HELLENIC PETROLEUM S.A.

Consolidated Financial Statements
in accordance with IFRS for the
year ended 31 December 2008

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

Index to the consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

Company Information

Directors	Efthimios Christodoulou – Chairman of the Board John Costopoulos – Chief Executive Officer (from 11/12/2007) Panagiotis Cavoulacos– Chief Executive Officer (until 11/12/2007) Nikolaos Lerios– Executive Member Theodoros-Achilleas Vardas – Executive Member Dimitrios Mathaiou – Executive Member (until 11/12/2007) Vasilios Bagiokos – Non executive Member Panagiotis Pavlopoulos – Non executive Member Iason Stratos – Non executive Member Elisabeth Typaldou - Loverdou – Non executive Member (from 11/12/2007) Georgios Kallimopoulos– Non executive Member (from 11/12/2007) Dimitrios Miliakos - Non executive Member (from14/05/2008) Panagiotis Ofthalmidis– Non executive Member (from14/05/2008) Alexios Athanasopoulos– Non executive Member (from14/05/2008) Ioulia Armagou – Non executive Member (from 07/08/2008) Andreas Palevratzis – Non executive Member (until 11/12/2007) Ioannis Tsoukalas – Non executive Member (until 11/12/2007) Andreas Vranas – Non executive member (until 14/05/2008) Vasilios Nikitas - Non executive Member (until 14/05/2008) Dimitrios Deligiannis - Non executive Member (until 14/05/2008) Marios Tsakas – Non executive Member (until 07/08/2008)
Registered Office:	54 Amalias Avenue 10558 Athens, Greece
Registration number:	2443/06/86/23 / Ministry of Development
Auditors:	PricewaterhouseCoopers S.A. 152 32 Halandri Athens, Greece

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers S.A.
268 Kifissias Ave.,
152 32 Halandri,
Athens, Greece
www.pricewaterhousecoopers.gr
e-mail:pwc.greece@gr.pwcglobal.com
Tel: +30 (210) 6874 400
Fax: +30 (210) 6874 444

Independent auditor's report

We have audited the accompanying consolidated financial statements of Hellenic Petroleum S.A. (the "Company") and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the system of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's system of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the the Group as of 31 December 2008, and its financial performance and 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB.

Reference to other legal matters

We verified the agreement and correspondence of the content of the Board of Director's report with the accompanying financial statements, in the context of the requirements of articles 43a, 107 and 37 of Law 2190/1920.

PricewaterhouseCoopers S.A.
SOEL Reg. No.

Athens, 27 February 2009
The Certified Auditor Accountant

Constantinos Michalatos
SOEL Reg.No. 17701

(All amounts in Euro thousands unless otherwise stated)

Consolidated balance sheet

	Note	As at 31 December 2008	As at 31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	1.439.919	1.416.340
Intangible assets	**7**	129.391	129.920
Investments in associates and joint ventures	**8**	508.219	386.847
Deferred income tax assets	**17**	69.619	30.275
Available-for-sale financial assets		2.879	4.012
Loans, advances and other receivables	**9**	169.043	72.615
		2.319.070	**2.040.009**
Current assets			
Inventories	**10**	1.020.780	1.531.161
Trade and other receivables	**11**	929.604	1.279.244
Cash and cash equivalents	**12**	876.536	208.450
		2.826.920	**3.018.855**
Total assets		**5.145.990**	**5.058.864**
EQUITY			
Share capital	**13**	1.020.081	1.020.081
Reserves	**14**	501.332	515.238
Retained Earnings		803.471	918.576
Capital and reserves attributable to Company Shareholders		**2.324.884**	**2.453.895**
Minority interest		148.782	126.578
Total equity		**2.473.666**	**2.580.473**
LIABILITIES			
Non- current liabilities			
Borrowings	**16**	448.084	402.585
Deferred income tax liabilities	**17**	22.104	23.648
Retirement benefit obligations	**18**	153.736	151.126
Long term derivatives	**20**	71.219	79.494
Provisions and other long term liabilities	**19**	52.706	86.824
		747.849	**743.677**
Current liabilities			
Trade and other payables	**15**	791.544	802.884
Current income tax liabilities		19.378	142.101
Borrowings	**16**	1.110.355	786.510
Dividends payable		3.198	3.219
		1.924.475	**1.734.714**
Total liabilities		**2.672.324**	**2.478.391**
Total equity and liabilities		**5.145.990**	**5.058.864**

The notes on pages 11 to 56 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the board on 26 February 2009.

E. Christodoulou	J. Costopoulos	A. Shiamishis	P. Tikkas
Chairman of the Board	Chief Executive Officer	Chief Financial Officer	Accounting Director

(All amounts in Euro thousands unless otherwise stated)

Consolidated income statement

	Note	For the year ended 31 December 2008	31 December 2007
Sales		10.130.983	8.537.951
Cost of sales		(9.872.382)	(7.665.993)
Gross profit		**258.601**	**871.958**
Selling, distribution and administrative expenses	**22**	(391.479)	(382.114)
Exploration and development expenses	**23**	(10.690)	(21.554)
Other operating income / (expenses) - net	**24**	256.666	8.982
Operating profit		**113.098**	**477.272**
Finance costs -net	**25**	(48.488)	(41.772)
Currency exchange (losses) / gains		(102.507)	29.531
Share of net result of associates	**8**	54.754	23.596
Profit before income tax		**16.857**	**488.627**
Income tax income / (expense)	**26**	12.176	(124.012)
Profit for the year		**29.033**	**364.615**
Attributable to:			
Equity holders of the Company		23.643	351.004
Minority interest		5.390	13.611
Basic and diluted earnings per share (expressed in Euro per share)	**27**	**0,08**	**1,15**

The notes on pages 11 to 56 are an integral part of these consolidated financial statements.

(All amounts in Euro thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to Company Shareholders					
	Share Capital	Reserves	Retained Earnings	Total	Minority Interest	Total Equity
Balance at 1 January 2007	**1.020.081**	**571.312**	**693.517**	**2.284.910**	**112.700**	**2.397.610**
Profit for the year	-	-	351.004	351.004	13.611	364.615
Tranfers to statutory and tax reserves	-	37.625	(37.625)	-	-	-
Transfers to retained earnings (Law 3614/07) (Note 14)	-	(44.818)	44.818	-	-	-
Translation exchange differences	-	-	(1.715)	(1.715)	267	(1.448)
Dividends relating to 2006 and interim 2007			(131.423)	(131.423)	-	(131.423)
Unrealised gains / (losses) on revaluation of hedges (Note 20)	-	(48.881)	-	(48.881)	-	(48.881)
Balance at 31 December 2007	**1.020.081**	**515.238**	**918.576**	**2.453.895**	**126.578**	**2.580.473**
Profit for the year	-	-	23.643	23.643	5.390	29.033
Transfers to retained earnings (Law 3614/07) (Note 14)	-	(24.807)	24.807	-	-	-
Transfers of shares in subsidiary (Note 33)	-	-	(7.922)	(7.922)	17.618	9.696
Translation exchange differences	-	-	(2.816)	(2.816)	(804)	(3.620)
Dividends relating to 2007 and interim 2008	-	-	(152.817)	(152.817)	-	(152.817)
Unrealised gains / (losses) on revaluation of hedges (Note 20)	-	10.901	-	10.901	-	10.901
Balance at 31 December 2008	**1.020.081**	**501.332**	**803.471**	**2.324.884**	**148.782**	**2.473.666**

The notes on pages 11 to 56 are an integral part of these consolidated financial statements.

(All amounts in Euro thousands unless otherwise stated)

Consolidated cash flow statement

	Note	For the year ended 31 December 2008	31 December 2007
Cash flows from operating activities			
Cash generated from operations	**29**	874.121	386.392
Income tax paid		(173.570)	(14.327)
Net cash generated from operating activities		**700.551**	**372.065**
Cash flows from investing activities			
Purchase of property, plant and equipment & intangible assets	**6,7**	(344.372)	(194.955)
Proceeds from disposal of property, plant and equipment & intangible assets		2.844	5.342
Purchase of Hellenic Petroleum Bulgaria Properties - net of cash acquired		(4.098)	-
Proceeds from disposal of E&P licence	**24**	124.450	-
Grants received		4.002	390
Interest received	**25**	23.440	18.995
Dividend received		5.538	2.582
Investments in associates		(642)	(199)
Net cash used in investing activities		**(188.838)**	**(167.845)**
Cash flows from financing activities			
Interest paid	**25**	(71.928)	(60.767)
Dividends paid		(152.838)	(130.966)
Proceeds from borrowings		1.339.940	944.204
Repayments of borrowings		(962.667)	(914.465)
Net cash generated from / (used in) financing activities		**152.507**	**(161.994)**
Net increase in cash & cash equivalents		**664.220**	**42.226**
Cash & cash equivalents at the beginning of the year	**12**	**208.450**	**170.490**
Exchange losses on cash & cash equivalents		3.866	(4.266)
Net increase / (decrease) in cash & cash equivalents		664.220	42.226
Cash & cash equivalents at end of the year	**12**	**876.536**	**208.450**

The notes on pages 11 to 56 are an integral part of these financial statements.

Notes to the consolidated financial statements

1 General information

The Hellenic Petroleum group of companies (the "Group") operates predominantly in Greece and the Balkans in the energy sector. The group main activities include:

- Refining and marketing of oil products (R&M)
- Exploration, development and production, of hydrocarbons (E&P)
- Manufacturing and marketing of petrochemical products
- Power generation and trading

The parent 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 through GDNs.

The financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2008 were authorised for issue by the Board of Directors on 26 February 2009. The shareholders of the Company have the power to amend the financial statements after issue.

The consolidated financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2008 were approved for issue by the Board of Directors on 26 February 2009. The shareholders of the Company have the power to amend the financial statements after issue.

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 consolidated financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"). The European Union, ("EU") has adopted all IFRS as issued by the IASB and effective for years ended 31 December 2008, with the exception of certain provisions of IAS 39, and interpretations to existing standards, that have no effect in our consolidated financial statements. As such, these consolidated financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with International Financial Reporting Standards issued by the International Accounting Standards Board.

The consolidated 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 consolidated financial statements are disclosed in note 4: Critical accounting estimates and judgments. These estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The following standards, amendments and interpretations to existing standards are applicable to the Group for annual periods on or after 1 January 2008:

- *IFRIC 11 - IFRS 2: Group and Treasury share transactions (effective for annual periods beginning on or after 1 March 2007).* IFRIC 11 clarifies the treatment where employees of a subsidiary receive the shares of a parent. It also clarifies whether certain types of transactions are accounted for as equity-settled or cash-settled transactions. This interpretation is not expected to have any impact on the Group's financial statements.

- *IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).* IFRIC 12 applies to companies that participate in service concession arrangements. This interpretation is not relevant to the Group's operations.

- *IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).* IFRIC 14 applies to post-employment and other long-term employee defined benefit plans. The interpretation clarifies when refunds or reductions in future contributions should be regarded as available, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. As the Group does not currently operate any such benefit plans with defined benefit assets for its employees, this interpretation is not presently relevant to the Group.

The following interpretations to existing standards are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods:

- *Amendments to IAS 1 'Presentation of Financial Statements.* IAS 1 has been revised to enhance the usefulness of information presented in the financial statements and is effective for annual periods beginning on or after 1 January 2009. The key changes are: the requirement that the statement of changes in equity include only transactions with shareholders, the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income", and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period. The Group will apply these amendments and make the necessary changes to the presentation of its financial information in 2009.

- *IAS 23 – Borrowing Costs (effective for annual periods beginning on or after 1 January 2009).* IAS 23 and replaces the previous version of IAS 23. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that need a substantial period of time to get ready for use or sale. The Group will apply the amended IAS 23, as from 1 January 2009.

- *Amendments to IAS 32 and IAS 1 Puttable Financial Instruments.* The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. Both amendments are effective for annual periods beginning on or after 1 January 2009. The Group does not expect these amendments to impact the financial statements of the Group.

- *IAS 39 (Amended) "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. This amendment is not applicable to the Group as it applies hedge accounting in terms of IAS 39, but has no significant impact to the Group's financial information.

- *IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" and IFRS 7 (Amendment) "Financial instruments: Disclosures" – Reclassification of Financial Assets* (effective prospectively from 1 July 2008). This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. This amendment will not have any impact on the Group's financial statements.

- *IFRS 1 (Amendment) "First time adoption of IFRS" and IAS 27 (Amendment) "Consolidated and separate financial statements"* (effective for annual periods beginning on or after 1 January 2009). The amendment to IFRS 1 allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. As the parent company and all its subsidiaries have already transitioned to IFRS, the amendment will not have any impact on the Group's financial statements.

- *Amendments to IFRS 2 'Share Based Payment' – Vesting Conditions and Cancellations.* The amendment, effective for annual periods beginning on or after 1 January 2009, clarifies the definition of "vesting condition" by introducing the term "non-vesting condition" for conditions other than service conditions and performance conditions. The amendment also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. The Group does not expect that these amendments will have an impact on its financial statements.

- *Revisions to IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements'.* A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements is effective for annual periods beginning on or after 1

July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss. The amended IAS 27 requires that a change in ownership interest of a subsidiary to be accounted for as an equity transaction. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by these standards must be applied prospectively and will affect future acquisitions and transactions with minority interests. The Group will apply these changes from their effective date.

- *IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).* IFRS 8 has replaced *IAS 14* requiring companies to report financial and descriptive information about its reportable segments and extends the reporting requirements already in place. The Group will apply IFRS 8 from 1 January 2009.

- *IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).* IFRIC 13 clarifies the treatment of entities that grant loyalty award credits such as ''points'' and ''travel miles'' to customers who buy other goods or services. This interpretation is not relevant to the Group's operations.

- *IFRIC 15 - Agreements for the construction of real estate (effective for annual periods beginning on or after 1 January 2009).* IFRIC 15 addresses the diversity in accounting for real estate sales. Some entities recognise revenue in accordance with IAS 18 (i.e. when the risks and rewards in the real estate are transferred) and others recognise revenue as the real estate is developed in accordance with IAS 11. The interpretation clarifies which standard should be applied to particular. This interpretation is not relevant to the Group's operations.

- *IFRIC 16 - Hedges of a net investment in a foreign operation* (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and qualifies for hedge accounting in accordance with IAS 39. The interpretation provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. This interpretation is not relevant to the Group as the Group does not apply hedge accounting for any investment in a foreign operation.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group apples a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity

(c) Joint ventures

The Group's interests in jointly controlled assets are accounted for by proportionate consolidation.

The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture to the extent that the gain or loss is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint ventures' accounting policies are changed where necessary to ensure consistency with the policies adopted by the Group. Currently the Group does not have any such cases.

The Group's interests in jointly controlled entities are accounted for using the equity method.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 consolidated 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.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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 Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement as incurred. Refinery refurbishment costs 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
– Furniture and fixtures	4 - 8 years
– Computer hardware	3 - 5 years
– LPG carrier	10 years
– White products carrier	17 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 the 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 as incurred.

2.6 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary 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 at the date of acquisition is higher than the cost, the excess remaining is recognised immediately in the income statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Licences and rights

License fees for the use of know-how relating to the 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).

Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant licences.

(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 using the straight line method over their estimated useful lives (3 years).

2.7 Exploration for and Evaluation of Mineral Resources

Exploration and evaluation assets

During the exploration period and before a commercial viable discovery oil and natural gas exploration and evaluation expenditures are expensed. Geological and geophysical costs as well as costs directly associated with an exploration are expensed as incurred. Exploration property leasehold acquisition costs are capitalized within intangible assets and amortised over the period of the licence or in relation to the progress of the activities if there is a substantial difference.

Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within tangible and intangible assets according to nature. When development is completed on a specific field, it is transferred to production assets. No depreciation and/or amortization is charged during development.

Oil and gas production assets

Oil and gas properties are aggregated exploration and evaluation tangible assets and development expenditures associated with the production of proved reserves.

Depreciation/amortization

Oil and gas properties/intangible assets are depreciated/amortized using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Impairment – exploration and evaluation assets

The exploration property leasehold acquisition costs are tested for impairment whenever facts and circumstances indicate impairment. For the purposes of assessing impairment, the exploration property leasehold acquisition costs subject to testing are grouped with existing cash-generating units (CGUs) of production fields that are located in the same geographical region corresponding to each licence.

Impairment – proved oil and gas properties and intangible assets

Proved oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 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.

2.9 Financial assets

The Group 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.

Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expressed in the income statement.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets are subsequently carried at cost less impairment as the equity instruments can not be reliably measured. Loans and receivables and 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 have arisen.

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 Group 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 Group 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

2.10 Derivative financial instruments and hedging activities

As part of its risk management policy, the Group utilizes financial and commodity derivatives to mitigate the impact of future price volatility. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In 2006, the Group has entered into derivative contracts that have been designated as cash flow hedges. The effective portion of changes in the fair value of these derivatives is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (i.e. when the forecast transaction being hedged takes place).

When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Other operating income / (expense)".

The derivatives that are not designated as hedges and do not qualify for hedge accounting are classified as held-for-trading and accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement within "Other operating (expenses)/income – net", or in "Cost of Sales" (refer to note 20).

2.11 Government grants

Investment and development grants related to Property, Plant and Equipment received by the Group are initially recorded as deferred income and included in "Provisions and other long term liabilities" as government grants. 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 Group, which under certain conditions are repayable, are included in non-current liabilities until the likelihood of repayment is remote. They are then disclosed as contingent liabilities until the possibility of loss becomes remote.

2.12 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.

2.13 Trade 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 Group 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 and is included in Selling, Distribution and Administrative expenses.

2.14 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.

2.15 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.

2.16 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 Group 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 short term borrowings on the balance sheet and within financing activities in the cash flow statement.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

2.18 Employee benefits

(a) *Pension obligations*

The Group participates in various pension schemes. The payments are determined by the local legislation and the funds' regulations. The Group has both defined benefit and defined contribution plans.

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.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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.

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 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.

For defined contribution plans, the Group pays contributions to publicly administered Social Security funds on a mandatory basis. The Group 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.

(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 Group 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 Group operates a share based 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 vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to entity.

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.

2.19 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost and using the effective interest method.

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group 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.

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.

2.21 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.

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licences. In order to comply with all rules and regulations the Group has set up a monitoring mechanism in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements. The above mentioned expenses are estimated based on the relevant environmental studies.

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.

2.22 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 Group 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 Group 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 Group 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.

2.23 Leases

Leases of property, plant and equipment where the Group 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 "Borrowings". 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.

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.

2.24 Dividend distribution

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

2.25 Comparative figures

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

In particular, in the comparative financial statements of the Group for the year ended 31 December 2007, an amount of €25.221 relating to grants for the acquisition of property plant and equipment has been reclassified from "Trade and Other payables" to "Provisions and Other long term liabilities". Also an amount of €74.494 relating to long term derivatives has been reclassified from "Provisions and other long term liabilities" to "Long term derivatives".

3 Financial risk management

3.1 Financial risk factors

The Group's activities are primarily centred around its Downstream Oil & Gas assets; secondary or new activities relate to Petrochemicals, exploration of hydrocarbons and power generation and trading. As such, the Group is exposed to a variety of financial and commodity markets risks including foreign exchange and commodity price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. In line with international best practices and within the context of local markets and legislative framework, the Group's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Group to the extent possible.

Commodity price risk management is supervised by a 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 Group's operating units.

(a) Market risk

(i) Foreign exchange risk

Foreign currency exchange risk arises on three types of exposure:

- **Balance sheet translation risk:** Most of the stock held by the Group is reported in Euro while its underlying value is determined in USD. Thus, a possible devaluation of the USD against the Euro leads to a reduction in the realisable value of inventory included in the balance sheet. In order to manage this risk, significant part of the Group funding is denominated in USD providing an opposite effect to the one described above. It should be noted however, that while in the case of USD devaluation the impact on the balance sheet is mitigated, in cases of USD appreciation the mark to market valuation of such loans leads to a reported loss under foreign exchange differences with no compensating benefit as stocks continue to be included in the balance sheet at cost. The exposure at any point in time is clearly given by the amounts shown in the balance sheet and the related disclosures.

- **Gross Margin transactions and translation risk:** The fact that most of the transactions in crude oil and oil products are based on international Platt's USD prices leads to exposure in terms of the Gross Margin translated in Euro. Recent market volatility has impacted adversely on the cost of mitigating this exposure; as a result the Group did not actively hedge material amounts of the Gross margin exposure. This exposure is linearly related to the Gross margin of the Group in that the appreciation of Euro vs. USD leads to a respective translation loss on the period results.

- **Local subsidiaries exposure:** Where the Group operates in non Euro markets there is an additional exposure in terms of cross currency translation between USD (price base), Euro reporting currency and local currency. Where possible the Group seeks to manage this exposure by either transferring the exposure for pooling at Group levels or by taking protection in local currency. Although material for local subsidiaries operations, the overall exposure is not considered material for the Group.

(ii) Price risk

The Group's primary activity as a refiner creates two types of commodity price exposures; crude oil and oil products price levels which affect the value of inventory and refining margins which in turn affect the future cash flows of the business.

In the case of price risk the level of exposure is determined by the amount of priced inventory carried at each balance sheet date. In periods of sharp price decline, as Group policy is to report its inventory at the lower of historic cost and net realisable value, results are affected by the reduction in the carrying value of the inventory. The extent of the exposure relates directly to the level of stocks and rate of price decrease. This exposure is partly hedged with paper derivatives to the extent that the cost of such instruments is considered positive from a risk return point of view.

Refining margin exposure relates to the absolute level of margin generated by the operation of the refineries. This is determined by Platts prices and varies on a daily basis; as an indication of the impact to the Group financial results, a change in the refinery margins has a proportionate impact on the Groups profitability. In particular, a $1/barrel increase in the refinery margin impacts operating profits by about $100 million. Where possible, the Group aims to hedge 10-50% of each of the various components of its expected production. 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.

(iii) Interest rate risk

Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR), has a proportionate impact on the Groups results.

(b) Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The table below shows the segregation of receivables by major business segment:

(All amounts in Euro thousands unless otherwise stated)

	31 December 2008			31 December 2007		
Business segment	**Current balance**	**Past due but not impaired balance**	**Impaired balance**	**Current balance**	**Past due but not impaired balance**	**Impaired balance**
Refining	407.891	78.766	49.666	743.363	156.100	45.176
Petrochemicals	62.153	25.514	16.750	92.244	33.655	23.353
E&P	7.629	7.517	-	6.278	5.948	-
Energy	4.751	-	-	19.321	2.186	-
Marketing	122.022	72.688	35.242	313.406	199.884	51.990
Other	1.118	151	-	6.583	1.150	-
	605.564	**184.636**	**101.658**	**1.181.195**	**398.923**	**120.519**
Allowance for bad debts			**95.233**			**113.725**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

(c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in its funding through the use of committed credit facilities.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2008				
Borrowings	1.110.355	91.846	356.238	-
Derivative fiancial instruments	12.268	24.406	46.812	-
Trade and othe payables	779.276	-	-	-
At 31 December 2007				
Borrowings	786.510	29.431	373.154	-
Derivative fiancial instruments	14.394	16.321	36.843	26.330
Trade and othe payables	788.490	-	-	-

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(All amounts in Euro thousands unless otherwise stated)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less "Cash & cash equivalents" less "Available for Sale financial assets". Total capital employed is calculated as "Total Equity" as shown in the balance sheet plus net debt.

During 2008 the Group strategy which was unchanged from 2007, was to maintain the gearing ratio between 20% - 40%. The gearing ratios at 31 December 2008 and 2007 were as follows:

	As at	
	31 December 2008	**31 December 2007**
Total Borrowings (Note 16)	1.558.439	1.189.095
Less: Cash & Cash Equivalents (Note12)	(876.536)	(208.450)
Available for sale financial assets	(2.879)	(4.012)
Net debt	**679.024**	**976.632**
Total Equity	2.473.666	2.580.473
Total Capital Employed	**3.152.690**	**3.557.106**
Gearing ratio	22%	27%

3.3 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 Group 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 Group for similar financial instruments.

4 Critical accounting estimates and judgements

The Group 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 Group 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 Group 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 Group operates in the oil industry with it's 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 Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and 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 Group's financial statements. When the final determination of such obligation amounts differs from the recognised provisions, the Group's income statement is impacted.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with it's accounting policies. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. Significant judgement is involved in management's determination of these estimates.

(All amounts in Euro thousands unless otherwise stated)

5 Segment information

(a) Primary reporting format – business segments

The Group is organised into six main business segments determined in accordance with the type of business activity: Refining, Marketing, Exploration & production, Petrochemicals, Engineering, Gas & Power.

	Refining	Marketing	Exploration & Production	Petro-chemicals	Gas & Power	Other	Eliminations	Total
For the year ended 31 December 2008								
Sales	9.627.470	3.144.817	1.129	368.423	180.549	17.903	(3.209.308)	10.130.983
Other operating income / (expense) - net	32.282	14.450	143.327	3.894	54.872	7.841	-	256.666
Operating profit / (loss)	**(158.024)**	**36.675**	**124.670**	**8.400**	**90.979**	**10.398**	**-**	**113.098**
Foreign exchange gains/ (losses)	(99.021)	(3.450)	-	-	(1)	(35)	-	(102.507)
Profit / (loss) before tax, share of net result of associates & finance costs	**(257.045)**	**33.225**	**124.670**	**8.400**	**90.978**	**10.363**	**-**	**10.591**
Share of net result of associates and dividend income	667	-	-	(2.074)	56.161	-	-	54.754
Profit / (loss) before tax & finance costs	**(256.378)**	**33.225**	**124.670**	**6.326**	**147.139**	**10.363**	**-**	**65.345**
Finance costs - net								(48.488)
Profit before income tax								**16.857**
Income tax income								12.176
Income applicable to minority interest								(5.390)
Profit for the period attributable to the equity holders of the parent company								**23.643**

(All amounts in Euro thousands unless otherwise stated)

5 Segment information (continued)

	Refining	Marketing	Exploration & Production	Petro-chemicals	Gas & Power	Other	Eliminations	Total
For the year ended 31 December 2007								
Sales	8.034.684	2.631.055	1.129	380.210	148.347	12.810	(2.670.284)	8.537.951
Other operating income / (expense) - net	(17.738)	18.490	-	2.869	493	(132)	5.000	8.982
Operating profit / (loss)	**408.238**	**46.429**	**(30.747)**	**37.760**	**21.726**	**(8.060)**	**1.926**	**477.272**
Foreign exchange gains/ (losses)	26.975	2.660	-	-	-	(104)	-	29.531
Profit / (loss) before tax, share of net result of associates & finance costs	**435.213**	**49.089**	**(30.747)**	**37.760**	**21.726**	**(8.164)**	**1.926**	**506.803**
Share of net result of associates and dividend income	860	139	-	397	22.200	-	-	23.596
Profit / (loss) before tax & finance costs	**436.073**	**49.228**	**(30.747)**	**38.157**	**43.926**	**(8.164)**	**1.926**	**530.399**
Finance costs - net								(41.772)
Profit before income tax								**488.627**
Income tax expense								(124.012)
Income applicable to minority interest								(13.611)
Profit for the period attributable to the equity holders of the parent company								**351.004**

(All amounts in Euro thousands unless otherwise stated)

5 Segment information (continued)

The segment assets and liabilities at 31 December 2008 are as follows:

	Refining	Marketing	Exploration & Production	Petro-chemicals	Gas & Power	Other	Eliminations	Total
Total assets	3.809.422	972.004	4.058	325.388	-	1.422.961	(1.387.843)	**5.145.990**
Total liabilities	1.796.845	629.234	-	202.855	183	1.090.784	(1.047.577)	**2.672.324**
Net assets	2.012.577	342.771	4.058	122.533	(183)	332.177	(340.267)	**2.473.666**
Capital expenditure	246.194	86.780	-	647	-	4.019	-	**337.640**
Depreciation & Amortisation	69.562	32.835	-	17.308	-	431	-	**120.136**

The segment assets and liabilities at 31 December 2007 are as follows:

	Refining	Marketing	Exploration & Production	Petro-chemicals	Gas & Power	Other	Eliminations	Total
Total assets	3.837.262	993.964	11.770	316.674	252.309	1.051.413	(1.404.528)	**5.058.864**
Total liabilities	1.542.595	646.274	-	174.226	200.314	1.155.572	(1.240.590)	**2.478.391**
Net assets	2.294.667	347.690	11.770	142.448	51.995	(104.159)	(163.938)	**2.580.473**
Capital expenditure	118.951	71.417	3.509	772	242	59	-	**194.950**
Depreciation & Amortisation	73.126	29.890	3.081	17.365	15.877	439	-	**139.778**

(All amounts in Euro thousands unless otherwise stated)

(b) Secondary reporting format – geographical segments

The secondary analysis of Sales, Total assets and Capital Expenditure is given by geographical segment.

Sales	**For the year ended**	
	31 December 2008	**31 December 2007**
Greece	11.926.242	10.127.495
Rest of EU	326.783	256.784
Other countries	1.176.889	880.769
	13.429.914	**11.265.048**
Less: Intersegment	(3.298.931)	(2.727.097)
Sales	**10.130.983**	**8.537.951**

Sales are classified in terms of point of origination.

	As at	
Total assets	**31 December 2008**	**31 December 2007**
Greece	4.781.087	5.134.976
Rest of EU	1.276.877	1.343.931
Other countries	536.101	528.268
	6.594.065	**7.007.175**
Less: Intersegment	(1.448.075)	(1.948.311)
Total assets	**5.145.990**	**5.058.864**

Capital Expenditure	**As at**	
	31 December 2008	**31 December 2007**
Greece	274.036	141.596
Rest of EU	6.998	6.696
Other countries	56.606	46.658
	337.640	**194.950**
Less: Intersegment	-	-
Total	**337.640**	**194.950**

(All amounts in Euro thousands unless otherwise stated)

6 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Motor vehicles	Furniture and fixtures	Assets Under Con-struction	Total
Cost							
As at 1 January 2007	**205.207**	**384.171**	**1.836.533**	**39.857**	**71.714**	**158.279**	**2.695.761**
Additions	5.804	25.699	15.220	440	5.882	127.563	180.608
Capitalised projects	-	12.341	64.430	36	527	(77.334)	-
Disposals	(90)	(138)	(11.336)	(920)	(439)	(99)	(13.022)
Currency translation effects	(237)	(134)	(236)	(8)	(128)	(50)	(793)
Transfers and other movements	3.024	(3.642)	6.254	464	672	(21.996)	(15.224)
As at 31 December 2007	**213.708**	**418.297**	**1.910.865**	**39.869**	**78.228**	**186.363**	**2.847.330**
Accumulated Depreciation							
As at 1 January 2007	**-**	**190.880**	**1.044.658**	**23.248**	**56.641**	**-**	**1.315.427**
Charge for the year	-	16.475	102.249	2.860	6.108	-	127.692
Disposals	-	(10)	(10.159)	(840)	(438)	-	(11.447)
Currency translation effects	-	(63)	(140)	(2)	(109)		(314)
Transfers and other movements	-	(2.272)	1.265	(6)	645	-	(368)
As at 31 December 2007	**-**	**205.010**	**1.137.873**	**25.260**	**62.847**	**-**	**1.430.990**
Net Book Value at 31 December 2007	**213.708**	**213.287**	**772.992**	**14.609**	**15.381**	**186.363**	**1.416.340**
Cost							
As at 1 January 2008	**213.708**	**418.297**	**1.910.865**	**39.869**	**78.228**	**186.363**	**2.847.330**
Additions	13.970	24.481	8.481	1.202	6.755	255.921	310.810
Acquisition of OPET	6.251	7.454	8.797	39	666	2.042	25.249
Capitalised projects	-	4.734	56.288	53	3.718	(64.793)	-
Disposals	(521)	(20.211)	(227.607)	(326)	(1.670)	(95)	(250.430)
Currency translation effects	(1.129)	(3.864)	(1.116)	(8)	(59)	(571)	(6.747)
Transfers and other movements	(5.666)	19.258	14.652	676	2.613	(19.551)	11.982
As at 31 December 2008	**226.613**	**450.149**	**1.770.360**	**41.505**	**90.251**	**359.316**	**2.938.194**
Accumulated Depreciation							
As at 1 January 2008	**-**	**205.010**	**1.137.873**	**25.260**	**62.847**	**-**	**1.430.990**
Charge for the year	-	16.776	81.882	2.898	5.810	-	107.366
Disposals	-	(4.982)	(32.397)	(234)	(1.288)	-	(38.901)
Currency translation effects	-	(540)	(566)	(21)	(38)		(1.165)
Transfers and other movements	-	(15)	-	-	-	-	(15)
As at 31 December 2008	**-**	**216.249**	**1.186.792**	**27.903**	**67.331**	**-**	**1.498.275**
Net Book Value at 31 December 2008	**226.613**	**233.900**	**583.568**	**13.602**	**22.920**	**359.316**	**1.439.919**

(1) The Group has not pledged any property, plant and equipment as security for borrowings.

(2) Within the balance of Assets Under Construction at 31 December 2008 an amount of €86m (2007: €67m) relates to costs in respect of the upgrade of the Elefsina refinery for which a Front End Engineering Design (FEED) is already in progress. The decision to proceed with the upgrade investment has been taken at the Board of Directors meeting on 21 February 2007. The investment is currently in the detailed engineering and procurement of equipment phases and management expects that the project will be completed in 2011. Any potential delays during the engineering, procurement or construction phase will have equivalent effects on the project completion date.

(3) During 2008 an amount of €0,2 m (2007: €0,5 m) in respect of interest has been capitalized in relation to retail petrol stations, included in Plant & Machinery.

(All amounts in Euro thousands unless otherwise stated)

7 Intangible assets

	Goodwill	Computer software	Licences & Rights	Other	Total
Cost					
As at 1 January 2007	**137.266**	**42.792**	**31.582**	**28.110**	**239.750**
Additions	1.299	2.165	3.498	7.380	14.342
Currency translation effects	(12)	(14)	-	(38)	(64)
Other movements	(679)	9.568	-	2.785	11.674
As at 31 December 2007	**137.874**	**54.511**	**35.080**	**38.237**	**265.702**
Accumulated Amortisation					
As at 1 January 2007	**71.829**	**37.562**	**10.557**	**2.532**	**122.480**
Charge for the year	-	7.402	4.085	599	12.086
Currency translation effects		(12)	-	-	(12)
Other movements	-	1.292	-	(64)	1.228
As at 31 December 2007	**71.829**	**46.244**	**14.642**	**3.067**	**135.782**
Net Book Value at 31 December 2007	**66.045**	**8.267**	**20.438**	**35.170**	**129.920**
Cost					
As at 1 January 2008	**137.874**	**54.511**	**35.080**	**38.237**	**265.702**
Additions	792	5.908	-	5.562	12.262
Acquisition of OPET		8	7.913		7.921
Disposals	-	(95)	(13.529)	-	(13.624)
Currency translation effects	-	(28)	-	(2.390)	(2.418)
Other movements	-	3.000	-	-	3.000
As at 31 December 2008	**138.666**	**63.304**	**29.464**	**41.409**	**272.843**
Accumulated Amortisation					
As at 1 January 2008	**71.829**	**46.244**	**14.642**	**3.067**	**135.782**
Charge for the year	-	9.999	-	2.771	12.770
Disposals	-	(54)	(6.759)	-	(6.813)
Currency translation effects	-	(14)	-	-	(14)
Other movements	-	(586)	2.313	-	1.727
As at 31 December 2008	**71.829**	**55.589**	**10.196**	**5.838**	**143.452**
Net Book Value at 31 December 2008	**66.837**	**7.715**	**19.268**	**35.571**	**129.391**

(1) The majority of the remaining amount of goodwill as at 31 December 2008 relates to the unamortised goodwill arising on the acquisition of Hellenic Petroleum Cyprus Ltd from BP plc in 2003 which is treated in line with the accounting policy in note 2.6. This has been tested for impairment as at 31 December 2008 and no such issue has been identified as the significant assumptions affecting the value of the company (price, margins, and volumes) are improved.

(2) Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant licences. Details of the accounting policy are given in note 2.6.

(3) Other intangible assets category includes rights of use of land in Serbia where under local statutory law, certain plots of land belong to the user under a right of use. Also included are amounts paid to the government for use of land in Montenegro where the company holds title.

(All amounts in Euro thousands unless otherwise stated)

8 Investments in associates and joint ventures

	As at	
	31 December 2008	**31 December 2007**
Beginning of the Year	**386.847**	**366.165**
Dividends received	(5.538)	(2.582)
Share of results of associates	54.754	23.457
Participation in joint ventures	68.198	-
Share capital increase / (decrease)	3.956	(201)
Other movements	2	8
End of the year	**508.219**	**386.847**

The Group participates in a number of other entities with significant influence but not a controlling shareholding. These investments are accounted for in the Group accounts under the equity method.

The table below summarises the income from the main investments in associates:

	For the year ended	
	31 December 2008	**31 December 2007**
Public Natural Gas Corporation of Greece (DEPA)	56.161	22.200
Artenius Hellas S.A.(ex V.P.I. S.A.)	(2.074)	397
Other associates	667	860
Total	**54.754**	**23.457**

The main financial information of major associated companies is listed below:

	As at 31 December 2008		
	Assets	**Liabilities**	**Revenues**
DEPA	2.440.514	1.220.201	1.505.509
ARTENIUS	65.050	41.535	83.826
EAKAA	21.850	13.531	3.947
ELPEDISON	252.309	200.132	144.184

	As at 31 December 2007		
	Assets	**Liabilities**	**Revenues**
DEPA	2.193.402	1.079.466	1.072.318
ARTENIUS	71.854	42.412	89.841
EAKAA	23.180	14.972	4.207

On 3 July 2008, Hellenic Petroleum announced the signing of an agreement with Edison SpA, Italy's second largest electricity producer and gas distributor, creating a strategic alliance in power generation and trading. The alliance has taken the form of a joint venture named Edison B.V. aiming to put in place a power generation portfolio of 1,500-2,000MW and power trading and marketing activities.

Based on the agreement with Edison, Hellenic Petroleum will contribute to the joint-venture its wholly owned subsidiary Energiaki Thessalonikis and Edison will contribute its 65% holding in Thisvi, plus €55m cash to Hellenic Petroleum. Following the completion of the transaction, both parties will have equal ownership in the joint-venture.

(All amounts in Euro thousands unless otherwise stated)

The transaction was consummated on December 18, 2008 and resulted in a gain of €52,9m for Hellenic Petroleum Group justified as the difference between cash of €55m and the fair value of the effective interest in Thisvi (32,5%) less the carrying amount of net assets disposed (50% of Energiaki Thessalonikis).

As from the date of the consummation, the Group accounts for its 50% ownership in the joint-venture on an equity basis. Such accounting has resulted in an increase of our "Investments in associates and joint ventures" of €68m, increase of €55m in "Trade and other receivables" and the aforementioned gain of €52,9m

The Group's existing loans to Energiaki Thessalonikis are shown under "Loan, advances & LT assets" (€81.131) and "Trade and other receivables" (€50.762).

9 Loans, Advances & Long Term assets

	As at	
	31 December 2008	**31 December 2007**
Loans and advances	23.422	21.193
Other long term assets	145.621	51.422
Total	**169.043**	**72.615**

Loans and advances relate primarily to merchandise credit extended to third parties as part of the retail network expansion and is non interest bearing.

Other long term assets include payments made to secure long term retail network locations and other prepayments of long term nature, which are non interest bearing. These are amortised over the remaining life of the relating contracts of the petrol stations

10 Inventories

	As at	
	31 December 2008	**31 December 2007**
Crude oil	369.872	445.487
Refined products and semi-finished products	545.254	963.822
Petrochemicals	35.097	46.968
Consumable materials and other spare parts	82.868	88.952
- Less: Provision for consumables and spare parts	(12.311)	(14.068)
Total	**1.020.780**	**1.531.161**

The cost of inventories recognized as expense and included in "Cost of sales" for 2008 is equal to €8.932.766 (2007: €6.964.117).

The amount of the write-down of inventories recognized as an expense in 2008 and included in "Cost of sales" is equal to €201.101 (2007: €4.353).

(All amounts in Euro thousands unless otherwise stated)

11 Trade and other receivables

	As at	
	31 December 2008	**31 December 2007**
Trade receivables	606.115	1.181.196
- Less: Provision for impairment of receivables	(95.233)	(113.724)
Trade receivables net	**510.882**	**1.067.471**
Other receivables	378.028	206.425
- Less: Provision for impairment of receivables	(19.463)	(20.144)
Other receivables net	**358.565**	**186.282**
Derivatives held for trading (Note 20)	24.833	247
Deferred charges and prepayments	35.324	25.244
Total	**929.604**	**1.279.244**

The provision for impairment of receivables reflects the full grossed up amount which includes all balances for which a write off has not been effected in accordance with recently introduced tax law (2005) for Greek companies.

Other receivables include balances in respect of VAT, income tax prepayment, advances to personnel, Government grants receivable and other non operating sundry debtors.

The fair values of receivables approximate their carrying amount.

The movement in the provision for impairment has been included in Selling, Distribution and Administration costs in the Income Statement.

12 Cash and cash equivalents

	As at	
	31 December 2008	**31 December 2007**
Cash at Bank and in Hand	280.210	131.048
Short term bank deposits	596.326	77.402
Total	**876.536**	**208.450**

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

	As at	
	31 December 2008	**31 December 2007**
Euro	4,48%	4,20%
USD	0,54%	3,45%

(All amounts in Euro thousands unless otherwise stated)

13 Share capital

	Number of Shares (authorised and issued)	Share Capital	Share premium	Total
As at 1 January 2007 & 31 December 2007	**305.635.185**	**666.285**	**353.796**	**1.020.081**
As at 31 December 2008	**305.635.185**	**666.285**	**353.796**	**1.020.081**

All ordinary shares were authorised, issued and fully paid. The nominal value of each ordinary share is €2,18 (31 December 2007: €2,18).

Share options

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. The AGM of Hellenic Petroleum S.A of 31 May 2006 has approved and granted stock options for the year 2005 of 272.100 shares, all of them vested on 1 December 2008. The AGM of 17 May 2007 has approved and granted stock options for the year 2006 of 408.015 shares, vesting on 1 December 2009. The AGM of 14 May 2008 has approved and granted stock options for the year 2008 of 385.236 shares, vesting on 1 December 2010.

The movement in share options during the year were:

	As at			
	31 December 2008		**31 December 2007**	
	Average Exercise Price in € per share	Options	Average Exercise Price in € per share	Options
At 1 January	**10,40**	**680.115**	**9,69**	**272.100**
Granted	11,01	385.236	10,88	408.015
Exercised	-	-	-	-
Lapsed	-	-	-	-
At 31 December	**10,63**	**1.065.351**	**10,40**	**680.115**

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

Expiry Date	**Exercise Price in € per share**	**No. of share options as at 31 December 2008**	**31 December 2007**
5 December 2012	9,69	272.100	272.100
5 December 2013	10,88	408.015	408.015
5 December 2014	11,01	385.236	-
	Total	**1.065.351**	**680.115**

As at 31 December 2008 only the stock options granted in 2006 were exercisable. The average remaining contractual life of stock options outstanding at 31 December 2008 and 2007 was 5 and 4,5 years respectively

Share based compensation is measured at fair value at the date of the grant using a binomial stock option valuation model. The inputs into the model were as follows:

(All amounts in Euro thousands unless otherwise stated)

	As at	
	31 December 2008	**31 December 2007**
Risk free-interest rate	4,30%	4,70%
Expected Volatility	25,00%	25,00%
Dividend Yield	4,00%	4,00%
Expected Life	4,9 years	4,9 years
Fair value of option granted	1,09	2,42

Share based compensation was immaterial for both 2008 and 2007.

14 Reserves

	Statutory reserve	Special reserves	Hedging reserve	Tax reserves	Total
Balance at 1 January 2007	**82.011**	**98.420**	**1.501**	**389.380**	**571.312**
Fair value gains / (losses) on cash flow hedges (Note 20)	-	-	(48.881)	-	(48.881)
Transfer to statutory and tax reserves	15.818	-	-	21.807	37.625
Transfers to retained earnings (Law 3614/07)	-	-	-	(44.818)	(44.818)
Balance at 31 December 2007	**97.829**	**98.420**	**(47.380)**	**366.369**	**515.238**
Fair value gains / (losses) on cash flow hedges (Note 20)	-	-	10.901	-	10.901
Transfers to retained earnings (Law 3614/07)	-	-	-	(24.807)	(24.807)
Balance at 31 December 2008	**97.829**	**98.420**	**(36.479)**	**341.562**	**501.332**

The year end hedging reserve is shown net of tax €10.333 (2007: €15.793).

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 tax revaluations which have been included in the holding company accounts in accordance with the relevant legislation in prior years. Where considered appropriate deferred tax provisions are booked in respect of these reserves.

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. 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) In line with similar policy in the past, the Group had set up tax free reserves under the provisions of applicable incentive legislation Law 3220/2004 of the Hellenic Republic in respect to investment plans amounting to €81 million. The EU Commission has subsequently challenged this law as being a government subsidy that is not in accordance with EU policies. The Greek Government, conforming to European Union Directives passed Law 3614/2007 on the 22 November 2007 cancelling the provisions of Law 3220/2004, enabling companies to reallocate investments under other incentive legislation and requesting the payment of any due tax on the remaining amounts. Following the legislation amendment of Law 3220/2004, an amount of €69,6 million previously included in tax free reserves has been reclassified to "Retained Earnings". As a result, the tax free reserves now include an amount of €11,4 million under Environmental Investment Laws 2601/98 and 3299/04. The Group has repaid the relevant investment subsidies under Law 3220/2004 and has appealed against the Greek State to include the relevant investment under law 2992/2002.

(All amounts in Euro thousands unless otherwise stated)

15 Trade and other payables

	As at	
	31 December 2008	**31 December 2007**
Trade payables	677.492	655.833
Accrued Expenses & Deferred Income	30.105	47.572
Government grants	4.912	5.672
Derivatives held for trading (Note 20)	12.268	14.641
Other payables	66.767	79.166
Total	**791.544**	**802.884**

Other payables include amounts in respect of payroll and other staff related costs, social security obligations and sundry taxes.

(All amounts in Euro thousands unless otherwise stated)

16 Borrowings

	As at	
	31 December 2008	**31 December 2007**
Non-current borrowings		
Bank borrowings	448.084	402.585
Total non-current borrowings	**448.084**	**402.585**
Current borrowings		
Short term bank borrowings	1.089.103	765.639
Current portion of bank borrowings	21.252	20.871
Total current borrowings	**1.110.355**	**786.510**
Total borrowings	**1.558.439**	**1.189.095**

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

Within short term and long term borrowings finance leases are included as follows:

	As at	
	31 December 2008	**31 December 2007**
Obligations under finance leases		
Within 1 year	1.615	794
Between 1 and 5 years	4	1.593
Total lease payments	**1.619**	**2.387**
less: Interest	(100)	(201)
Total	**1.519**	**2.186**

The maturity of non-current borrowings is as follows:

	As at	
	31 December 2008	**31 December 2007**
Between 1 and 2 years	91.846	29.431
Between 2 and 5 years	356.238	373.154
	448.084	**402.585**

(All amounts in Euro thousands unless otherwise stated)

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

		As at 31 December 2008	
	€	**US$**	**RSD**
Bank Borrowings (short-term)			
- Floating Euribor + margin	4,78%	-	-
- Floating Libor + margin	-	1,10%	-
Bank Borrowings (long-term)			
- Floating Euribor + margin	3,22%	-	-
- Floating Libor + margin	-	1,51%	-
- NBS 2wk repo + margin	-	-	19,14%

		As at 31 December 2007	
	€	**US$**	**RSD**
Bank Borrowings (short-term)			
- Floating Euribor + margin	4,82%	-	-
- Floating Libor + margin	-	5,19%	-
Bank Borrowings (long-term)			
- Floating Euribor + margin	4,97%	-	-
- Floating Libor + margin	-	5,14%	-
- NBS 2wk repo + margin	-	-	10,27%

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at	
	31 December 2008	**31 December 2007**
Euro	969.413	570.943
US dollar	588.949	618.094
RSD	77	58
Total borrowings	**1.558.439**	**1.189.095**

Hellenic Petroleum Finance plc (HPF) was established in November 2005 in the U.K. and is a wholly-owned subsidiary of Hellenic Petroleum S.A. The company acts as the central treasury vehicle of the Hellenic Petroleum Group and its activities include the financing of the Group companies.

On 18 April 2006 HPF concluded a syndicated €300 million syndicated 364-day multi-currency revolving credit facility agreement with the guarantee of the parent company. The facility had an extension option for a further 364 day period which was exercised in 2007 and consequently the maturity date was extended to 15 April 2008. In April 2008, the facility was extended for a further 364 day period until 14 April 2009 and the facility amount was increased to €400 million. The outstanding balance of the facility as at 31 December 2008 amounted to the equivalent of €120 million.

On 2 February 2007 HPF signed a syndicated US$ 1,180 million credit facility agreement with a maturity of five years and two 364-day extension options, closely related to the host contract, exercisable prior to the first and the second anniversary of the facility. The facility is guaranteed by the parent company. A total of fifteen Greek and international financial institutions have participated in the facility. The facility comprises of fixed term borrowings and revolving credit. In 2007 the Company exercised the first extension option to extend the maturity date until 31 January 2013 to which all participating financial institutions have consented, except for one bank whose participation in the facility amounted to US$ 20 million. The outstanding balance under the facility as at 31 December 2008 amounted to the equivalent of €831 million, of which short term revolving loans amounted to the equivalent of €473 million.

The total balance of HPF's bank borrowings as at 31 December 2008 amounted to the equivalent of €951 million. The proceeds of the aforementioned facilities have used to provide loans to other Group companies.

(All amounts in Euro thousands unless otherwise stated)

The loan analysis is as follows:

	As at	
	31 December 2008	**31 December 2007**
Syndicated loans	1.005.799	949.343
Term loans	533.124	212.077
Overdrafts	17.997	25.489
Finance lease	1.519	2.186
Total borrowings	**1.558.439**	**1.189.095**

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:

	As at	
	31 December 2008	**31 December 2007**
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	69.619	30.275
	69.619	**30.275**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(22.104)	(23.648)
	(22.104)	**(23.648)**
	47.515	**6.627**

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

	As at	
	31 December 2008	**31 December 2007**
Beginning of the year	6.627	(11.199)
Income statement recovery / (charge)	44.167	16.940
Charged / (released) to equity	(5.459)	15.793
Other movements	2.180	(14.907)
End of year	**47.515**	**6.627**

Deferred tax relates to the following types of net temporary differences:

Intangible and tangible fixed assets	(30.771)	(30.198)
Inventory valuation	102	3.107
Unrealised exchange gains	(4.778)	(17.925)
Employee benefits provision	27.579	32.754
Derivative financial instruments at fair value	13.409	23.742
Net operating losses carried forward	46.416	-
Other temporary differences	(4.442)	(4.853)
End of year	**47.515**	**6.627**

Deferred tax in relation to special or tax free reserves is calculated to the extent that the Group believes it is more likely than not to be incurred and is entered in the related accounts.

(All amounts in Euro thousands unless otherwise stated)

18 Retirement benefit obligations

	As at	
	31 December 2008	**31 December 2007**
Balance sheet obligations for:		
Pension benefits	153.736	151.126
Total as per balance sheet	**153.736**	**151.126**

	For the year ended	
	31 December 2008	**31 December 2007**
Income statement charge for:		
Pension benefits	28.581	26.140
Total as per income statement	**28.581**	**26.140**

The amounts recognised in the balance sheet are as follows:

	As at	
	31 December 2008	**31 December 2007**
Present value of unfunded obligations	197.505	203.724
Unrecognised actuarial gains / (losses)	(42.158)	(50.883)
Unrecognised prior service cost	(1.592)	(1.715)
Liability in the Balance Sheet	**153.755**	**151.126**

The amounts recognised in the income statement are as follows:

	For the year ended	
	31 December 2008	**31 December 2007**
Current service cost	10.132	9.979
Interest cost	8.907	8.365
Net actuarial (gains) / losses recognised in the year	2.403	3.029
Past service cost	122	349
Regular profit & loss charge	**21.565**	**21.722**
Additional cost of extra benefits	7.016	4.418
Total included in employee benefit expense	**28.581**	**26.140**

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

	As at	
	31 December 2008	**31 December 2007**
Beginning of the year	151.126	140.956
Total expense included in employee benefit expense	28.581	26.140
Payments made	(20.787)	(15.826)
Other adjustments	(5.183)	(144)
At year end	**153.737**	**151.126**

The principal actuarial assumptions used were as follows:

	As at	
	31 December 2008	**31 December 2007**
Discount Rate	5,80%	5,00%
Future Salary Increases	4,50%	4,50%
Average future working life	10,41 years	10,45 years

(All amounts in Euro thousands unless otherwise stated)

19 Provisions and other long term liabilities

	As at 31 December 2008	31 December 2007
Government grants	26.431	50.835
Litigation and tax provisions	7.518	7.867
Share purchase agreement (see note 24 & 34)	-	9.696
Leased petrol stations	10.405	10.994
Other provisions	8.352	7.432
Total	**52.706**	**86.824**

The movement for provisions and other long term liabilities for 2008 is as follows:

	Govern-ment advances and grants	Litigation & tax povisions	Share purchase agreement	Leased petrol-stations	Other provisions	Total
At 1 January 2008	**50.835**	**7.867**	**9.696**	**10.994**	**7.432**	**86.824**
Charged / (credited) to the income statement:						
- Additional provisions / grants	4.002		-	-	920	4.922
- Unused amounts reversed	(25.614)	-	-	-	-	(25.614)
Used during year	(2.792)	(349)	(9.696)	(589)	-	(13.426)
At 31 December 2008	**26.431**	**7.518**	**-**	**10.405**	**8.352**	**52.706**

Government grants

Advances by the Government (Hellenic State) to the Group for the purposes of research and exploration amount to € 25.614 had been recorded as a liability since such an amount could become payable if income was generated from activity in the relevant areas. In July 2007, the Government passed a law (Law 3587) where all Greek onshore and offshore blocks awarded to the Group through a number of Presidential Decrees to DEP in the years 1976 to 1984 and DEP EKY in the years 1988 to 1995, as well as through Cabinet Decision 417/1995, ipso jure return to the State without any further action. Under the same clause, the Group was obliged, within 3 months from the publication of the above Law, to deliver to the Ministry of Development all documentation, studies, maps and any other papers in its possession that relate to exploration and development in the blocks where such rights had been awarded. As part of its accounting policy no exploration and production rights in Greece were capitalized by the Group as assets in its Financial Statements. All exploration and production relating expenditure was expensed in the years incurred. Management has reviewed its position in relation to the above and has obtained a legal opinion based on which liability resulting from these Grants is deemed remote. Furthermore in December 2008 the Group has initiated the process of delivering of the studies, maps and related documentation relating to the aforementioned blocks to the state authorities. Accordingly the Group has written off the entire amount of €25.614 recognising an equivalent amount under “Other operating income / (expenses)” in the Profit and Loss for the year ended 31 December 2008.

Environmental costs

No material provision for environmental remediation is included in the accounts as the Company has a policy for addressing environmental issues.

20 Fair values of derivative financial instruments

Derivatives held for trading

In the context of managing risk resulting from the volatility in the inventory values of products and crude oil, the Group enters into derivative contracts. To the extent that these contracts are not designated as hedges, they are categorized as derivatives held-for-trading. The fair value of derivatives held-for-trading is recognized on the balance sheet in "Trade and other debtors" and "Trade and other payables" if the maturity is less than 12 months and in "Loans, advances and other receivables" and "Other long term liabilities" if the maturity is more than 12 months. Changes in the fair value of these derivatives are charged to the Income Statement either within Other (expenses)/income or Cost of sales.

The instruments used for this risk management include commodity exchange traded contracts (ICE futures), full refinery margin forwards, product price forward contracts or options.

As part of managing operating and price risk, the Group engages in derivative transactions with 3rd parties with the intention of matching physical positions and trades or close proxies thereof and are therefore considered an integral part of "Cost of Sales". During 2008 the resulting gains / (losses) attributable to such derivatives were (€44.454) (2007: (€69.842)) and are included in "Cost of Sales".

In certain cases it may not be possible to achieve a fully matched position, in which case the impact can not be considered as a "Cost of Sales" component. The result from such derivative positions in 2008 €1.429 loss (2007: €10.654 gain) and is shown under "Other operating (expenses) / income – net" (see note 24).

Derivatives designated as cash flow hedges

The Group uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices. In this framework, the Group has entered into a number of commodity price swaps which have been designated by the Group as cash flow hedges, have been evaluated and proven to be highly effective, and in this respect, any changes in their fair value are recorded within Equity. The fair value of the Commodity swaps at the balance sheet date was recognised in "Long term derivatives", while changes in their fair value are recorded in reserves as long as the forecasted purchase of inventory is highly probable and the cash flow hedge is effective as defined in IAS 39.

When certain of the forecasted transactions cease to be highly probable, they are de-designated from cash flow hedges at which time amounts charged to reserves are transferred to the income statement. In 2008 amounts transferred to the income statement for de-designated hedges amounted to €8.085 expense (2007: €16.321 expense). The remaining cash flow hedges remain highly effective and their movement in fair value of these derivatives amounting to a loss of €46.812 in 2008 (2007: loss €63.173) was transferred to "Reserves".

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Balance Sheet.

(All amounts in Euro thousands unless otherwise stated)

Derivatives held for Trading

	31 December 2008				31 December 2007			
Commodity Derivative type	**Notional Amount**		**Assets**	**Liabilities**	**Notional Amount**		**Assets**	**Liabilities**
	MT	**Bbls**	**€**	**€**	**MT**	**Bbls**	**€**	**€**
Commodity Swaps	600	20.860	16.811	36.675	340	1.385	227	30.962
Commodity Options	-	4.000	8.022	-	-	2.450	20	-
	600	**24.860**	**24.833**	**36.675**	**340**	**3.835**	**247**	**30.962**

Derivatives designated as Cash Flow Hedges

	31 December 2008				31 December 2007			
Commodity Derivative type	**Notional Amount**		**Assets**	**Liabilities**	**Notional Amount**		**Assets**	**Liabilities**
	MT	**Bbls**	**€**	**€**	**MT**	**Bbls**	**€**	**€**
Commodity Swaps	1.800	-	-	46.812	1.800	-	-	63.173
	1.800	**-**	**-**	**46.812**	**1.800**	**-**	**-**	**63.173**
Total			**24.833**	**83.487**			**247**	**94.135**

	31 December 2008		31 December 2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Non-current portion				
Commodity swaps	-	71.219	-	79.494
	-	**71.219**	**-**	**79.494**
Current portion				
Commodity options (Notes 11, 15)	8.022	-	20	-
Commodity swaps (Notes 11, 15)	16.811	12.268	227	14.641
	24.833	**12.268**	**247**	**14.641**
Total	**24.833**	**83.487**	**247**	**94.135**

21 Employee benefit expense

	For the year ended	
	31 December 2008	**31 December 2007**
Wages and salaries	212.069	196.416
Social security costs	39.962	38.388
Pension costs	29.132	28.239
Other employment benefits	39.225	35.438
Total	**320.388**	**298.481**

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

22 Selling, distribution and administrative expenses

	For the year ended	
	31 December 2008	**31 December 2007**
Selling and distribution expenses	267.114	252.158
Administrative expenses	124.365	129.955
	391.479	**382.114**

(All amounts in Euro thousands unless otherwise stated)

23 Exploration and Development expenses

Exploration and development expenses comprise expenditure associated with the Group's exploration activities as an operator in one block in western Egypt and in another block in southern Egypt in a joint venture with Melrose and Oil Search through the Hellenic Petroleum branch in Egypt. As these projects are still in the exploration phase, all amounts spent are expensed.

The equivalent expenditure in 2007 included the cash calls remitted to a consortium with exploration operations in Libya in which the Group had a 20% participation. This was disposed in 2008 (see note 24).

24 Operating income / (expenses) - net

	For the year ended	
	31 December 2008	**31 December 2007**
Income from grants	3.551	4.278
Exploration & production grants (note 19)	25.614	-
Gains on derivative financial instruments	8.877	13.157
Losses on derivative financial instruments	(17.705)	(16.321)
Gain on sale of interest in JV in Libya (b)	117.718	-
Gain from legal case of ELPET Valkaniki (a)	27.386	-
Gain on disposal of subsidiaries (note 8)	52.900	-
Services to third parties	4.084	3.880
Rental income	9.872	8.329
Other income / (expenses)	24.369	(4.341)
Total	**256.666**	**8.982**

Other operating (expenses) / income – net include amongst other items income or expenses which do not represent trading activities of the Group. Also included in Other Operating (Expenses) / Income are gains / (losses) from derivative positions not directly associated with operating activities (note 20).

(a) During 2008, the Group recognized a gain amounting to €27 million arising from compensation received in settlement of a dispute between ELPET VALKANIKI (a subsidiary of the Group) and the state of FYROM in accordance with a settlement agreement which was signed between the two parties in 2007. The state of FYROM made payment of the agreed compensation to ELPET VALKANIKI of €27 million ($40 million) on 31 December 2007 in accordance with the settlement agreement, but this was subject to certain conditions, therefore, the amount was taken to Other Liabilities as of 31 December 2007. These conditions were met in 2008, at which time the compensation amount was recognized in the Income Statement within Other operating income.

(b) On 11 November 2008, the Company disposed its 20% stake in a consortium with Woodside (45%) and Repsol (35%) in an oil and gas licence for the exploration of 5 onshore blocks in Libya for a total consideration of $172 million (€137,7 million). The resulting gain of €117,7 consists of the total consideration received of €137,7 million less the 2008 exploration costs and other expenses incurred in finalising the transaction.

(All amounts in Euro thousands unless otherwise stated)

25 Finance costs -net

	For the year ended	
	31 December 2008	**31 December 2007**
Interest income	31.229	18.995
Interest expense and similar charges	(79.717)	(60.767)
Finance costs -net	**(48.488)**	**(41.772)**

In addition to the finance cost shown above, an amount of €0,2 million (2007: €0,5 million) has been capitalized.

26 Income tax expense

	For the year ended	
	31 December 2008	**31 December 2007**
Current tax	31.991	140.952
Deferred tax (Note 17)	(44.167)	(16.940)
Total	**(12.176)**	**124.012**

The tax on the Group'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:

	For the year ended	
	31 December 2008	**31 December 2007**
Profit Before Tax	**16.857**	**488.627**
Income tax calculated at tax rates applicable to profits	(12.029)	116.232
Tax on income not subject to tax	(33.315)	(31.813)
Tax on expenses not deductible for tax purposes	20.973	45.246
Tax losses utilised or carried forward	(15)	317
Effect of tax rate change	(1.515)	-
Other	13.727	(5.966)
Tax Charge	**(12.176)**	**124.012**

The basic tax rate for Hellenic Petroleum S.A. was 25% for the period ending 31 December 2008 (25% for the period ending 31 December 2007).

In 2008 a new tax law (L3697/2008) was enacted on the base of which income tax rates for the fiscal years 2009, 2010, 2011, 2012, 2013 and periods after 1 January 2014 would be 25%, 24%, 23%, 22%, 21% and 20% respectively. These rates have been used for deferred tax calculations as at 31 December 2008.

A number of the Group subsidiaries continue to have unaudited fiscal years by the tax authorities. Hellenic Petroleum S.A. has not been audited from 2002 onwards. EKO S.A. has not been audited for the fiscal years 2005 to 2008.

27 Earnings per share

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

	For the year ended	
	31 December 2008	**31 December 2007**
Earnings per share attributable to the Company Shareholders (expressed in Euro per share):	**0,08**	**1,15**
Net income attributable to ordinary shares (Euro in thousands)	23.643	351.004
Average number of ordinary shares outstanding	305.635.185	305.635.185

Diluted earnings per share are the same as basic earnings per share as the effect of share options is not significant.

28 Dividends per share

A proposal to the AGM for an additional €0,28 per share (€85.578 in total) as final dividend for 2006 was approved by the Board of Directors on 21 February 2007. This was approved by the AGM on 17 May 2007 and is included in these Financial Statements.

At its meeting held on 8 August, 2007, during which the Board of Directors approved the Condensed Interim Financial Statements of the Group for the six month period ended 30 June 2007, the Board proposed and approved an interim dividend for the 2007 financial year of €0,15 per share (amounting to a total of €45.845) The relevant amounts relating to the interim dividend for 2007 and the final dividend for 2006 (totaling €131.423) are included in these financial statements.

A proposal to the AGM for an additional € 0,35 per share as final dividend for 2007 was approved by the Board of Directors on 14 February 2008. This amounts to €106.972 and is included in the current financial statements.

At its meeting held on 7 August, 2008, during which the Board of Directors approved the Condensed Interim Financial Information of the Company for the six month period ended 30 June 2008, the Board proposed and approved an interim dividend for the 2008 financial year of €0,15 per share (amounting to a total of €45.845) The relevant amounts relating to the interim dividend for 2008 and the final dividend for 2007 (totaling €152.817) are included in these financial statements.

A proposal to the AGM for an additional € 0,30 per share as final dividend was approved by the Board of Directors on 26 February 2009. This amounts to €91.691 and is not included in these accounts as it has not yet been approved by the shareholders' AGM.

(All amounts in Euro thousands unless otherwise stated)

29 Cash generated from operations

	Note	For the year ended 31 December 2008	31 December 2007
Profit before tax		**16.857**	**488.627**
Adjustments for:			
Depreciation and amortisation of property, plant & equipment and intangible assets	**6,7**	136.042	139.778
Amortisation of grants		(3.551)	(4.278)
Finance costs - net	**25**	48.488	41.772
Share of operating profit of associates and dividends		(54.754)	(23.457)
Gain from partial disposal of Energiaki	**24**	(53.900)	-
Gain from disposal of E&P licence	**24**	(117.718)	-
Gain from legal case of ELPET Valkaniki	**24**	(27.386)	-
Provisions		28.581	36.972
Foreign exchange (gains) / losses		98.641	(29.531)
Dividend income		(5.538)	(2.582)
(Gain) / loss on sales of P.P.E.		(223)	(3.767)
		65.539	**643.534**
Changes in working capital			
(Increase) / decrease in inventories		510.832	(324.479)
(Increase) / decrease in trade and other receivables		517.164	(256.876)
Increase / (decrease) in payables		(219.414)	324.213
		808.582	**(257.142)**
Net cash generated from operating activities		**874.121**	**386.392**

30 Contingencies and litigation

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. Provisions are set up by the Group against such matters whenever deemed necessary and included in other provisions (note 19). They are as follows:

(i) The Group 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 Group's operating results or financial position.

(ii) Hellenic Petroleum S.A. has not undergone a tax audit for the years ended from 31 December 2002 to 31 December 2008. Management believes that no additional material liability will arise as a result of the aforementioned open tax years over and above the liabilities and provisions recognised in these financial statements.

(iii) The Group has issued letters of credit and guarantees to the favour of third parties which as at 31 December 2008 amounted to the equivalent of €541 million mainly for the completion of contracts entered into by the Group.

(iv) In October 2002 the Group guaranteed its commitment to the Investment Programme under the share purchase agreement for the acquisition of Jugopetrol AD Kotor, with a performance bond issued by the

National Bank of Greece for €45 million. As at 31 December 2008, the Performance Bond had expired (31 December 2007: €2 million).

(v) Following complaints by IATA, the Greek Competition Committee initiated an investigation into the pricing of aviation jet fuel in the Greek market. The conclusion of the investigation was to assert a fine of €9.4m to all Greek refineries, Hellenic Petroleum share accounts for €7,3m and it is based on a percentage of the relevant sales revenues in the year preceding the complaint. The Group maintaining its position that the rational of the conclusion has not taken into account critical evidence presented, has filed an appeal with the Athens Administrative Court of Appeals. In parallel a petition to suspend the decision has also been filed and partially accepted; the Court has suspended the corrective measures imposed by the Greek Competition Committee until 31 August 2007 (since then all necessary changes have been implemented), but did not suspend the payment of the fine, which has already been paid. Management believes that the final outcome of this case will not have any material impact on the Group's financial statements. The court date for the appeal, initially set for the 27 September 2007 and postponed to take place on 17 January 2008, was finally tried on the 25 September 2008. The resolution issued has partly accepted the Group's appeal i.e. and (a) has reduced the fine of €7,3 million by €1,5 million (b) has revoked the corrective measures which were temporarily suspended as above. The Group considers the contestation of the above resolution before the Supreme Administrative Court for the part which the resolution has not been fully accepted.

(vi) In November and December 2008, the Z' Customs Office of Piraeus, issued deeds of assessment amounting at approx. €40.000 for alleged stock shortages in the bonded warehouses of Aspropyrgos and Elefsina installations. In relation with the above, the Group has filed within the deadlines required by the Law, contestations before the Administrative Court of First Instance of Piraeus. In addition, independent auditors have confirmed that there are no stock shortages and the books are in complete agreement with official stock counts. Further to the substantial reasons of contestation, the legal advisors have expressed the opinion that such claims have been time-barred.

31 Commitments

Significant contractual commitments of the Group are as follows:

- Total capital commitments for the Group amount to €511 million (31 December 2007: €193 million) of which €298 million relate to the Hydrocracker project.

- Upstream exploration and development costs of €13 million (31 December 2007: €17 million) have been committed as part of the Joint Operating Agreements (JOA) in place. These commitments will depend on the progress of exploration activities.

(All amounts in Euro thousands unless otherwise stated)

32 Related-party transactions

	For the year ended	
	31 December 2008	**31 December 2007**
Sales of goods and services to related parties (within Sales)	764.573	943.588
Purchases of goods and services from related parties (within Cost of sales)	41.877	169.030
	806.450	**1.112.618**

	As at	
	31 December 2008	**31 December 2007**
Balances due to related parties (within Trade and other payables)	2.097	1.961
Balances due from related parties (within Trade and other receivables)	198.504	139.449
	200.601	**141.410**

	For the year ended	
	31 December 2008	**31 December 2007**
Charges for directors remuneration	4.435	4.793

All transactions with related parties are conducted under normal trading and commercial terms on an arm's length basis.

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

a) Parties which are under common control with the Group due to the shareholding and control rights of the Hellenic State:
   - Public Power Corporation Hellas
   - Hellenic Armed Forces
   - Olympic Airways/ Olympic Airlines

b) Financial institutions which are under common control with the Group due to the shareholding and control rights of the Hellenic State. The Group had loans amounting to the equivalent of €369 million as at 31 December 2008 (31 December 2007: equivalent of €283 million) which represent loan balances due to the following related financial institutions:
   - National Bank of Greece
   - Agricultural Bank of Greece

c) Joint ventures with other third parties:
   - OMV Aktiengesellschaft
   - Sipetrol
   - Woodside – Repsol – Helpe (until November 2008)
   - Oil Search, Melrose

d) Associates of the Group which are consolidated under the equity method:
   - Athens Airport Fuel Pipeline Company S.A. (EAKAA)
   - Public Gas Corporation of Greece S.A. (DEPA)
   - Artenius S.A.
   - Elpedison B.V.
   - Spata Aviation Fuel Company S.A. (SAFCO)

(All amounts in Euro thousands unless otherwise stated)

e) Financial institutions in which substantial interest is owned by parties which hold significant participation in the share capital of the Group. The Group had loans amounting to the equivalent of €424 million as at 31 December 2008 (31 December 2007: equivalent of €178 million) with the following related financial institutions:
   - EFG Eurobank Ergasias S.A.

f) Enterprises in which substantial interest is owned by parties which hold significant participation in the share capital of the Group.
   - Private Sea Marine Services (ex Lamda Shipyards)

33 Principal subsidiaries, associates and joint ventures included in the consolidated financial statements

COMPANY NAME	ACTIVITY	COUNTRY OF REGISTRATION	PARTICIPATION PERCENTAGE	METHOD OF CONSOLIDATION
EKO S.A	Marketing	GREECE	100,00%	FULL
EKOTA KO	Marketing	GREECE	49,00%	FULL
EKO NATURAL GAS (MERGED TO EKO S.A. ON 8/10/2007)	Natural gas	GREECE	100,00%	FULL
EKO KALYPSO	Marketing	GREECE	100,00%	FULL
EKO BULGARIA	Marketing	BULGARIA	100,00%	FULL
EKO-YU AD BEOGRAD	Marketing	SERBIA	100,00%	FULL
EKO GEORGIA LTD	Marketing	GEORGIA	100,00%	FULL
HELPE INT'L	Holding	AUSTRIA	100,00%	FULL
HELPE CYPRUS	Marketing	CYPRUS	100,00%	FULL
HELPE SERVICES LTD (DISOLVED ON 27/12/2007)	Services	CYPRUS	100,00%	FULL
HELLENIC PETROLEUM BULGARIA (HOLDINGS) LTD	Marketing	CYPRUS	100,00%	FULL
HELLENIC PETROLEUM BULGARIA PROPERTIES LTD	Marketing	CYPRUS	100,00%	FULL
HELLENIC PETROLEUM SERBIA (HOLDINGS) LTD	Marketing	CYPRUS	100,00%	FULL
HELLENIC PETROLEUM GEORGIA (HOLDINGS) LTD	Marketing	CYPRUS	100,00%	FULL
JUGOPETROL AD KOTOR	Marketing	MONTENEGRO	54,35%	FULL
GLOBAL ALBANIA S.A	Marketing	ALBANIA	99,96%	FULL
ELDA PETROL ALBANIA	Marketing	ALBANIA	99,96%	FULL
ELPET BALKANIKI S.A.	Holding	GREECE	63,00%	FULL
VARDAX S.A	Pipeline	GREECE	50,40%	FULL
OKTA CRUDE OIL REFINERY A.D	Refining	FYROM	51,35%	FULL
ASPROFOS S.A	Engineering	GREECE	100,00%	FULL
DIAXON S.A.	Petrochemicals	GREECE	100,00%	FULL
POSEIDON S.A.	Shipping	GREECE	100,00%	FULL
APOLLON S.A.	Shipping	GREECE	100,00%	FULL
HELLENIC PETROLEUM FINANCE PLC	Treasury services	U.K	100,00%	FULL
HELLENIC PETROLEUM CONSULTING	Consulting services	GREECE	100,00%	FULL
PETROLA A.E.	Real Estate	GREECE	100,00%	FULL
HELLENIC PETROLEUM RENEWABLE ENERGY SOURCES	Energy	GREECE	100,00%	FULL
ELPEDISON B.V.	Power generation	NETHERLANDS	50,00%	EQUITY
DEPA S.A.	Natural Gas	GREECE	35,00%	EQUITY
ARTENIUS HELLAS S.A.(EX V.P.I. S.A.)	Petrochemicals	GREECE	35,00%	EQUITY
E.A.K.A.A	Pipeline	GREECE	50,00%	EQUITY
HELPE THRAKI S.A	Pipeline	GREECE	25,00%	EQUITY

During the year, ELPET VALKANIKI (a 63% subsidiary of the Group) transferred shares corresponding to a 20% shareholding in VARDAX S.A. to the state of FYROM in accordance with the terms of the settlement agreement signed between the two parties in 2007. The transfer was treated under the economic entity approach, which is the accounting policy applied by the Group for transactions with minority interests (see note 2.2). Accordingly the impact of the transfer was reflected directly in the Statement of Changes in Equity.

34 Other significant events

(ι) On 31 October 2008 the Group acquired OPET Aygaz EAD (subsequently renamed Hellenic Petroleum Bulgaria Properties Ltd.), a Bulgarian company with a network of 17 newly built petrol stations and 3 strategically located fuel depots in Bulgaria for a cash consideration of €6.034. The entity is consolidated in the Group using the full consolidation method since the date of acquisition. The consideration paid has been preliminary allocated to Non Current Assets: €33.168, Current Assets: €5.161, Non Current Liabilities: €295, Current Liabilities: €32.000.

(ιι) On 31 December 2008 Hellenic Petroleum S.A. acquired Petrola A.E. a real estate company for a consideration of €5,5 million. Petrola A.E. has been consolidated using the full consolidation method in the present financial statements for the year ended 31 December 2008.

35 Subsequent events

There were no significant events that took place after the current balance sheet date as at 31 December 2008.