HELLENIC PETROLEUM S.A.

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 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

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Independent auditor's report

To the Shareholders of Hellenic Petroleum S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Hellenic Petroleum S.A. (the "Company") which comprise the balance sheet as of 31 December 2008 and the 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 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 Company 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 financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and ofits 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 and 37 of Law 2190/1920.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers S.A.

SOEL Reg. No. 113

Athens, 27 February 2009

The Certified Auditor Accountant

Constantinos Michalatos

SOEL Reg.No. 17701

(All amounts in Euro thousands unless otherwise stated)

Balance sheet

		As at	
	Note	**31 December 2008**	**31 December 2007**
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	855.247	676.436
Intangible assets	**7**	17.446	26.427
Investments in affiliated companies	**8**	707.838	694.660
Deferred income tax assets	**17**	61.465	22.785
Available-for-sale financial assets		21	249
Loans, advances and other receivables	**9**	632	498
		1.642.649	**1.421.055**
Current assets			
Inventories	**10**	940.722	1.409.638
Trade and other receivables	**11**	713.693	994.107
Cash and cash equivalents	**12**	520.232	26.815
		2.174.647	**2.430.560**
Total assets		**3.817.296**	**3.851.615**
EQUITY			
Share capital	**13**	1.020.081	1.020.081
Reserves	**14**	489.407	503.313
Retained Earnings		371.901	608.201
Total equity		**1.881.389**	**2.131.595**
LIABILITIES			
Non- current liabilities			
Borrowings	**16**	263.227	258.413
Retirement benefit obligations	**18**	123.496	122.650
Long term derivatives	**20**	71.219	79.494
Provisions and other long term liabilities	**19**	31.565	55.964
		489.507	**516.521**
Trade and other payables	**15**	682.404	694.231
Current income tax liabilities		-	128.758
Borrowings	**16**	760.798	377.291
Dividends payable		3.198	3.219
		1.446.400	**1.203.499**
Total liabilities		**1.935.907**	**1.720.020**
Total equity and liabilities		**3.817.296**	**3.851.615**

The notes on pages 11 to 49 are an integral part of this financial information.

These financial statements were approved by the Board of Directors 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)

Income statement

	Note	For the year ended 31 December 2008	31 December 2007
Sales		9.319.595	7.899.981
Cost of sales		(9.332.245)	(7.301.211)
Gross profit		**(12.650)**	**598.770**
Selling, distribution and administrative expenses	**22**	(178.274)	(185.878)
Exploration and development expenses	**23**	(10.690)	(21.554)
Other operating income / (expenses) - net	**24**	158.393	(9.522)
Impairment of investments	**8**	-	(7.000)
Dividend income		19.075	8.662
Operating profit		**(24.146)**	**383.478**
Finance costs -net	**25**	(21.744)	(23.772)
Currency exchange gains /(losses)		(96.192)	29.024
(Loss) / profit before income tax		**(142.082)**	**388.730**
Income tax income / (expense)	**26**	33.792	(106.738)
(Loss) / profit for the year		**(108.290)**	**281.992**
Basic and diluted earnings per share (expressed in Euro per share)	**27**	**(0,35)**	**0,92**

The notes on pages 11 to 49 are an integral part of this financial information.

(All amounts in Euro thousands unless otherwise stated)

Statement of changes in equity

	Share Capital	Reserves	Retained Earnings	Total Equity
Balance at 1 January 2007	**1.020.081**	**559.387**	**450.439**	**2.029.907**
Profit for the year	-	-	281.992	281.992
Transfers to statutory and tax reserves	-	37.625	(37.625)	-
Transfers to retained earnings (Law 3614/07) (Note 14)	-	(44.818)	44.818	-
Dividends relating to 2006 and interim 2007	-	-	(131.423)	(131.423)
Unrealised gains / (losses) on revaluation of hedges (Note 20)	-	(48.881)	-	(48.881)
Balance at 31 December 2007	**1.020.081**	**503.313**	**608.201**	**2.131.595**
Loss for the year	-	-	(108.290)	(108.290)
Transfers to statutory and tax reserves	-	-	-	-
Transfers to retained earnings (Law 3614/07) (Note 14)	-	(24.807)	24.807	-
Dividends relating to 2007 and interim 2008	-	-	(152.817)	(152.817)
Unrealised gains / (losses) on revaluation of hedges (Note 20)	-	10.901	-	10.901
Balance at 31 December 2008	**1.020.081**	**489.407**	**371.901**	**1.881.389**

The notes on pages 11 to 49 are an integral part of this financial information.

(All amounts in Euro thousands unless otherwise stated)

Cash flow statement

	Note	For the year ended 31 December 2008	31 December 2007
Cash flows from operating activities			
Cash (used in) / generated from operations	**29**	585.317	289.776
Income tax paid		(165.609)	-
Net cash generated from operating activities		**419.708**	**289.776**
Cash flows from investing activities			
Purchase of property, plant and equipment & intangible assets	**6,7**	(248.470)	(117.111)
Proceeds from disposal of property, plant and equipment & intangible assets		1.323	-
Proceeds from disposal of E&P licence	**24**	124.450	-
Grants received		925	200
Dividends received		16.655	13.383
Interest received	**25**	12.135	9.900
Investments in affilated companies		(1.439)	(9.788)
Net cash used in investing activities		**(94.421)**	**(103.416)**
Cash flows from financing activities			
Interest paid	**25**	(33.879)	(33.672)
Dividends paid		(152.837)	(130.963)
Repayments of borrowings		(427.285)	(516.006)
Proceeds from borrowings		778.239	487.458
Net cash (used in) / generated from financing activities		**164.238**	**(193.183)**
Net increase / (decrease) in cash & cash equivalents		**489.525**	**(6.823)**
Cash & cash equivalents at beginning of the year	**12**	**26.815**	**37.878**
Exchange gains on cash & cash equivalents		3.892	(4.240)
Net increase/(decrease) in cash & cash equivalents		489.525	(6.823)
Cash & cash equivalents at end of the year	**12**	**520.232**	**26.815**

The notes on pages 11 to 49 are an integral part of this financial information.

Notes to the financial statements

1 General information

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

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

The same accounting policies and recognition and measurement principles are followed in these financial statements as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2007. The Company's functional and presentation currency is the Euro, and the financial information in these financial statements is expressed in thousands of Euro (unless otherwise stated).

The financial statements of Hellenic Petroleum S.A. for year ended 31 December 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.

Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2008 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. These are located on the Group's website www.helpe.gr.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements of Hellenic Petroleum 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 financial statements. As such, these 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.

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

The preparation of financial statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 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 Company 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 Company'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 Company'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 Company does not currently operate any such benefit plans with defined benefit assets for its employees, this interpretation is not presently relevant to the Company.

The following interpretations to existing standards are mandatory for the Company'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 Company 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 Company 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 Company as it applies hedge accounting in terms of IAS 39, but has no significant impact to the Company'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 Company'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 Company'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 Company 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 Company 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 Company 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 Company’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 Company’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 Company as the Company does not apply hedge accounting for any investment in a foreign operation.

2.2 Investments in affiliated companies

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement as incurred. 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

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.

2.6 Intangible assets

(a) *Goodwill*

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

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 the 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 licenses.

(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 the development phase.

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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 Company 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 Company 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 Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer’s specific circumstances.

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

2.10 Derivative financial instruments and hedging activities

As part of its risk management policy, the Company 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 Company 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 Company 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 Company 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 Company 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 Company, 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 and other receivables

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators the receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

2.17 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 Company'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 Company has both defined benefit and defined contribution plans.

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

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

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

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

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

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

(b) *Termination benefits*

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

(c) Share-based compensation

The Company operates a share option compensation plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, at the date of granting. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to 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 Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 Company has an environmental policy which complies with existing legislation and all 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 Company and the revenue can be reliably measured. Revenue is recognised as follows:

(a) Sales of goods – wholesale

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

(b) Sales of goods – retail

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

(c) Interest income

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

(d) Dividend income

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

2.23 Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "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.

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

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

2.24 Dividend distribution

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

2.25 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 Company 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 Company'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 Company'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 Company 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 Company 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 Company 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 Company did not actively hedge material amounts of the Gross margin exposure. This exposure is linearly related to the Gross margin of the Company in that the appreciation of Euro vs. USD leads to a respective translation loss on the period results.

- **Local subsidiaries exposure:** Where the Company 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 Company 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 Company.

(ii) Price risk

The Company'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 Company 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

(All amounts in Euro thousands unless otherwise stated)

(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:

	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	447.969	77.484	49.404	807.091	156.100	45.176
Petrochemicals	60.732	25.514	16.750	87.813	33.655	23.353
E+P	7.629	7.517		6.278	5.948	-
Energy	171	-		931	-	-
	516.501	**110.515**	**66.154**	**902.113**	**195.703**	**68.529**
Allowance for bad debts			**59.857**			**63.054**

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 Company aims to maintain flexibility in its funding through the use of committed credit facilities.

The table below analyses the Company'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	760.798	8.922	254.305	-
Derivative fiancial instruments	12.268	24.406	46.812	
Trade and othe payables	670.136			
At 31 December 2007				
Borrowings	377.291	17.844	240.569	-
Derivative fiancial instruments	14.394	16.321	36.843	26.330
Trade and othe payables	679.837	-	-	-

(d) Cash flow and fair value interest rate risk

(All amounts in Euro thousands unless otherwise stated)

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

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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.

In order to maintain or adjust the capital structure, the Company 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 Company 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 Company 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)	1.024.025	635.704
Less: Cash & Cash Equivalents (Note12)	(520.232)	(26.815)
Available for sale financial assets	21	249
Net debt	**503.814**	**609.138**
Total Equity	1.881.389	2.131.595
Total Capital Employed	**2.385.203**	**2.740.733**
Gearing ratio	21%	22%

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 Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for valuation purposes where applicable. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

4 Critical accounting estimates and judgements

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

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

(a) Income taxes

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

(b) Provision for environmental restoration

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

(c) Estimated impairment of investments

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

(All amounts in Euro thousands unless otherwise stated)

5 Segment information

(a) Primary reporting format – business segments

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

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

Year ended 31 December 2008	**Refining**	**Petro-chemicals**	**Exploration & Production**	**Other**	**Total**
Sales	8.970.228	345.474	1.129	2.764	9.319.595
Other operating income / (expense) - net	13.096	1.970	143.327	-	158.393
Operating profit	**(166.689)**	**730**	**124.670**	**17.143**	**(24.146)**
Currency exchange gains / (losses)	(96.192)	-	-	-	(96.192)
Profit before tax, dividend income & finance costs	**(262.881)**	**730**	**124.670**	**17.143**	**(120.338)**
Finance costs - net					(21.744)
Profit before income tax					**(142.082)**
Income tax expense					33.792
Profit for the year					**(108.290)**

Year ended 31 December 2007	**Refining**	**Petro-chemicals**	**Exploration & Production**	**Other**	**Total**
Sales	7.536.665	358.024	1.129	4.163	7.899.981
Other operating income / (expense) - net	(11.478)	1.956	-	-	(9.522)
Operating profit	**379.689**	**30.703**	**(30.747)**	**3.833**	**383.478**
Currency exchange gains / (losses)	29.024	-	-	-	29.024
Profit before tax, dividend income & finance costs	**408.713**	**30.703**	**(30.747)**	**3.833**	**412.502**
Finance costs - net					(23.772)
Profit before income tax					**388.730**
Income tax expense					(106.738)
Profit for the year					**281.992**

(All amounts in Euro thousands unless otherwise stated)

Further segmental information as at 31 December 2008 is as follows:

	Refining	Petro-chemicals	Exploration & Production	Other	Total
Total Assets	3.507.580	244.193	4.058	61.465	**3.817.296**
Total Liabilities	1.736.353	191.173	-	8.381	**1.935.907**
Net Assets	1.771.227	53.020	4.058	53.084	**1.881.389**
Capital Expenditure	241.736	-	-	-	**241.736**
Depreciation & Amortisation	63.076	12.697	-	-	**75.773**

Further segmental information as at 31 December 2007 is as follows:

	Refining	Petro-chemicals	Exploration & Production	Other	Total
Total Assets	3.576.640	240.420	11.770	22.785	**3.851.615**
Total Liabilities	1.421.212	161.648	-	137.160	**1.720.020**
Net Assets	2.155.428	78.772	11.770	(114.375)	**2.131.595**
Capital Expenditure	113.431	170	3.509	-	**117.110**
Depreciation & Amortisation	66.692	12.870	3.081	-	**82.643**

(b) Secondary reporting format – geographical segments

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

(All amounts in Euro thousands unless otherwise stated)

6 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Motor vehicles	Furniture and fixtures	Assets Under Cons-truction	Total
Cost							
As at 1 January 2007	**114.752**	**134.601**	**1.140.525**	**8.895**	**38.790**	**136.640**	**1.574.203**
Additions	-	328	1.648	245	3.097	106.527	111.845
Capitalised projects	-	12.341	64.430	36	527	(77.334)	-
Disposals	-	(19)	(5.913)	(457)	(289)	-	(6.678)
Transfers & other movements	-	(197)	197	-	-	(8.274)	(8.274)
As at 31 December 2007	**114.752**	**147.054**	**1.200.887**	**8.719**	**42.125**	**157.559**	**1.671.096**
Accumulated Depreciation							
As at 1 January 2007	**-**	**81.928**	**808.999**	**7.842**	**29.304**	**-**	**928.073**
Charge for the year	-	7.200	62.477	351	3.215	-	73.243
Disposals	-	-	(5.910)	(457)	(289)	-	(6.656)
As at 31 December 2007	**-**	**89.128**	**865.566**	**7.736**	**32.230**	**-**	**994.660**
Net Book Value at 31 December 2007	**114.752**	**57.926**	**335.321**	**983**	**9.895**	**157.559**	**676.436**
Cost							
As at 1 January 2008	**114.752**	**147.054**	**1.200.887**	**8.719**	**42.125**	**157.559**	**1.671.096**
Additions	1.770	182	685	482	3.945	229.128	236.192
Capitalised projects	-	4.734	56.288	53	3.718	(64.793)	-
Disposals	-	(4.471)	(441)	(65)	(253)	-	(5.230)
Transfers & other movements	(8.502)	12.445	(3.057)	(20)	851	8.965	10.682
As at 31 December 2008	**108.020**	**159.944**	**1.254.362**	**9.169**	**50.386**	**330.859**	**1.912.740**
Accumulated Depreciation							
As at 1 January 2008	**-**	**89.128**	**865.566**	**7.736**	**32.230**	**-**	**994.660**
Charge for the period	-	7.200	55.717	350	3.488	-	66.755
Disposals	-	(3.280)	(305)	(68)	(255)	-	(3.908)
Transfers & other movements	-	(14)	-	-	-	-	(14)
As at 31 December 2008	**-**	**93.034**	**920.978**	**8.018**	**35.463**	**-**	**1.057.493**
Net Book Value at 31 December 2008	**108.020**	**66.910**	**333.384**	**1.151**	**14.923**	**330.859**	**855.247**

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

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.

(All amounts in Euro thousands unless otherwise stated)

7 Intangible assets

	Computer software	Licences & Rights	Total
Cost			
As at 1 January 2007	**33.974**	**31.582**	**65.556**
Additions	1.767	3.498	5.265
Transfers, acquisitions & other movements	8.274	-	8.274
As at 31 December 2007	**44.015**	**35.080**	**79.095**
Accumulated Amortisation			
As at 1 January 2007	**32.712**	**10.556**	**43.268**
Charge for the year	5.315	4.085	9.400
As at 31 December 2007	**38.027**	**14.641**	**52.668**
Net Book Value 31 December 2007	**5.988**	**20.439**	**26.427**
Cost			
As at 1 January 2008	**44.015**	**35.080**	**79.095**
Additions	5.544	-	5.544
Disposal of E&P licence	-	(13.529)	(13.529)
Transfers, acquisitions & other movements	2.962	-	2.962
As at 31 December 2008	**52.521**	**21.551**	**74.072**
Accumulated Amortisation			
As at 1 January 2008	**38.027**	**14.641**	**52.668**
Charge for the period	9.018	-	9.018
Disposal of E&P licence	-	(6.759)	(6.759)
Transfers, acquisitions & other movements	(614)	2.313	1.699
As at 31 December 2008	**46.431**	**10.195**	**56.626**
Net Book Value at 31 December 2008	**6.090**	**11.356**	**17.446**

Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant EPSA rounds. Details of the accounting policy are given in note 2.6 & 2.7.

(All amounts in Euro thousands unless otherwise stated)

8 Investment in affiliated companies

	As at	
	31 December 2008	**31 December 2007**
Beginning of the year	**694.660**	**692.054**
Increase in share capital of subsidiaries	13.178	9.606
Impairment provision	-	(7.000)
End of the year	**707.838**	**694.660**

Name	**Participating interest**	**Country of Incorporation**
Asprofos SA	100,0%	Greece
Diaxon ABEE	100,0%	Greece
EKO Georgia LTD	1,0%	Rep. of Georgia
EKO ABEE	100,0%	Greece
ELPET Balkan SA	63,0%	Greece
HELPE - Apollon Shipping Co	100,0%	Greece
HELPE International AG	100,0%	Austria
HELPE - Poseidon Shipping Co	100,0%	Greece
HELPE Finance Plc	100,0%	United Kingdom
Helpe Renewable Energy Sources S.A.	100,0%	Greece
Global Albania SA	99,9%	Albania
Public Gas Corporation of Greece S.A. (DEPA)	35,0%	Greece
ARTENIUS S.A.	35,0%	Greece
Athens Airport Fuel Pipeline Company S.A. (EAKAA)	50,0%	Greece
ELPEDISON B.V.	5,0%	Netherlands
Thraki SA	25,0%	Greece
Petrola A.E.	100,0%	Greece
VANCO	100,0%	Greece
EANT	9,0%	Greece
STPC	16,7%	Greece
NAPC	16,7%	Greece

For 2007 the increase in share capital of subsidiaries relates primarily to Helpe Finance plc. The impairment provision relates to Asprofos S.A.

For 2008 the increase in share capital of subsidiaries relates primarily to Petrola A.E. and Asprofos.

9 Loans, advances and other receivables

	As at	
	31 December 2008	**31 December 2007**
Loans and advances and other long term assets	632	498
Total	**632**	**498**

(All amounts in Euro thousands unless otherwise stated)

10 Inventories

	As at	
	31 December 2008	**31 December 2007**
Crude oil	364.671	434.548
Refined products and semi-finished products	478.747	869.785
Petrochemicals	35.097	46.968
Consumable materials and other	74.518	71.587
- Less: Provision for Consumables and spare parts	(12.311)	(13.250)
Total	**940.722**	**1.409.638**

The cost of inventories recognized as expense and included in "Cost of sales" for 2008 is equal to €8.886.710 (2007: €6.932.259).

The amount of the write-down of inventories recognized as an expense in 2008 and included in "Cost of sales" is equal to €198.987 (2007: €4.353).

11 Trade and other receivables

	As at	
	31 December 2008	**31 December 2007**
Trade receivables	521.623	902.113
- Less: Provision for impairment of receivables	(59.857)	(63.053)
Trade receivables net	**461.766**	**839.060**
Other receivables	212.261	145.425
- Less: Provision for impairment of receivables	(8.081)	(9.185)
Other receivables net	**204.180**	**136.240**
Derivatives held for trading (Note 20)	24.833	247
Deferred charges and prepayments	22.914	18.560
Total	**713.693**	**994.107**

The carrying amounts of the receivables approximate their fair value.

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

(All amounts in Euro thousands unless otherwise stated)

12 Cash and cash equivalents

	As at 31 December 2008	As at 31 December 2007
Cash at Bank and in Hand	30.660	22.524
Short term bank deposits	489.572	4.291
Total cash and cash equivalents	**520.232**	**26.815**

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

	As at 31 December 2008	As at 31 December 2007
Euro	4,63%	3,80%
USD	0,45%	4,60%

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		As at 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:

(All amounts in Euro thousands unless otherwise stated)

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:

	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**	**86.495**	**1.501**	**389.380**	**559.387**
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**	**86.495**	**(47.380)**	**366.369**	**503.313**
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**	**86.495**	**(36.479)**	**341.562**	**489.407**

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.

(All amounts in Euro thousands unless otherwise stated)

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 Company 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 Company 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.

15 Trade and other payables

	As at	
	31 December 2008	**31 December 2007**
Trade payables	615.918	619.790
Accrued Expenses & Deferred Income	19.206	32.862
Derivatives held for trading (Note 20)	12.268	14.641
Other payables	35.012	26.938
Total	**682.404**	**694.231**

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	As at 31 December 2007
Non-current borrowings		
Bank borrowings	263.227	258.413
Non-current borrowings	**263.227**	**258.413**
Current borrowings		
Short term bank borrowings	751.876	368.369
Current portion of bank borrowings	8.922	8.922
Total current borrowings	**760.798**	**377.291**
Total borrowings	**1.024.025**	**635.704**

The maturity of non-current borrowings is as follows:

	As at 31 December 2008	As at 31 December 2007
Between 1 and 2 years	11.582	17.844
Between 2 and 5 years	251.645	240.569
	263.227	**258.413**

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

	As at 31 December 2008 €	As at 31 December 2008 US$
Bank Borrowings (short-term)		
- Floating Euribor + margin	5,67%	-
- Floating Libor + margin	-	1,34%
Bank Borrowings (long-term)		
- Floating Euribor + margin	4,94%	-
- Floating Libor + margin	-	1,51%

	As at 31 December 2007 €	As at 31 December 2007 US$
Bank Borrowings (short-term)		
- Floating Euribor + margin	-	-
- Floating Libor + margin	-	5,35%
Bank Borrowings (long-term)		
- Floating Euribor + margin	4,93%	-
- Floating Libor + margin	-	5,25%

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

	As at 31 December 2008	As at 31 December 2007
Euro	437.728	29.579
US dollar	586.297	606.125
Total borrowings	**1.024.025**	**635.704**

(All amounts in Euro thousands unless otherwise stated)

In April 2006, the Company concluded a €400 million multi-currency loan agreement with Hellenic Petroleum Finance Plc ("HPF"). The loan facility amount was increased to €600 million on 18 October 2006 and to €1 billion on 18 October 2007. The loan facility has been used to refinance existing financial indebtedness and for general corporate purposes. In particular, parts of the proceeds of the loan were used in order to fully repay the $350 million bond loan issued by the Company in February 2005. As at 31 December 2008, the outstanding loan balance with HPF amounted to the equivalent of €605 million (US $ 766 million).

The loan analysis is as follows:

	As at	
	31 December 2008	**31 December 2007**
Syndicated loans	605.448	604.239
Term loans	418.577	29.579
Overdrafts	-	1.886
Total borrowings	**1.024.025**	**635.704**

17 Deferred income tax

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

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

	As at	
	31 December 2008	**31 December 2007**
Beginning of the year	22.785	(405)
Income statement (charge) / recovery	44.139	22.497
Charged / (released) to equity	(5.459)	15.793
Other movements	-	(15.100)
End of year	**61.465**	**22.785**

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

	As at	
	31 December 2008	**31 December 2007**
Intangible and tangible fixed assets	(16.150)	(15.901)
Inventory valuation	-	3.312
Unrealised exchange gains	(4.013)	(15.196)
Employee benefits provision	22.665	29.865
Derivative financial instruments at fair value	13.409	23.472
Net operating losses carried forward	44.467	-
Other temporary differences	1.087	(2.767)
Net deferred income tax asset/(liability)	**61.465**	**22.785**
Deferred income tax liabilities	**(32.978)**	**(51.505)**
Deferred income tax assets	**94.443**	**74.290**

Deferred tax in relation to special or tax free reserves is calculated to the extent that the Company 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	123.496	122.650
Total as per balance sheet	**123.496**	**122.650**

	Year ended	
	31 December 2008	**31 December 2007**
Income statement charge for:		
Pension benefits	22.281	20.461
Total as per income statement	**22.281**	**20.461**

The amounts recognised in the balance sheet are as follows:	As at	
	31 December 2008	**31 December 2007**
Present value of unfunded benefit obligations	157.072	162.234
Unrecognised actuarial gains / (losses)	(31.984)	(37.870)
Unrecognised prior service cost	(1.592)	(1.714)
Liability in the Balance Sheet	**123.496**	**122.650**

The amounts recognised in the income statements are as follows:

	Year ended	
	31 December 2008	**31 December 2007**
Current service cost	7.376	7.216
Interest cost	7.035	6.776
Net actuarial (gains) / losses recognised in the year	2.219	2.397
Past service cost	122	349
Regular profit & loss charge	**16.752**	**16.738**
Additional cost of extra benefits	5.529	3.723
Total included in employee benefit expense	**22.281**	**20.461**

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

	31 December 2008	**31 December 2007**
Beginning of the year	122.650	115.114
Total expense included in employee benefit expense	22.281	20.461
Payments	(21.435)	(12.925)
Total	**123.496**	**122.650**

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 & tax provisions	5.000	5.000
Other provisions	134	129
Total	**31.565**	**55.964**

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

	Govern-ment advances and grants	**Litigation & tax povisions**	**Other provisions**	**Total**
At 1 January 2008	**50.835**	**5.000**	**129**	**55.964**
Charged / (credited) to the income statement:				
- Additional provisions / grants	4.002	-	5	4.007
- Unused amounts reversed	(25.614)	-	-	(25.614)
Used during year	(2.792)	-	-	(2.792)
At 31 December 2008	**26.431**	**5.000**	**134**	**31.565**

Government advances

Advances by the Government (Hellenic State) to the Company 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 Company 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 Company 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 Company has initiated the process of delivering of the studies, maps and related documentation relating to the aforementioned blocks to the state authorities. Accordingly the Company 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.

Other provisions

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

20 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 Company 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 Company 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 Company uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices. In this framework, the Company has entered into a number of commodity price swaps which have been designated by the Company 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 expenses

	For the year ended	
	31 December 2008	**31 December 2007**
Wages and salaries	150.538	137.775
Social security costs	25.327	24.257
Pension costs	18.131	18.153
Other employment benefits	33.205	28.606
Total	**227.201**	**208.791**

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	97.752	99.437
Administrative expenses	80.522	86.441
	178.274	**185.878**

(All amounts in Euro thousands unless otherwise stated)

23 Exploration and development expenses

Exploration and development expenses comprise expenditure associated with the Company'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 Other operating income / (expenses)

	For the year ended	
	31 December 2008	**31 December 2007**
Income from grants	2.791	3.325
Exploration & production grants (see note 19)	25.614	-
Gains on derivative financial instruments	8.877	13.157
Losses on derivative financial instruments	(18.391)	(18.824)
Services to third parties	712	851
Gain on sale of interest in JV in Libya (ii)	117.718	-
Rental income	547	535
Other income / (expenses)	20.525	(8.566)
Total	**158.393**	**(9.522)**

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

(ii) 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.

25 Finance costs - net

	For the year ended	
	31 December 2008	**31 December 2007**
Interest income	12.135	9.900
Interest expense and similar charges	(33.879)	(33.672)
Finance costs -net	**(21.744)**	**(23.772)**

26 Income tax expense

	For the year ended	
	31 December 2008	**31 December 2007**
Current tax	10.347	129.237
Deferred tax (Note 17)	(44.139)	(22.499)
Total	**(33.792)**	**106.738**

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

	For the year ended	
	31 December 2008	**31 December 2007**
Profit Before Tax	**(142.082)**	**388.730**
Tax calculated at tax rates applicable to profits	(35.520)	97.183
Tax on income not subject to tax	(30.895)	(32.080)
Tax on expenses not deductible for tax purposes	22.977	50.188
Effect of tax rate change	(979)	-
Other	10.625	(8.553)
Tax Charge	**(33.792)**	**106.738**

The basic tax rate was 25% for the period ending 31 December 2008 (25% for the year 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.

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):	**(0,35)**	**0,92**
Net income attributable to ordinary shares (Euro in thousands)	(108.290)	281.992
Average number of ordinary shares outstanding	305.635.185	305.635.185

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

(All amounts in Euro thousands unless otherwise stated)

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 Information 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 this financial information.

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 information.

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.

29 Cash generated from operations

		For the year ended	
	Note	**31 December 2008**	**31 December 2007**
Profit before tax		**(142.082)**	**388.730**
Adjustments for:			
Depreciation and amortisation of property, plant & equipment and intangible assets	**6,7**	75.773	82.643
Grants amortisation		(2.792)	(3.325)
Finance costs - net	**25**	21.744	23.772
Provisions		40.459	55.334
Gain from disposal of E&P licence	**24**	(117.718)	-
Foreign exchange (gains) / losses		92.300	(29.024)
Dividend income		(19.075)	(8.662)
		(51.391)	**509.468**
Changes in working capital			
(Increase) / decrease in inventories		468.916	(302.148)
(Increase) / decrease in trade and other receivables		268.606	(234.231)
Increase / (decrease) in payables		(100.814)	316.687
		636.708	**(219.692)**
Net cash generated from operating activities		**585.317**	**289.776**

30 Contingencies

The Company 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 Company against such matters whenever deemed necessary and included in other provisions (note 19). They are as follows:

(i) The Company is involved in a number of legal proceedings and has various unresolved claims pending arising in the ordinary course of business. Based on currently available information, management believes the outcome will not have a significant effect on the company's operating results or financial position.

(ii) The Company has not undergone a tax audit for the years ended 31 December 2002 to 31 December 2008. The tax audit of Petrola Hellas S.A. (merged with Hellenic Petroleum S.A. in 2003) for 2002 and 1/1 – 4/6/2003 is currently under way. Management believes that no additional material liability will arise as a result of open tax years over and above the tax liabilities and provisions recognised in the financial statements.

(iii) The Company has provided letters of comfort and guarantees to the favour of banks as security for loans granted by them to subsidiaries and associates of the Group, the outstanding amount of which as at 31 December 2008 was the equivalent of €1.124 million. The Company has also issued letters of credit and guarantees to the favour of third parties, mainly for the procurement of crude oil, which as at 31 December 2008 amounted to the equivalent of €364 million equivalent.

(iv) In October 2002 the Company 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 Company 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 Company'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 Company'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 Company 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 Company 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.

(All amounts in Euro thousands unless otherwise stated)

31 Commitments

Significant contractual commitments of the Company are as follows:

- Capital investment in upgrading Hellenic Petroleum refinery installations of €439 million (31 December 2007: €138 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.

32 Related-party transactions

i) Sales of goods and services	**For the year ended**	
	31 December 2008	**31 December 2007**
Sales of goods		
Group Entities	3.146.222	2.616.353
Other related parties	642.616	703.876
Sales of services		
Group Entities	7.814	8.893
	3.796.652	**3.329.122**

ii) Purchases of goods and services		
Purchases of goods		
Group Entities	32.139	29.952
Other related parties	38.078	66.652
Purchases of services		
Group Entities	17.342	13.238
	87.559	**109.842**

iii) Balances arising from sales / purchases of goods / services	**As at**	
	31 December 2008	**31 December 2007**
Receivables from related parties		
Group Entities		
- Receivables	93.922	218.599
Other related parties		
- Receivables	191.186	111.658
	285.108	**330.257**
Payables to related parties		
Group Entities		
- Payables	10.400	12.142
Other related parties		
- Payables	1.825	1.549
	12.225	**13.691**
Net balances from related parties	**272.883**	**316.566**

(All amounts in Euro thousands unless otherwise stated)

	For the year ended	
	31 December 2008	**31 December 2007**
Charges for directors remuneration	1.497	1.585

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

Group Entities include all companies consolidated under the full method of consolidation.

Other related parties include non affiliated or Governmental organisations such as the Hellenic Armed Forces and the Public Power Corporation (Hellas). They are considered related parties due to the shareholding in the Company by the Hellenic State. Also included are Group companies consolidated with the equity method of consolidation.

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

a) Hellenic Petroleum Group companies.

b) Parties which are under common control with the Company due to the shareholding and control rights of the Hellenic State:

- Public Power Corporation Hellas
- Hellenic Armed Forces
- Olympic Airways/ OlympicAirlines

c) Financial institutions which are under common control with the Company due to the shareholding and control rights of the Hellenic State. The Company as at 31 December 2008 had outstanding loans amounting to the equivalent of €121 million (31 December 2007: equivalent €0) due to the following related financial institutions:

- National Bank of Greece
- Agricultural Bank of Greece

d) Joint ventures with other third parties:

- OMV Aktiengesellschaft
- Sipetrol
- Woodside – Repsol – Helpe (until November 2008)
- Oil Search, Melrose

e) Associates of the Company:

- 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)

f) Financial institutions in which substantial interest is owned by parties which hold significant participation in the share capital of the Company. The Company as at 31 December 2008 had outstanding loans amounting to the equivalent of €240 million (31 December 2007: equivalent of €3 million) with the following related financial institutions:

- EFG Eurobank Ergasias S.A.

g) Enterprises in which substantial interest is owned by parties which hold significant participation in the share capital of the Company.

- Private Sea Marine Services (ex Lamda Shipyards)

33 Other significant events

On 31 December 2008 Hellenic Petroleum S.A. acquired Petrola A.E. a real estate company for a consideration of €5,5 million.

34 Subsequent events

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