.801**	**-0.41%**

(c) Other Operating (income) / expenses

Amounts in Euro 000s	2006	2005	% change
FX losses	39,047	59,497	-34.37%
FX gains	(76,037)	(35,046)	116.96%
Sale of services	(8,819)	(6,687)	31.88%
Other	683	(442)	-254.52%
Total other operating expenses	**(45,126)**	**17,322**	**-360.51%**
Total operating expenses	**(12,651)**	**44,928**	**-128.16%**

The above expenses represent 0.35 % and 1.54% of the sales turnover for the years 2006 and 2005 respectively.

4. Finance Costs

The **Group's** net finance costs for the year increased from prior year by € 18,230 thousand. This variance is analysed per category in the following table:

Amounts in Euro 000s	2006	2005	Variance amount	Variance %
Investment income	(2,972)	(378)	(2,594)	686.24%
Interest income	(1,499)	(1,096)	(403)	36.77%
Interest expense & bank charges	35,858	14,631	21,227	145.08%
Total finance costs (income)/expense	**31,387**	**13,157**	**18,230**	**138.56%**

Investment income concerns mainly income from dividends and from sale of securities. Increase in interest expense is due to the increase in the average of short term borrowings due to increase in oil prices as well as increase in the interest rates.

Respectively the **Company's** net finance costs for the year increased significantly. This variance is analysed per category in the following table:

Amounts in Euro 000s	2006	2005	Variance amount	%
Investment income	(5,676)	(4,225)	(1,451)	34.34%
Interest income	(898)	(548)	(350)	63.87%
Interest expense & bank charges	32,307	12,461	19,846	159.26%
Total finance costs (income)/expense	**25,733**	**7,688**	**18,045**	**234.72%**

Increase in interest expense is due to the increase in the average of short term borrowings due to increase in oil prices as well as increase in the interest rates. A major part of the increase is also due to the interest expense of long term borrowings taken exclusively for the financing of the new hydrocracker unit investment. Within 2005 most of this had been capitalised due to the fact that the unit was finalised by late October 2005. Investment income consists of dividends from the subsidiary "AVIN OIL A.B.E.N.E.P." and the associate "Olympic Fuel Company S.A." as well as the sale of 40% of the total 70% that the Company held in "CORINTH POWER S.A.".

5. Income Taxes

Amounts in 000´s Euros	GROUP		COMPANY	
	1/1 – 31/12/06	1/1 – 31/12/05	1/1 – 31/12/06	1/1 – 31/12/05
Current income tax for the year	46,068	69,354	44,595	67,515
Income tax from prior years audit differences	10,186	0	10,186	0
Less: Income tax discount	(1,266)	(893)	(1,266)	(893)
	54,988	68,461	53,515	66,622
Deferred tax	8,588	(8,739)	8,610	(8,779)
Total	**63,576**	**59,722**	**62,125**	**57,843**

Income tax is calculated at 29% on the estimated tax assessable profit for the year 2006 (2005: 32%).

According to the outcome of the tax audit for the years 2000 to 2004, the additional taxes assessed to the Company amount to Euro 10,186 thousand (of which an amount of Euro 5,755 thousand concerns tax relating to expenses disallowed and Euro 4,431 thousand concerns surcharges).

The Company has not been subject to a tax audit for the years from 2005 up to 2006. Avin Oil has not been subject to a tax audit for the years from 2003 up to 2006, Olympic Fuel Company SA has not been subject to a tax audit for the years from 2001 up to 2006 while HAFCO SA has not been audited by the Tax authorities since its establishment.

6. DIVIDENDS

Dividends to shareholders are proposed by management at each year end and are subject to approval by the Annual General Assembly Meeting. Dividends relating to the previous year (1.1-31.12.2005) amounted to € 1.10 per share, of which an interim dividend of € 0.20 per share was paid in December 2005 and was accounted for in 2005, and € 0.90 has been accounted for in 2006. The Management of the Company taking into account the various considerations determining the dividends policy has proposed to the upcoming Annual General Assembly Meeting the distribution of total dividends for 2006 of € 127,400,427 (or € 1.15 per share). It is noted that an interim dividend of € 22,156,596 (€ 0.20 per share) for 2006 has been paid and accounted for in December 2006, while the remaining € 0.95 per share will be accounted for in 2007.

It is noted that in accordance with Greek Tax legislation, the taxable income is taxed at source fulfilling all tax obligations on dividends. Thus the dividends payable to the shareholders (physical and legal persons) are paid net of any tax.

II. PROSPECTS

The course of the Group´s activities within the new year 2007 is satisfactory, since the volume of the crude oil and other raw materials processed by the refinery within January 2007 was 578,000 M.T. (January 2006: M.T. 566,000).

It is expected that, for the total year of 2007, the international refinery margins will remain approximately at the same high levels of 2006. It is also expected that the sales volume for the parent company for 2007 will increase by approximately 4%.

III. CAPITAL EXPENDITURES

The major projects that were accomplished during 2006 were the following:

- Replacement of the air turbine of the Electric Power Production Compound No 1.
- Wide repair of the high pressure steam boilers A and B. This is a project that is expected to be completed within 2007.

- Within 2006 we had the completion of the works for the **upgrading of the Liquid Wastes Processing unit** with the installation of the new biological treatment unit and the full upgrade of the primary and secondary processing system. This project that was included in the major project of the "**Refinery Expansion"** budgeted at € 16 mil. , aims at the increase of the unit capacity, in order to cover the new hydrocracking compound, as well as cases of heavy raining. Another project is the modernization of the installations using new technologies for further improvement of the quality of wastes as well as the technical availability of the unit.

The estimated capital expenditures for 2007 are approximately € 60 mil. and the major part of these will be the natural gas network at the refinery and its linking with the central natural gas pipeline, the participation with the Spanish company "Iberdrola S.A." in the project for the electric power station of "CORINTH POWER S.A." and finally the replacement of one of the four air turbines of electric power and steam co-production for the refinery needs.

IV. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Details of the Group's subsidiaries and associates, are as follows:

Name	Place of incorporation and operation	Proportion of ownership interest	Principal activity
AVIN OIL S.A.	Greece, Maroussi of Attika	100%	Petroleum Products
AVIN ALBANIA S.A.	Tirana, Albania	100%	Petroleum Products
OLYMPIC FUEL COMPANY S.A.	Greece, Spata of Attika	28%	Aviation Fueling Systems
BRODERICO LTD	Cyprus, Nicosia	100%	Commerce, Investments and Rendering of Services
HELLENIC AVIATION FUEL COMPANY S.A. (HAFCO S.A)	Greece, Maroussi of Attika	50%	Aviation Fueling Systems
CORINTH POWER S.A.	Greece, Maroussi of Attika	30%	Energy

V. SHAREHOLDERS - SHARE CAPITAL

The major shareholders of the Company are "Petroventure Holdings ltd" and "Petroshares ltd" holding 51% and 10.5%, respectively. It is noted that on 23 March 2006 "Petroshares ltd" sold 5.9% of its shares through an accelerated book building process to international and domestic institutional investors.

The Company's share capital is € 33,234,894 consisting of 110,782,980 common bearer's shares with no right to fixed income, of € 0.30 each. Company shares are listed on Athens Exchange. It is noted that there are no restrictions as to the sale of shares, there are no shareholders with special control rights and there are no restrictions on voting rights. Also there are no agreements according to the provision of article 11a of L3371/2005, cases (i) and (j), (ie. material agreements put in force, revised or expired in case of change in the control of the Company following a public offer as well as agreements with BoD members or Company's employees that provide for remuneration in case of retirement as a result of public offers). It is also noted that the BoD or its members have no authority to increase share capital, issue new shares or buy treasury shares. Authorisation for the above mentioned matters lies with the General Shareholders Meeting. As far as the appointment of BoD members there are no provisions in the Company's articles of incorporation different than those provided by CL 2190/1920. As an exception, while according to the above mentioned law the General Shareholders Meeting (authorised to appoint or replace BoD members) is considered to have a quorum when 1/5 of the share capital is present, the Company's articles of incorporation (article 28) provides for a quorum of 51% and if this is not possible then the recurring General Shareholders Meeting (as per the CL 2190/1920) convenes and is authoritative with whatever part of the share capital is present. Finally there are no agreements by the shareholders that are known to the Company.

VI. SIGNIFICANT POST BALANCE SHEET EVENTS

There are no significant events occurred to date, which may affect the Group´s financial position as at 31 December 2006.

VII. TREASURY SHARES

There were no treasury shares owned by the Company as at 31.12.2006 and 31.12.2005.

VIII. MANAGEMENT OF FINANCIAL RISKS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, share premium, reserves and retained earnings. The Group’s management reviews the capital structure on a frequent basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group’s intention is to balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

b. Financial risk management

The Group’s Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function reports on a frequent basis to the Group’s management that monitors risks and policies implemented to mitigate risk exposures.

c. Market risk

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (d) below), interest rates (see (e) below) and to the volatility of the oil prices. The Company addresses the fluctuation of oil prices by monitoring minimum inventory levels. There has been no change to the Group’s exposure to market risks or the manner in which it manages and measures the risk.

d. Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Company minimises foreign currency risks through natural hedges, mostly by monitoring purchases and sales as well as assets and liabilities in foreign currencies.

e. Interest rate risk

The Group has access to various major domestic and international financial markets and manages to obtain borrowings with very competitive interest rates and terms. Because of this operating expenses and cash flows from financing activities are not materially affected from interest rates fluctuations.

f. Credit risk

The Group's credit risk is primary attributable to its trade and other receivable as the Group's cash equivalents are deposited with well known banks.

The Group's trade receivables are concentrated to a significant degree, as the parent company has a limited number of customers who comprise a large percentage of the trade receivable balance who are, mostly, internationally reputed oil companies and consequently credit risk is minimized. The Group companies have contracts for transactions with their customers, where the product prices are determined according to the corresponding current prices in the international oil market during the period of transactions. In addition, the parent company as a policy, receives letters of guarantee from its customers in order to secure its receivables. As for "Avin Oil" receivables, these are spread in a wide number of customers and in this way there is no material concentration and material credit risk.

g. Liquidity risk

Liquidity risk is managed through the proper combination of cash and cash equivalents and the bank loan facilities granted. In order to address such risks the Group's management monitors the balance of cash and secures available bank loans facilities.

IX. ENVIRONMENT AND WORKING CONDITIONS

The Group's commitment to environmental protection is stated in the group's Health, Safety and Environment Policy and is implemented through the operation of its Integrated Management System.

The Company's *Environmental Management System* was certified compliant with ISO 14001:1996 in year 2000 and was certified again in late 2003 with extension validation date by January 2007, for all refinery activities, while currently it is certified compliant with the stricter ISO 14001:2004 standard, by BVQI (Bureau Veritas Quality International). In the oil sector the achievement of the double ISO certification (ISO 14001:2004 for environmental protection and ISO 9001:2000 for quality management) is unique in Greece and rare even in Europe. The *Environmental Management System* is an effective tool for implementing the company's environmental protection policy, and monitoring its environmental performance according to the set targets.

Labour relations have been particularly good, because they have been developed not only to meet legal requirements, but also on the basis of mutual trust and co-operation and as a result of a progressive human resources management policy, which enshrines clarity and fairness in matters of recruitment, transfers, promotion, remuneration, education and training, benefits, holidays and leaves. A reflection of the harmonious state of industrial relations is the fact that there have been no strikes in recent years. Terms and conditions of employment are covered by a company collective labour agreement, approved by the Ministry of Labour, which has been in place (for MOTOR OIL HELLAS SA) since September 1974. Refinery employees have their own union which since 1986 has signed a collective labour agreement with the Federation of Greek Industries. This agreement lays down the terms regulating employment and pay levels in the refinery, and is supplemented by an annual local agreement between the Company and the union.

All aspects of human resources management are pursued with transparency, fairness and on the basis of meritocracy. The Company's approach to remuneration policy is to set and manage salary levels in a consistent and objective way. Competitive and performance- linked remuneration is offered to all employees.

The discretionary non-wage benefits available to employees and their families encompass a wide range of provisions intended not only to provide for their welfare and security over and above legal requirements, but also to strengthen their bonds with the Group, to cultivate co-operation and team spirit and help towards achievement of a healthy work/life balance. Among the benefits introduced on the Group's initiative are:

- A private health and life insurance scheme.
- A company pension scheme.

Considerable importance is attached to the educational level of the workforce. The Group's aim is to attract, and retain, suitable and competent employees. In order to develop the qualifications of personnel, to maximise productivity and maintain a high output culture in the workplace, the Group operates various educational, occasional training and personal development programmes. The personnel is encouraged to follow courses leading to recognized qualifications.

IX. BASIC FINANCIAL RATIOS

The basic financial ratios for the Group and the Company are as follows:

	Group		Company	
	2006	2005	2006	2005
Return On Assets (ROA) Net Profits after Taxes / Total Assets	9.90%	9.41%	10.86%	10.03%
Return On Equity (ROE) Net Profits after Taxes / Total Owners' Equity	37.39%	39.23%	37.03%	38.59%
Debt to Capital Ratio Total Borrowings / Total Borrowings + Owners' Equity	68.40%	66.89%	65.28%	64.15%
Return On Invested Capital (ROIC) Net Profits After Taxes + Finance Costs / Total Net Borrowings + Owners' Equity + Provisions	13.65%	13.49%	14.58%	14.19%

Maroussi , 22 February 2007

THE CHAIRMAN OF THE BOD AND MANAGING DIRECTOR

VARDIS J. VARDINOYANNIS

THE VICE CHAIRMEN

JOHN V. VARDINOYANNIS

PANAGIOTIS N. KONTAXIS

THE DEPUTY MANAGING DIRECTORS

JOHN N. KOSMADAKIS

PETROS T. TZANNETAKIS

THE MEMBERS OF THE BOD

DEMOSTHENES N. VARDINOYANNIS

NIKOS TH. VARDINOYANNIS

GEORGE P. ALEXANDRIDIS

GEORGE TH. THEODOROULAKIS

KONSTANTINOS B. MARAVEAS

ANTONIOS CH. THEOCHARIS

DESPINA N. MANOLI