HELLENIC PETROLEUM S.A.

Consolidated Financial Statements
in accordance with IFRS for the
year ended 31 December 2016

GENERAL COMMERCIAL REGISTRY: 000269901000
COMPANY REGISTRATION NUMBER: 2443/06/B/86/23
REGISTERED OFFICE: 8A CHIMARRAS STR, 15125 MAROUSI, GREECE

Index to the consolidated financial statements

(All amounts in Euro thousands unless otherwise stated)

Company Information

Directors	Efstathios Tsotsoros - Chairman of the Board Grigorios Stergioulis - Chief Executive Officer Andreas Shiamishis - Member Ioannis Psichogios - Member Theodoros-Achilleas Vardas - Member Georgios Grigoriou - Member Stratis Zafiris - Member Dimitrios Kontofakas - Member Vasileios Kounelis - Member Panagiotis Ofthalmides - Member Theodoros Pantalakis - Member Spiridon Pantelias - Member Constantinos Papagiannopoulos - Member
Other Board Members during the year	Georgios Stampoulis (Until 7/10/2016) Georgios Maloglou (Until 27/04/2016)
Registered Office	8A Chimarras Str GR 151 25 - Marousi
Registration number	2443/06/B/86/23
General Commercial Registry	000296601000
Auditors	PricewaterhouseCoopers S.A. 268 Kifissias Ave. 152 32 Halandri Greece

Independent Auditor's Report

To the Shareholders of Hellenic Petroleum S.A.

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hellenic Petroleum S.A. which comprise the consolidated statement of financial position as of 31 December 2016 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing which have been transposed into Greek Law (GG/B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 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 consolidated financial statements.

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

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Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hellenic Petroleum S.A. and its subsidiaries as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Taking into consideration, that management is responsible for the preparation of the Board of Directors' report and Corporate Governance Statement that is included therein according to the provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we note the following:

a) In the Board of Directors' Report is included the Corporate Governance Statement that contains the information that is required by article 43bb of Codified Law 2190/1920.

b) In our opinion, the Board of Directors' report has been prepared in accordance with the legal requirements of articles 43a and 107A and paragraph 1 (c and d) of article 43bb of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended 31 December 2016.

c) Based on the knowledge we obtained from our audit of Hellenic Petroleum S.A. and its environment, we have not identified any material misstatement to the Board of Directors report.

Athens, 23 February 2017

Certified Auditor - Accountant

PricewaterhouseCoopers S.A.
Certified Auditors – Accountants
268, Kifissias Avenue
152 32 Halandri
SOEL Reg. No 113

Konstantinos Michalatos
SOEL Reg.No. 17701

(All amounts in Euro thousands unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2016	As at 31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	3.302.923	3.385.270
Intangible assets	**7**	108.294	117.062
Investments in associates and joint ventures	**8**	689.607	678.637
Deferred income tax assets	**17**	100.973	239.538
Available-for-sale financial assets	**3**	1.626	523
Loans, advances and long term assets	**9**	91.131	85.022
		4.294.554	**4.506.053**
Current assets			
Inventories	**10**	929.164	662.025
Trade and other receivables	**11**	868.331	752.142
Derivative financial instruments	**21**	15.192	-
Cash, cash equivalents and restricted cash	**12**	1.081.580	2.108.364
		2.894.267	**3.522.531**
Total assets		**7.188.821**	**8.028.583**
EQUITY			
Share capital	**13**	1.020.081	1.020.081
Reserves	**14**	469.788	443.729
Retained Earnings		549.891	220.506
Capital and reserves attributable to owners of the parent		**2.039.760**	**1.684.316**
Non-controlling interests		101.875	105.954
Total equity		**2.141.635**	**1.790.270**
LIABILITIES			
Non- current liabilities			
Borrowings	**16**	1.456.204	1.597.954
Deferred income tax liabilities	**17**	42.736	45.287
Retirement benefit obligations	**18**	110.912	95.362
Provisions for other liabilities and charges	**19**	9.306	6.405
Trade and other payables	**20**	259.644	22.674
		1.878.802	**1.767.682**
Current liabilities			
Trade and other payables	**15**	1.777.909	2.795.378
Derivative financial instruments	**21**	-	34.814
Current income tax liabilities		3.534	6.290
Borrowings	**16**	1.386.299	1.633.033
Dividends payable		642	1.116
		3.168.384	**4.470.631**
Total liabilities		**5.047.186**	**6.238.313**
Total equity and liabilities		**7.188.821**	**8.028.583**

The notes on pages 11 to 71 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the board on 23 February 2017.

E. Tsotsoros	G.Stergioulis	A. Shiamishis	S. Papadimitriou
Chairman of the Board	Chief Executive Officer	Chief Financial Officer Board Member	Accounting Director

(All amounts in Euro thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Note	For the year ended 31 December 2016	31 December 2015
Sales		**6.679.923**	**7.302.939**
Cost of sales		(5.672.795)	(6.608.357)
Gross profit		**1.007.128**	**694.582**
Selling and distribution expenses		(279.912)	(339.901)
Administrative expenses		(128.828)	(118.328)
Exploration and development expenses	**23**	(2.167)	(536)
Other operating (expenses) / income- net	**24**	30.050	9.427
Operating profit		**626.271**	**245.244**
Finance income	**25**	5.129	8.797
Finance expense	**25**	(205.909)	(209.842)
Currency exchange gains / (losses)	**26**	20.773	(26.753)
Share of profit of investments in associates and joint ventures	**8**	19.407	21.518
Profit before income tax		**465.671**	**38.964**
Income tax (expense) / credit	**27**	(136.936)	6.063
Profit for the year		**328.735**	**45.027**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit pension plans		(7.776)	1.615
Share of other comprehensive income of associates	**14**	(869)	-
		(8.645)	1.615
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value on available-for-sale financial assets	**14**	(6.267)	(255)
Transfer of available-for-sale reserve to operating profit	**14, 24**	6.414	-
Fair value gains / (losses) on cash flow hedges	**14**	15.862	(4.802)
Derecognition of gains/(losses) on hedges through comprehensive income	**14**	19.642	24.548
Currency translation differences and other movements		(1.076)	(603)
		34.575	18.888
Other comprehensive income for the year, net of tax		**25.930**	**20.503**
Total comprehensive income for the year		**354.665**	**65.530**
Profit / (loss) attributable to:			
Owners of the parent		329.760	46.684
Non-controlling interests		(1.025)	(1.657)
		328.735	**45.027**
Total comprehensive income attributable to:			
Owners of the parent		355.819	67.239
Non-controlling interests		(1.154)	(1.709)
		354.665	**65.530**
Basic and diluted earnings per share (expressed in Euro per share)	**28**	**1,08**	**0,15**

The notes on pages 11 to 71 are an integral part of these consolidated financial statements.

(All amounts in Euro thousands unless otherwise stated)

Consolidated statement of changes in equity

		Attributable to owners of the Parent					
	Note	**Share Capital**	**Reserves**	**Retained Earnings**	**Total**	**Non-controlling Interest**	**Total Equity**
Balance at 1 January 2015		**1.020.081**	**435.013**	**163.048**	**1.618.142**	**110.404**	**1.728.546**
Fair value gains / (losses) on available-for-sale financial assets	**14**	-	(178)	-	(178)	(77)	(255)
Currency translation differences and other movements	**14**	-	(632)	-	(632)	29	(603)
Actuarial gains/(losses) on defined benefit pension plans	**14**	-	1.619	-	1.619	(4)	1.615
Fair value gains / (losses) on cash flow hedges	**14**	-	(4.802)	-	(4.802)	-	(4.802)
Derecognition of gains/(losses) on hedges through comprehensive income	**14**	-	24.548	-	24.548	-	24.548
Other comprehensive income / (loss)		**-**	**20.555**	**-**	**20.555**	**(52)**	**20.503**
Profit/(loss) for the year		-	-	46.684	46.684	(1.657)	45.027
Total comprehensive income for the year		**-**	**20.555**	**46.684**	**67.239**	**(1.709)**	**65.530**
Share based payments	**13**	-	(2.893)	2.893	-	-	-
Transfers from Reserves to Retained Earnings	**14**	-	(8.946)	8.946	-	-	-
Expenses relating to share capital increase of subsidiary		-	-	(772)	(772)	-	(772)
Tax on intra-group dividends relating to 2014		-	-	(293)	(293)	-	(293)
Dividends to non-controlling interests		-	-	-	-	(2.741)	(2.741)
Balance at 31 December 2015		**1.020.081**	**443.729**	**220.506**	**1.684.316**	**105.954**	**1.790.270**
Changes in the fair value on available-for-sale financial assets	**14**	-	(6.343)	-	(6.343)	76	(6.267)
Transfer of available-for-sale reserve to operating profit	**14,24**	-	6.414	-	6.414	-	6.414
Currency translation differences and other movements	**14**	-	(884)	-	(884)	(192)	(1.076)
Actuarial gains/(losses) on defined benefit pension plans	**14**	-	(7.763)	-	(7.763)	(13)	(7.776)
Fair value gains / (losses) on cash flow hedges	**14**	-	15.862	-	15.862	-	15.862
Share of other comprehensive income of associates	**14**	-	(869)	-	(869)	-	(869)
Derecognition of gains/(losses) on hedges through comprehensive income	**14**	-	19.642	-	19.642	-	19.642
Other comprehensive income / (loss)		**-**	**26.059**	**-**	**26.059**	**(129)**	**25.930**
Profit/(loss) for the year		-	-	329.760	329.760	(1.025)	328.735
Total comprehensive income for the year		**-**	**26.059**	**329.760**	**355.819**	**(1.154)**	**354.665**
Tax on intra-group dividends		-	-	(375)	(375)	-	(375)
Dividends to non-controlling interests		-	-	-	-	(2.925)	(2.925)
Balance at 31 December 2016		**1.020.081**	**469.788**	**549.891**	**2.039.760**	**101.875**	**2.141.635**

The notes on pages 11 to 71 are an integral part of these consolidated financial statements.

(All amounts in Euro thousands unless otherwise stated)

Consolidated statement of cash flows

	Note	For the year ended 31 December 2016	31 December 2015
Cash flows from operating activities			
Cash generated from operations	**30**	(317.366)	494.359
Income tax paid		(16.159)	(34.648)
Net cash generated (used in) / from operating activities		**(333.525)**	**459.711**
Cash flows from investing activities			
Purchase of property, plant and equipment & intangible assets		(125.719)	(165.253)
Acquisition of subsidiary, net of cash acquired		(350)	-
Proceeds from disposal of property, plant and equipment & intangible assets		2.168	828
Expenses paid relating to share capital increase of subsidiary		-	(772)
Grants received		1.431	1.182
Interest received		5.129	8.797
Dividends received	**8**	1.139	18.289
Participation in share capital (increase)/ decrease of associates	**8**	-	18
Proceeds from disposal of available for sale financial assets		-	771
Net cash generated from / (used in) investing activities		**(116.202)**	**(136.140)**
Cash flows from financing activities			
Interest paid		(190.479)	(200.793)
Dividends paid to shareholders of the Company		(473)	(64.004)
Dividends paid to non-controlling interests		(2.925)	(2.770)
Movement in restricted cash	**12**	(1.969)	44.444
Proceeds from borrowings		507.732	420.924
Repayments of borrowings		(900.799)	(226.690)
Net cash generated from / (used in) financing activities		**(588.913)**	**(28.889)**
Net (decrease) / increase in cash and cash equivalents		**(1.038.640)**	**294.682**
Cash and cash equivalents at the beginning of the year	**12**	**1.952.808**	**1.647.842**
Exchange gains / (losses) on cash and cash equivalents		9.887	10.284
Net (decrease)/ increase in cash and cash equivalents		(1.038.640)	294.682
Cash and cash equivalents at end of the year	**12**	**924.055**	**1.952.808**

The notes on pages 11 to 71 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

Hellenic Petroleum and its subsidiaries (together "Hellenic Petroleum" or the "Group") operate in the energy sector predominantly in Greece, South Eastern Europe and the East Mediterranean. The Group's activities include refining and marketing of oil products, production and marketing of petrochemical products and exploration for hydrocarbons. The Group also provides engineering services. Through its investments in DEPA and Elpedison, the Group also operates in the sector of natural gas and in the production, supply and trading of electricity power.

The parent Company is incorporated in Greece and the address of its registered office is 8^{A} Chimarras Str., Marousi. The shares of the Company are listed on the Athens Stock Exchange and the London Stock Exchange through GDRs.

The financial statements and the consolidated financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 23 February 2017. The shareholders of the Company have the power to amend the financial statements after their issuance.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements of Hellenic Petroleum S.A. and its subsidiaries for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU"), and present the financial position, results of operations and cash flows of the Group on a going concern basis. In this respect Management has concluded that (a) the going concern basis of preparation of the accounts is appropriate, and (b) all assets and liabilities of the Group are appropriately presented in accordance with the Group's accounting policies.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) – measured at fair value.
- Defined benefit pension plans – plan assets measured at fair value.

The preparation of financial statements, in accordance with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 "Critical accounting estimates and judgements". These estimates are based on management's best knowledge of current events and actions; actual results ultimately may differ from those estimates.

2.1.1 New standards, amendments to standards and interpretations

(a) ***New and amended standards adopted by the Group.***

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2016, none of which had a significant impact on its consolidated financial statements.

- *IAS 19R (Amendment) "Employee Benefits"* These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans and simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- *IFRS 11 (Amendment) "Joint Arrangements"* This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

- *IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation"***.** This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- *IAS 27 (Amendment) "Separate financial statements".* This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

- *IAS 1 (Amendment)" Disclosure Initiative"*. These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- *IFRS 10, IFRS 12 and IAS 28 (Amendments) "Investment Entities: Applying the Consolidation Exception".* These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- *Annual Improvements to IFRSs 2012:*

  The amendments set out below describe the key changes to six IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project.

  – *IFRS 2 "Share-based payment".* The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

  – *IFRS 3 "Business combinations".* The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 "Financial instruments: Presentation". It also clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value through profit or loss.

  – *IFRS 8 "Operating segments".* The amendment requires disclosure of the judgments made by management in aggregating operating segments.

  – *IFRS 13 "Fair value measurement".* The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.

- *IAS 16 "Property, plant and equipment"* and *IAS 38 "Intangible assets".* Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- *IAS 24 "Related party disclosures".* The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- *Annual Improvements to IFRSs 2014:*

  The amendments set out below describe the key changes to four IFRSs.

  - *IFRS 5 "Non-current assets held for sale and discontinued operations".* The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

  - *IFRS 7 "Financial instruments: Disclosures".* The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.

  - *IAS 19 "Employee benefits".* The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

  - *IAS 34 "Interim financial reporting"*. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

  The adoption of these amendments does not have significant impact for the Group.

(b) New standards and interpretations not yet adopted.

Certain new standards, amendments to standards and interpretations have been issued that are not mandatory for periods beginning during the current financial year. The Group's evaluation of the effect of these new standards, amendments to standards and interpretations is set out below.

- *IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7 (<u>effective for annual periods beginning on or after 1 January 2018</u>).* IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model of IAS 39.

  While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, it would appear that financial assets currently held would likely continue to be measured on the same basis under IFRS 9, and accordingly, the group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

  There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. While the group is yet to undertake a detailed assessment, it would appear that the group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- *IFRS 15 "Revenue from Contracts with Customers"* *(effective for annual periods beginning on or after 1 January 2018).* IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

  Management has made a preliminary assessment of the impact on potential areas that may be affected by the application of this standard. The group considers that the application of the new rules will not affect the group's financial statements.

- *IFRS 16 "Leases"* *(effective for annual periods beginning on or after 1 January 2019)*. IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard has not yet been endorsed by the EU.

  The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of € 260,174 million (note 32). However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. The Group will make more detailed assessments of the impact over the next twelve months.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

- *IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses"* *(effective for annual periods beginning on or after 1 January 2017)*. These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments have not yet been endorsed by the EU.

- *IAS 7 (Amendments) "Disclosure initiative"* *(effective for annual periods beginning on or after 1 January 2017).* These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments have not yet been endorsed by the EU.

- *IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions"* *(effective for annual periods beginning on or after 1 January 2018).* The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in

IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendments have not yet been endorsed by the EU.

- *IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts" (effective for annual periods beginning on or after 1 January 2018).* The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39. The amendments have not yet been endorsed by the EU.

- *IAS 40 (Amendments) "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).* The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The amendments have not yet been endorsed by the EU.

- *IFRIC 22 "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 January 2018.* The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation has not yet been endorsed by the EU.

- *Annual Improvements to IFRSs 2014 (2014 – 2016 Cycle) (effective for annual periods beginning on or after 1 January 2017).* The amendments set out below describe the key changes to two IFRSs. The amendments have not yet been endorsed by the EU.

  - *IFRS 12 "Disclosures of Interests in Other Entities".* The amendement clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information.

  - *IAS 28 "Investments in associates and Joint ventures".* The amendements clarified that when venture capital organisations, mutual funds, unit trusts and similar entities use the election to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates and Equity method

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investments are initially recognised at cost and their carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition (Note 2.8). Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

A joint operation arises where the Group has rights to the assets and obligations of the operation. The Group recognizes its share of the assets, obligations, revenue and expenses of the jointly controlled operation, including its share of those held or incurred jointly, in each respective line of its' financial statements.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date and is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss (Note 2.8).

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive committee which is comprised of the Chairman of the Board of Directors, the Chief Executive Officer and the General Managers of the Group, is the chief operating decision-maker, who makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euro, which is the Group's functional and presentation currency. Given that the Group's primary activities are in oil refining and trading, in line with industry practices, most crude oil and oil product trading transactions are based on the international reference prices of crude oil and oil products in US Dollars. Depending on the country of operation, the Group translates this value to the local currency (Euro in most cases) at the time of any transaction.

(b) *Transactions and balances*

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

Foreign exchange gains and losses are presented in the same line as the transaction they relate to in the statement of comprehensive income, except those that relate to borrowings and cash, which are presented in a separate line ("Currency exchange gains/(losses)").

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and borrowings are recognised in other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment comprise mainly land, buildings (plant, the owned retail network and offices), oil refineries, vessels and equipment. Property, plant and equipment are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement as incurred. Refinery turnaround costs that take place periodically are capitalised and charged against income on a straight line basis until the next scheduled turnaround to the extent that such costs improve either the useful economic life of the equipment or its production capacity.

(All amounts in Euro thousands unless otherwise stated)

Assets under construction are assets (mainly related to the refinery units) that are in the process of construction or development, and are carried at cost. Cost includes cost of construction, professional fees and other direct costs. Assets under construction are not depreciated, as the corresponding assets are not yet available for use.

Land is also not depreciated. 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 economic life, as shown on the table below for the main classes of assets:

– Buildings	13 – 40 years
– Plant & Machinery	
▪ Specialised industrial installations and Machinery	10 – 35 years
▪ Pipelines	30 – 40 years
▪ Other equipment	5 – 10 years
– Motor Vehicles	
▪ LPG and white products carrier tank trucks	8 – 25 years
▪ Other Motor Vehicles	5 – 10 years
– Furniture and fixtures	
▪ Computer hardware	3 – 5 years
▪ Other furniture and fixtures	4 – 10 years

Included in specialised industrial installations are refinery units, petrochemical plants, tank facilities and petrol stations. Based on technical studies performed, the expected useful life of the new refinery units (Elefsina refinery) has been estimated to be up to 35 years. The remaining useful economic life of other refining units has been reviewed and adjusted from 1 July 2013 and in general does not exceed 25 years.

The assets’ residual values and estimated useful economic lives are reviewed and adjusted if appropriate, at the end of each reporting period.

If the asset’s carrying amount is greater than its estimated recoverable amount then it is written down immediately to its recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income within ‘Other operating income / (expenses) and other gains/ (losses)’.

2.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

Borrowing costs are capitalised to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. All other borrowing costs are expensed as incurred.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. In the event that the fair value of the Company’s share of the identifiable assets of the acquired subsidiary at the date of acquisition is higher than the cost, the excess remaining is recognised immediately in the statement of comprehensive income.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. Goodwill impairment reviews are undertaken annually or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Retail Service Stations Usage rights

Retail Service Stations Usage rights represent upfront lump-sum amounts paid upon the signing to owners of such retail sites for the use and control of the service stations. Such payments are made to secure branding and future revenues for the Group that were not available in the past and are therefore capitalised in accordance with IAS 38, Intangible Assets. They are amortised over the life of the acquired right.

(c) Licences and rights

Licenses and rights have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is being calculated using the straight-line method to allocate their cost over their estimated useful lives.

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

(d) 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 to 5 years).

2.9 Exploration for and Evaluation of Mineral Resources

(a) 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.

(b) Development of 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 their nature. When development is completed on a specific field, it is transferred to production assets. No depreciation and/or amortization is charged during development.

(c) Oil and gas production assets

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

(d) 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.

(e) 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.

(f) Impairment – proved oil and gas properties and intangible assets

Proven 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.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances 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 an asset is 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). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables, and available-for-sale. 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, in the case of assets classified as held-to-maturity, 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 end of the reporting period, otherwise they are classified as non-current.

(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 end of the reporting period. These are classified as non-current assets.

(c) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified in any of the other categories are also included in the available-for-sale category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2.11.2 Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

2.11.3 Recognition and measurement

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

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables and held-to-maturity investments 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 statement of comprehensive income in the period in which they have arisen. Changes in the fair value of monetary and non-monetary financial assets classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as “gains or losses from investment securities”.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer’s specific circumstances.

2.11.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future event and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11.5 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing for receivables is described in note 2.15.

(b) Assets classified as available for sale

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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

2.12 Derivative financial instruments and hedging activities

As part of its risk management policy, the Group utilizes currency and commodity derivatives to mitigate the impact of volatility in commodity prices and foreign exchange rates. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair values of the derivative financial instruments are recognised at each reporting date either in the statement of comprehensive income or in equity, depending on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

Cash flow hedges

The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within “Other operating income / (expenses) and other gains / (losses)”. Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (i.e. when the forecast transaction being hedged takes place) within cost of sales.

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 statement of comprehensive income. When a forecast transaction is no longer expected to occur, the derivative is de-designated and the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within “Other operating income / (expenses) and other gains / (losses)”.

Derivatives held for trading

The derivatives that 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 the derivative instruments that do not qualify for hedge accounting are recognized immediately in the statement of comprehensive income.

2.13 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to Property, Plant and Equipment received by the Group are initially recorded as deferred government grants and included in “Other long term liabilities”. Subsequently, they are credited to the statement of comprehensive income over the useful lives of the related assets in direct relationship to the depreciation charged on such assets.

2.14 Inventories

Inventories comprise crude oil and other raw materials, refined and semi-finished products, petrochemicals, merchandise, consumables and other spare parts.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the monthly weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It does not include borrowing costs. 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. Spare parts consumed within a year are carried as inventory and recognized in profit or loss when consumed.

2.15 Trade receivables

Trade receivables, which generally have 20-90 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 clear evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that 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 original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income and is included in “Selling and distribution expenses”.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.16 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. Restricted cash include bank deposits placed as security for loan agreements.

2.17 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.

2.18 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 statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. At the end of the reporting period payable amounts of bank overdrafts are included within borrowings in current liabilities on the statement of financial position. In the statement of cash flows bank overdrafts are shown within financing activities.

In cases where an existing borrowing of the Group is renegotiated, this might result in modification or an exchange of borrowings with the lenders that could be carried out in a number of ways. Whether a modification or exchange of borrowings represents a settlement of the original debt, or merely a renegotiation of that debt, determines the accounting treatment that should be applied by the borrower. When the terms of the existing borrowings are substantially different from the terms of the modified or exchanged borrowings, such a modification or exchange is treated as an extinguishment of the original borrowing and any difference arising is recognized in profit and loss.

The Group considers the terms to be substantially different if either the discounted present value of the future cash flows under the new terms, including any costs or fees incurred, using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original borrowing or there is a substantial change in the terms from a qualitative perspective. Qualitative factors may include:

- the currency in which the borrowing is denominated
- the interest rate (that is fixed versus floating rate)
- changes in covenants

2.19 Current and deferred income tax

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

The income tax or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 does not affect either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) *Pension obligations*

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

For defined contribution plans, the Group pays contributions to publicly administered Social Security funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses 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.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. 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.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Share-based compensation

The Group operates a shares option plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, at the date of granting. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting period end, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. 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.

2.21 Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.22 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable 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 end of the reporting period. 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.

The obligation of the Group to meet its CO2 emission targets is treated as follows: European ETS register allocates emission rights to refineries annually. Allowances received are recognised at cost. A provision is recognized for the obligation to pay for the emission quantities that exceed the pre-allocated allowances. The provision recognised is measured at the amount that it is expected to cost the entity to settle the obligation. This will be the market price at the balance sheet date of the allowances required to cover the emissions made to date.

2.23 Environmental liabilities

Environmental expenditure that relates to current or future revenues is expensed or capitalised as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

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

Liabilities for environmental remediation costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required. If the effect of the time value of money is material, the amount recognised is the present value of the estimated future expenditure.

2.24 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised as follows:

(a) Sales of goods – wholesale

Revenue on sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the Group has delivered the products to the customer, the customer has accepted the products and collectability 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 collectability of the related receivables is reasonably assured.

(c) Sales of services

For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Interest income

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

(e) Dividend income

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

2.25 Leases

Leases of property plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income 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 are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially a significant portion of 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 statement of comprehensive income on a straight-line basis over the period of the lease.

2.26 Dividend distribution

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

2.27 Changes in accounting policies

The Group adopted the amendments described in paragraph 2.1.1(a) for the first time for the annual reporting period commencing 1 January 2016. The adoption of these standards did not have a significant impact on the Group's policies or disclosures.

2.28 Comparative figures

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities are primarily centred on Downstream Refining (incl. Petrochemicals) & Marketing of petroleum products; with secondary activities relating to 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 interest-rate risk. In line with international best practices and within the context of local markets and legislative framework, the Group's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Group to the extent possible. In general, the key factors that impact the Group's operations are summarised as follows:

Greek Macros: Following eight years of economic depression and instability up to 2016, during which real GDP fell by -26%, the economic and business environment in Greece remains challenging. GDP reverted to 2014 levels, increasing by 0,4% during the year, thereby counterbalancing the decline of the previous year that had been impacted by conditions of uncertainty that surrounded the Greek economy which had interrupted the signs of recovery that had commenced during 2014. Private consumption rose as a result of an improvement in the labour market with motor fuels demand following a similar trend to GDP increasing by +1,6% during the year. However, total domestic fuels consumption decreased by -1,1% in 2016 mainly as a result of the decrease in heating gasoil which is attributed to mild weather conditions during the first quarter of the year and to higher oil product prices at the end of 2016.

The approval of the €86 billion bailout programme in August 2015 and the recapitalisation of the 4 systemic banks during December 2015 were key steps towards the stabilisation of the macroeconomic and financial environment in Greece. The improvement in the labour market has supported household consumption however the unemployment rate remains high despite a moderate decline since 2013. Tax and benefit reforms have materially improved the Greek state budget position, but public debt remains high. Despite signs of a turnaround and the slower pace of fiscal consolidation agreed in the context of the ESM programme, the macroeconomic and financial situation is still fragile. Confidence is low and banks are burdened with non-performing loans. As stipulated in the August 2015 bailout programme, in order to achieve the fiscal targets agreed, the fiscal position requires additional measures to deliver medium-term sustainability, amounting to around 1% of GDP for 2017 and 2018. Following completion of the program, the primary surplus targets are expected to be sustained and closely monitored. Addressing these measures will be necessary for a stronger recovery and a faster reduction in unemployment.

The bailout program was approved to be dispensed in allotments/tranches following the adoption of a series of agreed upon changes and austerity measures. In order for Greece to secure the next tranche, the second review of the bailout program has to be successfully completed.

While the bailout program has reduced the risk of economic instability in Greece, concerns around its implementation remain, a factor reflected in debt capital and equity markets risk assessment and pricing. The implementation of the program and its effects on the economy are beyond the Group’s control.

Management continually assesses the situation and its possible future impact to ensure that all necessary actions and measures are taken in order to minimize the impact on the Group’s Greek operations.

Currency: The Group’s business is naturally hedged against a functional currency risk. All petroleum industry transactions are referenced to international benchmark quotes for crude oil and oil products in USD. All international purchases and sales of crude oil and products are conducted in USD and all sales into local markets are either in USD prices or converted to local currency for accounting and settlement reasons using the USD reference on the date of the transaction.

Prices: 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.

Securing continuous crude oil supplies: Developments in the global and regional crude oil markets in the last 2 years have reduced the cost of raw material for the Group and increased optionality. International crude oil reference prices dropped by more than 50% compared to June 2014 peak. These developments led to lower cost of crude, for both sweet and especially sour grades, which represent the key source of feedstock for complex refiners like Hellenic Petroleum, improving the competitive position of Med refiners vs. their global peers. The Group was able to take advantage of this development and diversify its crude basket compared to previous years.

Financing of operations: Given financial market developments since 2011, the key priorities of the Group have been the management of the ‘Assets and Liabilities’ maturity profile, funding in accordance with its strategic investment plan and liquidity risk for operations. As a result of these key priority initiatives and in line with its medium term financing plan, the Group has maintained a mix of long term, medium term and short term credit facilities by taking into consideration bank and debt capital markets’ credit capacity as well as cash flow planning and commercial requirements. Approximately 60% of total debt is financed by medium to long term committed credit lines while the remaining debt is being financed by short term working capital credit facilities. During 2014, the Group issued two Eurobonds, a $400 million two year Eurobond maturing in May 2016 and a

€325 million five year Eurobond maturing in July 2019. The cost of both issues was lower than the comparable marginal cost of funding during 2013, reflecting improvements in both country risk and company fundamentals. During 2015 the parent company concluded a €200 million three year facility to act as backstop facility for general corporate needs with one of its core relationship banks.

In May 2016 the Group repaid the aforementioned $400 million Eurobond on its maturity date.

In addition in May 2016 the parent company concluded a € 400 million backstop facility which has two Tranches, a committed Tranche of €240 million and an uncommitted Tranche of €160 million. The facility has a tenor of 18 months with a six month extension option. The balance of the committed Tranche as at 31 December 2016 was €72 million.

During 2016 the Group issued a €375 million five-year 4,875% Eurobond guaranteed by the parent company of the Group with the issue price being 99,453 per cent. of the principal amount. The notes mature in October 2021.The proceeds of the issue were used to repay existing financial indebtedness, including the partial prepayment of the €500 million Eurobond maturing in May 2017 through a tender offer process which was completed in October 2016 during which notes of nominal value of €225 million were accepted.

The Group had a €50 million syndicated credit facility with a €40 million tranche maturing in July 2016 and a €10 million tranche maturing in July 2018. In July 2016, the Group partially repaid € 20 million of the maturing tranche and extended the maturity of the remaining €20 million to July 2018.

In October 2016 the Group extended the maturity date of its €400 million syndicated credit facility to October 2017 with two six-month extension options.

Additional information is disclosed in paragraph (c) Liquidity risk below and Note 16.

Capital management: The second key priority of the Group has been the management of its Assets. Overall the Group has around €3,9 billion of capital employed which is driven from working capital, investment in fixed assets and its investment in DEPA Group. Current assets are mainly funded with current liabilities (incl. short term bank debt) which are used to finance working capital (inventories and receivables). As a result of the Group's investment plan, during the period 2007-2012, net debt level has increased to 45% of total capital employed with the remaining 55% being financed through shareholders equity. The Group has started reducing its net debt levels through utilization of the incremental operating cashflows, post completion and operation of the new Elefsina refinery. This is expected to lead to lower Debt to Equity ratio, better matched Asset and Liability maturity profiles as well as lower financing costs.

(a) Market risk

(i) Foreign exchange risk

As explained in note 2.5 "Foreign currency translation", the functional and presentation currency of the Group is the Euro. However, in line with industry practice in all international crude oil and oil trading transactions, underlying commodity prices are based on international reference prices quoted in US dollars.

Foreign currency exchange risk arises on three types of exposure:

- **Financial position translation risk:** Most of the inventory held by the Group is reported in Euro while its underlying value is determined in USD. Thus, a possible devaluation of the USD against the Euro leads to a reduction in the realisable value of inventory included in the statement of financial position. In order to manage this risk, a significant part of the Group's payables (sourcing of crude oil and petroleum products) is denominated in USD resulting to an offsetting impact to the one described above. It should be noted however, that while in the case of USD devaluation the impact on the statement of financial position is mitigated, in cases of USD appreciation the mark-to-market valuation of USD-denominated debt liabilities leads to a reported foreign exchange loss, with no compensating benefit as stocks continue to be included in the statement of financial position at cost. It is estimated that at 31 December 2016 if the Euro had weakened against the US dollar by 5% with all other variables held constant, pre-tax results would have been approximately €22 million lower, as a result of foreign exchange losses on translation of US dollar-denominated receivables, payables, cash and borrowings.

- **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. Market volatility has impacted adversely on the cost of mitigating this exposure; as a result the Group did not actively hedge material amounts of the Gross margin exposure. This exposure is linearly related to the Gross margin of the Group in that the appreciation/ depreciation of Euro vs. USD leads to a respective translation loss/ (gain) on the period results.

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

(ii) Commodity price risk

The Group's primary activity as a refiner involves exposure to commodity prices. Changes in current or forward absolute price levels vs acquisition costs affect the value of inventory while exposure to refining margins (combination of crude oil and product prices) 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 the end of the reporting period. In periods of sharp price decline, as Group policy is to report its inventory at the lower of historical 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 attractive from a risk-return point of view and subject to the structure of the market (contango vs. backwardation) as well as credit capacity for long dated transactions.

Refining margin exposure relates to the absolute level of margin generated by the operation of the refineries. This is determined by Platt's 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 Group's profitability. Where possible, the Group aims to hedge the part of its production which will be sold in the future and hence will be exposed to forward pricing, thus generating higher price risk upon completion of the sale. This, however, is not possible to do in all market conditions, such as a backwardated market structure, where future prices are below their spot levels, or when there is no credit capacity for derivatives transactions.

(iii) Cash flow and fair value interest rate risk

The Group's operating income and cash flows are not materially affected by changes in market interest rates, given the low level of prevailing reference rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. Approximately one third of the Group's borrowings are at fixed rates of interest. 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. At 31 December 2016, if interest rates on Euro denominated borrowings had been 0,5% higher with all other variables held constant, pre-tax profit for the year would have been Euro €11 million lower.

(b) Credit risk

(i) Risk Management

Credit risk is managed on a 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.

(ii) Credit quality

The credit quality of cash, cash equivalents and restricted cash is assessed by reference to external credit ratings obtained from Moody's / Fitch in the table below.

Due to market conditions, the approval of credit risk is subject to a more strict process involving all levels of senior management. A Group credit committee monitors material credit exposures on a Group wide basis. See Note 11 for further disclosure on credit risk.

	As at	
Bank Rating (in €million)	**31 December 2016**	**31 December 2015**
A	327	619
A1	91	61
Baa1	14	6
Baa2	-	-
BBB-	-	-
Caa1	8	-
Caa2	11	11
Caa3	599	1.362
No rating	32	49
Total	**1.082**	**2.108**

(c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash reserves and financial headroom, through committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in its funding operations through the use of cash and committed credit facilities.

Where deemed beneficial to the Group, and in order to achieve better commercial terms (eg. better pricing, higher credit limits, longer payment terms), the Group provides for the issuance of short term letters of credit or guarantee for the payment of liabilities arising from trade creditors. These instruments are issued using the Group's existing credit lines with local and international banks, and are subject to the approved terms and conditions of each bank, regarding the amount, currency, maximum tenor, collateral etc. To the extent the liabilities covered materialise before the balance sheet date, they are included in the balance sheet under trade creditors. Further details of the relevant loans are provided in Note 16.

The Group's plans with respect to facilities expiring within the next 12 months are presented below.

	1H17	**2H17**	**2017**	**Schedule for repayment**	**Schedule for refinancing**
Bond loan €400 million		284	284		284
Bond loan SBF €400 million		240	240		240
European Investment Bank ("EIB") Term loan	22	22	44	44	
Eurobond € 500m	264		264	264	
Total	**286**	**546**	**832**	**308**	**524**

(All amounts in Euro thousands unless otherwise stated)

During 2016 the Group generated positive operating cash flows (EBITDA adjusted for inventory impact and one-offs less capital expenditure and interest payments) of €415 million. This has helped the Group to increase its cash reserves available for the repayment of loans maturing during the next 12 months.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
31 December 2016				
Borrowings	1.424.122	673.194	902.135	22.311
Finance lease liabilities	960	974	2.390	1.405
Derivative financial instruments	-	-	-	-
Other long term liabilities	-	243.562	-	-
Trade and other payables	1.740.345	-	-	-
31 December 2015				
Borrowings	1.755.501	600.184	1.059.772	67.653
Finance lease liabilities	921	940	2.525	1.951
Derivative financial instruments	34.814	-	-	-
Other long term liabilities	-	-	-	-
Trade and other payables	2.754.524	-	-	-

The amounts included as loans in the table above do not correspond to the balance sheet amounts as they are contractual (undiscounted) cash flows, which include capital and interest.

Trade and other payables do not correspond to the balance sheet amounts as they include only financial liabilities.

3.2 Capital risk management

The Group's objective with respect to capital structure, which includes both equity and debt funding, is to safeguard its ability to continue as a going concern and to have in place an optimal capital structure from a cost perspective.

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

Consistent with the industry convention, the Group monitors capital structure and indebtedness levels 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 statement of financial position) less "Cash & cash equivalents" and, "Available for Sale financial assets". Total capital employed is calculated as "Total Equity" as shown in the statement of financial position plus net debt.

(All amounts in Euro thousands unless otherwise stated)

The gearing ratios at 31 December 2016 and 2015 were as follows:

	As at	
	31 December 2016	**31 December 2015**
Total Borrowings (Note 16)	2.842.503	3.230.987
Less: Cash, Cash Equivalents and restricted cash (Note 12)	(1.081.580)	(2.108.364)
Less: Available for sale financial assets (Note 3.3)	(1.626)	(523)
Net debt	**1.759.297**	**1.122.100**
Total Equity	2.141.635	1.790.270
Total Capital Employed	**3.900.932**	**2.912.369**
Gearing ratio	**45%**	**39%**

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company’s assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Derivatives held for trading	-	-	-	-
Derivatives used for hedging	-	15.192	-	15.192
Available for sale financial assets	1.626	-	-	1.626
	1.626	**15.192**	**-**	**16.818**
Liabilities				
Derivatives held for trading	-	-	-	-
Derivatives used for hedging	-	-	-	-
	-	**-**	**-**	**-**

(All amounts in Euro thousands unless otherwise stated)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives held for trading	-	-	-	-
Derivatives used for hedging	-	-	-	-
Available for sale financial assets	523	-	-	523
	523	**-**	**-**	**523**
Liabilities				
Derivatives held for trading	-	-	-	-
Derivatives used for hedging	-	34.814	-	34.814
	-	**34.814**	**-**	**34.814**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of commodity swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

For the years ended 31 December 2016 and 31 December 2015, there were no transfers between levels.

The fair value of Euro and US$ denominated Eurobonds as at 31 December 2016 was €949 million (31 December 2015: €1.110 million), compared to its book value of €943 million (31 December 2015: €1.161 million). The fair value of the remaining borrowings approximates their carrying value, as the effect of discounting is insignificant. The fair values of borrowings are within level 2 of the fair value hierarchy.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

4 Critical accounting estimates and judgements

Estimates and judgements are continuously 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.

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

(i) Critical accounting estimates and assumptions

(a) Income taxes

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

(b) Recoverability of deferred tax assets

Deferred tax assets include certain amounts which relate to carried forward tax losses. In most cases, depending on the jurisdiction in which such tax losses have arisen, such tax losses are available for set off for a limited period of time since they are incurred. The Group makes assumptions on whether these deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for relevant entity.

(c) Provision for environmental restoration

The Group operates in the oil industry with its principal activities being that of exploration and production of hydrocarbons, refining of crude oil and sale of oil products, and the production and trading of petrochemical products. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognised provisions, the Group's statement of comprehensive income is impacted.

(d) Estimates in value-in-use calculations

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policies (Note 2.8). Additionally, if certain indications emerge, the Group may test also non-financial assets (Note 2.10) and investments (Note 2.11.5) for possible impairment. These tests involve the determination of the cash generating units underlying the relevant balance sheet carrying amounts. This requires judgement.

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management. Cash flows beyond the period over which projections are available are extrapolated using estimated growth rates. These growth rates are consistent with forecasts included in country or industry reports specific to the country and industry in which each CGU operates.

(e) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and certain available-for-sale investments) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(f) Pension benefits

The present value of the pension obligations for the Group's defined benefit plans depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency and jurisdiction in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

(g) Provisions for legal claims

The Group has a number of legal claims pending against it. Management uses its judgement to assess the likely outcome of these claims and if it is more likely than not that the Group will lose a claim, then a provision is made. Provisions for legal claims, if required, are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(ii) Critical judgements in applying the Group's accounting policies

(h) Impairment of available-for-sale investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(All amounts in Euro thousands unless otherwise stated)

5 Segment information

All critical operating decisions are made by the Group's Executive Committee, which reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The committee considers the business from a number of measures which may vary depending on the nature and evolution of a business segment by taking into account the risk profile, cash flow, product and market considerations. Information provided to the committee is measured in a manner consistent with that of the financial statements.

Information on the revenue and profit regarding the Group's operating segments is presented below:

	For the period ended					
	31 December 2016			31 December 2015		
Sales	**Gross**	**Inter-segment**	**Net**	**Gross**	**Inter-segment**	**Net**
Refining	5.773.671	1.679.040	4.094.631	6.644.424	2.320.455	4.323.969
Marketing	2.333.559	5.569	2.327.990	2.712.444	6.383	2.706.061
Petro-chemicals	252.387	-	252.387	263.403	-	263.403
Gas & Power	1.641	-	1.641	1.705	-	1.705
Other	14.770	11.496	3.274	15.880	8.078	7.801
Total	**8.376.028**	**1.696.105**	**6.679.923**	**9.637.856**	**2.334.917**	**7.302.939**

		For the period ended	
	Note	**31 December 2016**	**31 December 2015**
Operating profit / (loss)			
Refining		507.699	116.723
Marketing		44.996	55.571
Exploration & Production		(5.559)	(4.690)
Petro-chemicals		93.920	83.578
Gas & Power		(5.138)	(6.201)
Other		(9.647)	263
Total		**626.271**	**245.244**
Currency exchange gains/ (losses)	**26**	20.773	(26.753)
Share of profit of investments in associates and joint ventures	**8**	19.407	21.518
Finance (expense)/income - net	**25**	(200.780)	(201.045)
Profit / (loss) before income tax		**465.671**	**38.964**
Income tax (expense) / credit		(136.936)	6.063
Profit / (loss) for the period		**328.735**	**45.027**
(Income) / loss applicable to non-controlling interests		1.025	1.657
Profit / (loss) for the period attributable to the owners of the parent		**329.760**	**46.684**

Inter-segment sales primarily relate to sales from the refining segment to the other operating segments and are carried out at arm's length.

"Other Segments" include Group entities which provide treasury, consulting and engineering services.

An analysis of the Group's net sales by type of market (domestic, aviation & bunkering, exports and international activities) is presented below:

	For the period ended	
	31 December 2016	**31 December 2015**
Net Sales		
Domestic	2.266.266	2.834.605
Aviation & Bunkering	756.782	902.163
Exports	2.623.910	2.404.642
International activities	1.032.965	1.161.529
Total	**6.679.923**	**7.302.939**

(All amounts in Euro thousands unless otherwise stated)

The segment assets and liabilities at 31 December 2016 and 2015 are as follows:

	As at	
	31 December 2016	**31 December 2015**
Total Assets		
Refining	5.337.313	6.424.209
Marketing	1.272.293	1.316.248
Exploration & Production	9.123	8.602
Petro-chemicals	367.398	310.833
Gas & Power	693.498	670.355
Other Segments	1.662.431	1.260.858
Inter-Segment	(2.153.235)	(1.962.522)
Total	**7.188.821**	**8.028.583**
Total Liabilities		
Refining	3.783.405	5.115.315
Marketing	630.432	715.217
Exploration & Production	14.626	11.909
Petro-chemicals	111.208	64.175
Gas & Power	3.337	3.475
Other Segments	1.648.586	1.238.035
Inter-Segment	(1.144.408)	(909.813)
Total	**5.047.186**	**6.238.313**

"Other Segments" include Group entities which provide treasury, consulting and engineering services.

(All amounts in Euro thousands unless otherwise stated)

6 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Motor vehicles	Furniture and fixtures	Assets Under Construction	Total
Cost							
As at 1 January 2015	**286.280**	**875.798**	**4.349.294**	**89.587**	**151.942**	**102.372**	**5.855.273**
Additions	16	3.167	10.810	1.777	7.926	139.898	163.594
Capitalised projects	-	11.392	159.568	64	725	(171.749)	-
Disposals	(1)	(927)	(3.329)	(706)	(448)	(70)	(5.481)
Currency translation differences	(114)	(207)	(140)	(2)	18	(5)	(450)
Transfers and other movements	386	3	10.534	-	(1)	(6.708)	4.214
As at 31 December 2015	**286.567**	**889.226**	**4.526.737**	**90.720**	**160.162**	**63.738**	**6.017.150**
Accumulated Depreciation							
As at 1 January 2015	**-**	**379.129**	**1.892.498**	**53.692**	**131.784**	**-**	**2.457.103**
Charge for the year	-	30.381	138.174	4.058	7.256	-	179.869
Disposals	-	(499)	(2.510)	(706)	(391)	-	(4.106)
Currency translation differences	-	(79)	(79)	(2)	(5)	-	(165)
Transfers and other movements	-	(17)	(701)	-	(103)	-	(821)
As at 31 December 2015	**-**	**408.915**	**2.027.382**	**57.042**	**138.541**	**-**	**2.631.880**
Net Book Value at 31 December 2015	**286.567**	**480.311**	**2.499.355**	**33.678**	**21.621**	**63.738**	**3.385.270**
Cost							
As at 1 January 2016	**286.567**	**889.226**	**4.526.737**	**90.720**	**160.162**	**63.738**	**6.017.150**
Additions	2.209	1.905	10.901	2.599	9.403	94.398	121.415
Capitalised projects	194	7.155	57.996	132	145	(65.622)	-
Disposals	(539)	(988)	(6.188)	(684)	(1.631)	(223)	(10.253)
Impairment	-	-	(8.313)	-	-	-	(8.313)
Currency translation differences	(305)	(347)	3.684	2	34	(16)	3.052
Transfers and other movements	-	727	(2.305)	-	102	(3.666)	(5.142)
As at 31 December 2016	**288.126**	**897.678**	**4.582.512**	**92.769**	**168.215**	**88.609**	**6.117.909**
Accumulated Depreciation							
As at 1 January 2016	**-**	**408.915**	**2.027.382**	**57.042**	**138.541**	**-**	**2.631.880**
Charge for the year	-	31.078	152.470	4.265	6.385	-	194.198
Disposals	-	(681)	(5.961)	(684)	(1.479)	-	(8.805)
Currency translation differences	-	(31)	111	2	14	-	96
Transfers and other movements	-	(11)	(2.348)	-	(24)	-	(2.383)
As at 31 December 2016	**-**	**439.270**	**2.171.654**	**60.625**	**143.437**	**-**	**2.814.986**
Net Book Value at 31 December 2016	**288.126**	**458.408**	**2.410.858**	**32.144**	**24.778**	**88.609**	**3.302.923**

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

(2) During 2016 an amount of €1,9 million (2015: €2,4 million) in respect of interest has been capitalised within Assets Under Construction relating to the refining segment, at an average borrowing rate of 5,85% (2015:5,06%)

(3) "Transfers and other movements" in assets under construction mainly relate to the transfer of completed IT projects to intangible assets.

(4) "Impairment" in plant and machinery of €8,3 million, relates to the pipeline connecting Thessaloniki and Skopje. The pipeline is an asset of the Group's subsidiary Vardax S.A. The impairment is included in "Cost of Sales" in the income statement.

(5) Depreciation expense of €194,2 million (2015: €179,9 million) and amortisation expense of €15,3 million (2015: €19 million) are allocated in the following lines of the Consolidated Statement of Comprehensive Income:

- Cost of Sales €146,9 million (2015: €133,2 million),
- Selling and distribution expenses €53,5 million (2015: €55,7 million),
- Administration expenses €9 million (2015: €9,7 million), and
- Exploration and development expenses €0,1 million (2015: €0,3 million).

(All amounts in Euro thousands unless otherwise stated)

7 Intangible assets

	Goodwill	Retail Service Stations Usage Rights	Computer software	Licences & Rights	Other	Total
Cost						
As at 1 January 2015	**133.914**	**51.365**	**96.582**	**38.769**	**74.260**	**394.890**
Additions	-	421	1.089	16	133	1.659
Disposals	-	(128)	-	(1)	-	(129)
Currency translation differences, transfers and other movements	-	(1.382)	3.034	1.232	(581)	2.303
As at 31 December 2015	**133.914**	**50.276**	**100.705**	**40.016**	**73.812**	**398.723**
Accumulated Amortisation						
As at 1 January 2015	**71.829**	**26.138**	**85.717**	**27.260**	**51.968**	**262.912**
Charge for the year	-	3.722	5.486	2.021	7.802	19.031
Disposals	-	(62)	-	-	-	(62)
Currency translation differences, transfers and other movements	-	(779)	(100)	779	(120)	(220)
As at 31 December 2015	**71.829**	**29.019**	**91.103**	**30.060**	**59.650**	**281.661**
Net Book Value at 31 December 2015	**62.085**	**21.257**	**9.602**	**9.956**	**14.162**	**117.062**
Cost						
As at 1 January 2016	**133.914**	**50.276**	**100.705**	**40.016**	**73.812**	**398.723**
Additions	-	70	2.897	316	1.021	4.304
Disposals	-	(275)	(66)	-	-	(341)
Currency translation differences, transfers and other movements	-	(156)	2.500	351	(407)	2.288
As at 31 December 2016	**133.914**	**49.915**	**106.036**	**40.683**	**74.426**	**404.974**
Accumulated Amortisation						
As at 1 January 2016	**71.829**	**29.019**	**91.103**	**30.060**	**59.650**	**281.661**
Charge for the year	-	3.204	5.292	1.994	4.790	15.280
Disposals	-	(201)	(55)	-	-	(256)
Currency translation differences, transfers and other movements	-	-	219	52	(276)	(5)
As at 31 December 2016	**71.829**	**32.022**	**96.559**	**32.106**	**64.164**	**296.680**
Net Book Value at 31 December 2016	**62.085**	**17.893**	**9.477**	**8.577**	**10.262**	**108.294**

(1) The majority of the remaining amount of goodwill as at 31 December 2016 relates to the unamortised goodwill arising on the acquisition of Hellenic Petroleum Cyprus Ltd in 2003 which is treated for impairment in line with the accounting policy in Note 2.8. Goodwill was tested for impairment as at 31 December 2016 using the value-in-use model. This calculation used cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 1% that reflects the forecasts in line with management beliefs, based on GDP growth projections. Management determined annual volume growth rate and gross margins based on past performance and expectations for the market development. The discount rate used was 5,8% which reflects the specific risks relating to operations. The results of the model show that the valuation covers the carrying amount of the goodwill, which amounts to €62 million as of 31 December 2016. A sensitivity analysis was performed to the key assumptions used in the model (discount rates and perpetuity growth rates), in order to stress test the adequacy of the valuation headroom. The sensitivity analysis resulted in recoverable values well in excess of the carrying value.

(2) Other intangible assets category primarily includes the fair value of the contractual customer relationships from the subsidiary acquired in December 2009 (ex BP Hellas) which is amortized over the life of the contracts. Furthermore, it includes rights of use of land in Serbia and Montenegro in cases where local legal framework does not allow outright ownership of real estate property.

(3) 'Other movements' mainly relate to completed IT software projects capitalised during 2016 and thus transferred from assets under construction (Note 6). These projects are monitored within assets-under-construction as implementation of the relevant software takes place over a period of time. They are

(All amounts in Euro thousands unless otherwise stated)

transferred to Intangible Assets when the implementation of the software has been completed and tested as being ready for use.

8 Investments in associates and joint ventures

	As at	
	31 December 2016	**31 December 2015**
Beginning of the Year	**678.637**	**682.425**
Dividend income	(1.139)	(18.289)
Share of profit of investments in associates & joint ventures	19.407	21.518
Share of other comprehensive income of investments in associates	(869)	-
Share capital increase / (decrease)	-	(18)
Impairment of investments (Note 24)	(5.748)	(7.000)
Other movements	(681)	-
End of the year	**689.607**	**678.637**

Other movements include an amount of €688 thousand which relates to the de-recognition of the carrying amount of an associated company, Superlube Ltd (Note 34). Superlube Ltd's remaining shares were acquired by the Group during December 2016 and this company is now fully consolidated from the date on which control was transferred to the Group. The income statement effect of this acquisition was not material. Impairment of investments is primarily comprised of an impairment of the Group's investment in Elpedison B.V. of €5,5 million as explained in more detail later in this note.

a) Joint Ventures

The Group is active in power generation, trading and supply in Greece through its 50% shareholding in Elpedison B.V., a joint venture entity with EDISON International. The Group consolidates Elpedison B.V. using the equity method and as such the consolidated results of Elpedison B.V. appear under "Share of profit of investments in associates and joint ventures" and its Net assets under the "Investment in Associates".

Given the materiality of this activity for the Group, the table below summarises the key financials of the Elpedison B.V. Group which consolidates its 75,78% holding in Elpedison S.A.

	As at	
Elpedison B.V. Group	**31 December 2016 (unaudited)**	**31 December 2015**
Statement of Financial Position		
Non-Current Assets	306.652	336.445
Cash and Cash Equivalents	30.542	38.529
Other Current Assets	116.479	115.640
Total Assets	**453.673**	**490.614**
Equity	**97.234**	**115.475**
Long Term Borrowings	241.501	-
Other Non-Current Liabilities	27.305	21.021
Short Term Borrowings	11.096	266.870
Other Current Liabilities	76.537	87.248
Total Liabilities	**356.439**	**375.139**
Total Liabilities and Equity	**453.673**	**490.614**

(All amounts in Euro thousands unless otherwise stated)

	As at	
Statement of Comprehensive Income	**31 December 2016 (unaudited)**	**31 December 2015**
Revenue	322.233	194.958
EBITDA	**40.027**	**18.468**
Interest Income/(Expense) - net	(17.430)	(17.900)
(Loss) / Profit beforeTax	**(13.296)**	**(31.811)**
Income Tax	(4.945)	(2.844)
(Loss) / Profit after Tax	**(18.241)**	**(34.655)**
(Loss) / Income accounted in Helpe Group	**(6.875)**	**(15.877)**

The Group's share of profit / (loss) arising from its investment in the Elpedison B.V Group as at 31 December 2016, is accounted for based on unaudited results. Differences arising between audited and unaudited results are incorporated in the following year's results.

During September 2016 Elpedison agreed with its Bondholders to extend its loans amounting to €259,6 million for an additional two years, up to September 2018. The loans are fully guaranteed on a pro rata basis by the ultimate shareholders of Elpedison S.A., while they provide for quarterly capital repayments of €3 million and mandatory capital prepayments from any proceeds from LAGIE's and ADMIE's historical deficit. Additionally, the loans provide for a cash sweep mechanism that will mandatorily repay 50% of the company's excess cash flow on a semiannual basis. The loans outstanding as at 31 December 2016, amounted to €254,1 million.

The Group has provided letters of comfort and guarantees in favour of banks as security for loans granted by them to Elpedison B.V. As at 31 December 2016, the Group's share of the above was €100 million (31 December 2015: €105 million).

Impairment of Investment in Elpedison B.V.

As at 31 December 2016, Elpedison B.V. Management carried out an impairment test according to the requirements of IAS 36, based on the post-tax cash flows produced by the company. The recent and anticipated future developments in the market and regulatory environment (change in remuneration mechanisms and/or delay of their enforcement, intensification of competition) in which the company operates, were considered as indicators of impairment, as they could impact the future cash flows of its assets.

The valuation analysis considered Elpedison S.A.'s two gas fired power plants and the supply business unit as a single cash generation unit (CGU). The analysis was carried out by identifying the recoverable value ("value in use") of the CGU. The estimation of the value in use was performed through the application of the Discounted Cash Flow Valuation Method. The discount rate applied was estimated as the post-tax Weighted Average Cost of Capital (WACC) of the company.

The year 2016 was highly volatile with significant developments taking place in the power industry (e.g. delay/change of temporary Annual Flexibility remuneration mechanism). This led to the re-evaluation of Elpedison's impairment indicators by management, resulting in the recognition of an additional impairment provision of €5,5 million (in 2015 a provision of €7 million was raised) in the carrying value of Elpedison B.V. in the consolidated balance sheet of HELPE Group as at 31 December 2016 and a respective impairment loss in the consolidated statement of comprehensive income which is included in Other Income and Expenses (Note 24).

It should be noted that the assumptions and scenarios used could further change in the future, particularly in an environment characterized by high volatility. Relevant changes in assumptions used e.g. in the future Annual Flexibility remuneration and in discount rates, could have an impact on the value in use of the assets.

b) Associates

The Group exercises significant influence in a number of other entities, which are also accounted for using the equity method.

(All amounts in Euro thousands unless otherwise stated)

DEPA Group

DEPA Group operates in the wholesale, trading, transmission, distribution and supply of natural gas. It is currently owned 65% by the HRADF (Hellenic Republic Assets Development Fund) and 35% by HELPE S.A.

The Depa Group fully consolidates its 100% shareholding in DESFA SA. (Administrator of the Natural Gas System). Other major entities accounted for using the equity method of accounting are EDA THESS S.A. (gas distribution company for the Thessaloniki and Thessalia regions), EPA Thessaloniki-Thessalia S.A. (gas supply company for the Thessaloniki and Thessalia regions) and EPA Attica S.A. (gas distribution & supply company for the Attica region). Depa S.A. has a 51% shareholding in each of these companies.

The table below summarizes the key financials of DEPA Group:

	As at	
Public Natural Gas Corporation of Greece (DEPA)	**31 December 2016** ***(unaudited)***	**31 December 2015**
Statement of Financial Position		
Non-Current Assets	2.332.404	2.388.667
Cash and Cash Equivalents	321.044	350.461
Other Current Assets	507.335	455.967
Total Assets	**3.160.783**	**3.195.095**
Equity	**1.802.296**	**1.674.548**
Long Term Borrowings	222.823	209.562
Other Non-Current Liabilities	901.520	931.548
Short Term Borrowings	26.739	32.697
Other Current Liabilities	207.405	346.740
Total Liabilities	**1.358.487**	**1.520.547**
Total Liabilities and Equity	**3.160.783**	**3.195.095**

	As at	
	31 December 2016 ***(unaudited)***	**31 December 2015**
Statement of Comprehensive Income		
Revenue	884.682	938.790
EBITDA	**226.022**	**140.751**
Interest Income/(Expense) - net	7.219	1.441
Profit / (Loss) before Tax	**165.658**	**28.614**
Income Tax	(35.428)	4.539
Profit / (Loss) after Tax	**130.230**	**33.154**
Income / (Loss) accounted in Helpe Group	**36.333**	**23.206**

The Group's share of profit / (loss) arising from its investment in the DEPA Group as at 31 December 2016, is accounted for based on unaudited results. Differences arising between audited and unaudited results are incorporated in the following year's results.

In 2016 the Group did not receive any dividends from the DEPA Group (2015: €17,5 million).

(All amounts in Euro thousands unless otherwise stated)

Sale of DESFA

On 16 February 2012, HELPE and the HRADF (jointly the "Sellers") agreed to launch a joint sale process of their shareholding in DEPA Group aiming to dispose 100% of the supply, trading and distribution activities, as well as 66% of their shareholding in the high pressure transmission network (DESFA S.A., a 100% subsidiary of DEPA S.A.).

The sale process resulted in the submission of a binding offer of €400 million by SOCAR (Azerbaijan's Oil and Gas National Company) for the purchase of the 66% of DESFA. The amount corresponding to HELPE's 35% effective shareholding was €212 million.

On 21 December 2013, the Share Purchase Agreement (SPA) for the above sale was signed by HRADF, HELPE and SOCAR, while the completion of the transaction was agreed to be subject to the clearance of EU's responsible competition authorities.

On 30 November 2016, the deadline for the fulfilment of all prerequisites for the finalisation of the transaction expired without the desired outcome. The selling parties (HRADF & HELPE) are now considering their alternative options for the disposal of their shareholding in DESFA.

The Group consolidates the DEPA Group using the equity method of accounting and the carrying value of the investment in the consolidated financial statements reflects HELPE's 35% share of the net asset value of the DEPA group which as at 31 December 2016 amounts to €631 million. The cost of investment of the DEPA group in the financial statements of HELPE S.A is €237 million. DEPA Group, as it currently stands, continues to be accounted for and included in HELPE Group's consolidated financial statements as an associate.

Other associates

In 2011, the Group participated with a 48% holding in the setting-up of a new company, DMEP HoldCo Ltd, through its subsidiary company Hellenic Petroleum International A.G. DMEP HoldCo Ltd is incorporated in the UK and ultimately owns 100% of "OTSM S.A. of Maintenance Compulsory Stocks and Trading of Crude Oil and Petroleum Products" (OTSM). OTSM is established under Greek law and is fully permitted to provide crude oil and petroleum products stock keeping and management services. The Group has delegated part of its compulsory stock keeping obligations to OTSM, reducing its stock holding by approximately 337.000 MT, at a fee calculated in line with the legal framework.

An analysis of the financial position and results of the Group's major associates is set out below:

	% interest held		**As at 31 December 2016**		
		Assets	**Liabilities**	**Revenues**	**Profit after tax**
Spata Aviation Fuel Company S.A.	33%	5.030	3.554	6.286	1.800
ELPE THRAKI	25%	31	13	-	(12)
EAKAA	50%	12.882	4.082	3.513	973
DMEP Holdco	48%	175.598	148.922	759.913	(13.065)
BIODIESEL (liquidated)	-	-	-	-	-

	% interest held		**As at 31 December 2015**		
		Assets	**Liabilities**	**Revenues**	**Profit after tax**
Spata Aviation Fuel Company S.A.	33%	4.621	3.235	5.765	1.475
ELPE THRAKI	25%	8	10	-	(41)
EAKAA	50%	13.603	4.422	3.169	951
DMEP Holdco	48%	206.441	169.483	845.977	34.527
BIODIESEL	25%	192	29	-	(2)

There are neither contingent liabilities nor commitments relating to the group's interest in its associates.

(All amounts in Euro thousands unless otherwise stated)

c) Joint operations

The Group participates in the following joint operations with other third parties relating to exploration and production of hydrocarbons in Greece and abroad:

- Edison International SpA (Greece, Patraikos Gulf). Following the relevant Ministerial Consent, Petroceltic Resources Plc, which participated in the joint operation for the year 2015, transferred its rights to both Edison International SpA and HELPE Patraikos SA., with effect from 20 January 2016.
- Calfrac well services (Greece, Sea of Thrace concession)

9 Loans, Advances & Long Term assets

	As at	
	31 December 2016	**31 December 2015**
Loans and advances	53.702	37.587
Other long term assets	37.429	47.435
Total	**91.131**	**85.022**

Loans and advances relate primarily to merchandise credit extended to third parties as part of the retail network expansion and are non-interest bearing. They also include trade receivables due in more than one year as a result of settlement arrangements. The balances included in the above categories as of 31 December 2016, relating to merchandise credit and non-interest bearing settlement arrangements, are discounted at a weighted average rate of 6% (2015: 5%) over their respective lives.

Other long term assets include non-interest bearing payments made to secure long term retail network and are amortised over the remaining life of the respective contracts of the petrol station locations. In addition they include other non-interest bearing prepayments of a long term nature.

10 Inventories

	As at	
	31 December 2016	**31 December 2015**
Crude oil	371.829	180.149
Refined products and semi-finished products	489.037	400.301
Petrochemicals	20.387	22.286
Consumable materials and other spare parts	86.665	83.705
- Less: Provision for consumables and spare parts	(38.754)	(24.416)
Total	**929.164**	**662.025**

Under IEA and EU regulations, Greece is obliged to hold crude oil and refined product stocks in order to fulfil the EU requirement for compulsory Stock obligations (90 days stock directive), as legislated by Greek Law 3054/2002. This responsibility is passed on to all companies, including Hellenic Petroleum S.A., which import and sell in the domestic market who have the responsibility to maintain and finance the appropriate stock levels. Such stocks are part of the operating stocks and are valued on the same basis.

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to €4,9 billion (2015: €5,8 billion). The Group has reported a loss of €0,2 million as at 31 December 2016 arising from inventory valuation which is reflected in a write-down of the year end values (2015 – €23 million). This was recognised as an expense in the year ended 31 December 2016 and included in 'Cost of Sales' in the statement of comprehensive income. Overall for 2016, management has estimated that the impact on the results of the Group from the fluctuations of crude oil and product prices during the year was positive and equal to approx. €100 million (2015: negative impact of €300 million).

(All amounts in Euro thousands unless otherwise stated)

11 Trade and other receivables

	As at 31 December 2016	As at 31 December 2015
Trade receivables	722.269	504.984
- Less: Provision for impairment of receivables	(235.636)	(211.349)
Trade receivables net	**486.633**	**293.635**
Other receivables	359.486	471.003
- Less: Provision for impairment of receivables	(41.325)	(34.005)
Other receivables net	**318.161**	**436.998**
Deferred charges and prepayments	63.537	21.509
Total	**868.331**	**752.142**

As part of its working capital management the Group utilises factoring facilities to accelerate the collection of cash from its customers in Greece. Non-recourse factoring, is excluded from balances shown above, since all risks and rewards of the relevant invoices have been transferred to the factoring institution.

Other receivables include balances in respect of VAT, income tax prepayment, advances to suppliers and advances to personnel. This balance as at 31 December 2016 also includes an amount of €54m (31 December 2015: €54m) of VAT approved refunds which has been withheld by the customs office due to a dispute relating to stock shortages. The Group has filed a specific legal objection and claim against this action and expects to fully recover this amount following the conclusion of the relevant legal proceedings (Note 31). The fair values of trade and other receivables approximate their carrying amount.

The table below analyses overdue receivables:

	As at 31 December 2016	As at 31 December 2015
Total trade receivables	722.269	504.984
Amounts included above which are past due :		
a) Past due, not impaired receivables	115.136	195.731
b) Past due, doubtful & impaired receivables balance	235.636	211.349

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Provision is made for receivables that are doubtful of collection and have been assessed that they will result in a loss, net of any respective securities or collaterals obtained. Collaterals include primarily first or second class prenotices over properties of the debtor, personal and bank guarantees.

(All amounts in Euro thousands unless otherwise stated)

As of 31 December 2016, the overdue days of trade receivables that were past due but not impaired are as follows:

	As at	
	31 December 2016	**31 December 2015**
Up to 30 days	57.168	66.498
30 - 90 days	11.419	21.251
90 - 120 days	2.754	28.451
Over 120 days	43.795	79.531
Total	**115.136**	**195.731**

The overdue days of trade receivables that were past due and impaired are as follows:

	As at	
	31 December 2016	**31 December 2015**
Up to 30 days	233	15.392
30 - 90 days	668	485
Over 90 days	234.735	195.472
Total	**235.636**	**211.349**

It was assessed that the portion of the doubtful receivables not provided for could be recovered through settlements, legal actions and the securing of additional collaterals.

The movement in the provision for impairment of trade receivables is set out below.

	As at	
	31 December 2016	**31 December 2015**
Balance at 1 January	211.349	185.114
Charged / (credited) to the income statement:		
- Additional provisions	26.341	27.350
- Unused amounts reversed	(1.208)	(920)
- Receivables written off during the year as uncollectible	(846)	(195)
Balance at 31 December	**235.636**	**211.349**

The movement in the provision for impairment has been included in Selling & Distribution costs in the statement of comprehensive income.

The movement in the provision for impairment of other receivables is set out below.

	As at	
	31 December 2016	**31 December 2015**
Balance at 1 January	34.005	30.286
Charged / (credited) to the income statement:		
- Additional provisions	7.320	3.719
Balance at 31 December	**41.325**	**34.005**

(All amounts in Euro thousands unless otherwise stated)

12 Cash, cash equivalents and restricted cash

	As at	
	31 December 2016	**31 December 2015**
Cash at bank and in hand	924.055	1.252.808
Short term bank deposits	-	700.000
Cash and Cash Equivalents	**924.055**	**1.952.808**
Restricted cash	157.525	155.556
Total Cash, Cash Equivalents and Restricted Cash	**1.081.580**	**2.108.364**

Restricted cash mainly relates to a deposit amounting to €144 million, placed as security for a loan agreement of an equal amount with Piraeus Bank in relation to the Company's Facility Agreement B with the European Investment Bank. The outstanding balance under the EIB Facility Agreement B as at 31 December 2016 was €122 million, in accordance with the amortization schedule, whilst the outstanding balance of the Piraeus loan as at 31 December 2016 was €144 million. This is expected to be reduced to €122 million in the following months. The guarantee matured on 15 June 2016 and was renewed for an additional year.The effect of the loan and the deposit is a grossing up of the Statement of Financial Position with no effect to the Net Debt position and Net Equity of the Group.

The balance of US Dollars included in Cash at bank as at 31 December 2016 was $ 510 million (euro equivalent €484 million). The respective amount for the period ended 31 December 2015 was $ 921 million (euro equivalent €846 million).

The weighted average effective interest rate as at the reporting date on cash and cash equivalents was:

	As at	
	31 December 2016	**31 December 2015**
Euro	0,14%	0,21%
USD	0,10%	0,80%

13 Share capital

	Number of Shares (authorised	Share Capital	Share premium	Total
As at 1 January & 31 December 2015	305.635.185	666.285	353.796	1.020.081
As at 31 December 2016	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 2015: €2.18).

Share options

During the Annual General Meeting (AGM) of Hellenic Petroleum S.A. held on 25 May 2005, a share option scheme was approved, with the intention to link the number of share options granted to management with the results and performance of the Company. Subsequent AGMs have approved and granted the share options. The vesting period is 1 November to 5 December of the years 2014 – 2018.

(All amounts in Euro thousands unless otherwise stated)

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

Grant Date	Vesting Date	Expiry Date 5 December	Exercise Price € per share	No. of share options as at 31 December 2016	31 December 2015
2012	2014-18	2018	4,52	1.479.933	1.479.933
			Total	**1.479.933**	**1.479.933**

No stock options have been exercised during 2016 or during the previous year, due to the negative relationship between the exercise price and the share market price during the respective vesting periods.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	As at 31 December 2016 Average Exercise Price in € per share	Options	31 December 2015 Average Exercise Price in € per share	Options
At 1 January	**4,52**	**1.479.933**	**6,14**	**3.095.987**
Lapsed	-	-	7,62	(1.616.054)
At 31 December	**4,52**	**1.479.933**	**4,52**	**1.479.933**

The value of lapsed stock options that were transferred to retained earnings in 2016 is nil (2015: €2,9 million).

14 Reserves

	Statutory reserve	Special reserves	Hedging reserve	Share-based payment reserve	Tax free reserves	Other reserves	Total
Balance at 1 January 2015	**118.668**	**98.420**	**(41.982)**	**3.640**	**271.845**	**(15.578)**	**435.013**
Cash flow hedges (Note 21)							
- Fair value gains / (losses) on cash flow hedges	-	-	(4.802)	-	-	-	(4.802)
- Derecognition of gains/(losses) on hedges through comprehensive income	-	-	24.548	-	-	-	24.548
Share-based payments (Note 13)	-	-	-	(2.893)	-	-	(2.893)
Transfers from Reserves to Retained Earnings	-	-	-	-	(8.798)	(148)	(8.946)
Fair value gains / (losses) on available-for-sale financial assets	-	-	-	-	-	(172)	(172)
Fair value gains / (losses) on available-for-sale financial assets reclassified to Profit or Loss	-	-	-	-	-	(6)	(6)
Actuarial gains/(losses) on defined benefit pension plans	-	-	-	-	-	1.619	1.619
Currency translation differences and other movements	-	-	-	-	-	(632)	(632)
Balance at 31 December 2015	**118.668**	**98.420**	**(22.236)**	**747**	**263.047**	**(14.917)**	**443.729**
Cash flow hedges (Note 21)							
- Fair value gains / (losses) on cash flow hedges	-	-	15.862	-	-	-	15.862
- Derecognition of gains/(losses) on hedges through comprehensive income	-	-	19.642	-	-	-	19.642
Changes in the fair value on available-for-sale financial assets	-	-	-	-	-	(6.343)	(6.343)
Transfer of available-for-sale reserve to operating profit	-	-	-	-	-	6.414	6.414
Actuarial gains/(losses) on defined benefit pension plans	-	-	-	-	-	(7.763)	(7.763)
Share of other comprehensive income of associates	-	-	-	-	-	(869)	(869)
Currency translation differences and other movements	-	-	-	-	-	(884)	(884)
Balance at 31 December 2016	**118.668**	**98.420**	**13.268**	**747**	**263.047**	**(24.362)**	**469.788**

(All amounts in Euro thousands unless otherwise stated)

Statutory reserves

Under Greek law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a statutory reserve until such reserve equals one third of outstanding share capital. This reserve cannot be distributed during the existence of the corporation, but can be used to offset accumulated losses.

Special reserves

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

Tax free reserves

These include:

(i) Tax deferred reserves - retained earnings that 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.

(ii) Partially taxed reserves - retained earnings that 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.

Hedging reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in Note 24. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Other reserves

These include:

(i) Actuarial gains / (losses) on defined benefit plans resulting from a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions.

(ii) Changes in the fair value of investments that are classified as available-for-sale financial assets. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(iii) Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in other reserves. The cumulative amount is reclassified to the profit or loss when the net investment is disposed of.

15 Trade and other payables

	As at	
	31 December 2016	**31 December 2015**
Trade payables	1.617.894	2.626.459
Accrued Expenses & Deferred Income	78.584	73.535
Other payables	81.431	95.384
Total	**1.777.909**	**2.795.378**

Trade payables comprise amounts payable or accrued in respect of supplies of crude oil, products, commodity derivative contracts and services.

(All amounts in Euro thousands unless otherwise stated)

Trade payables, as at 31 December 2016 and 31 December 2015, include amounts in respect of crude oil imports from Iran which were received between December 2011 and March 2012 as part of a long term contract with NIOC. Despite repeated attempts to settle the payment for these cargoes through the international banking system between January and June 2012, it was not possible to do so. This was due to the fact that payments to Iranian banks and state entities were not accepted for processing by the International banking system, as a result of explicit or implicit US and International sanctions. After 30 June 2012, Hellenic Petroleum was prohibited to effect payments to NIOC by virtue of EU sanctions (Council Regulation (EU) No. 267/2012 of 23 March 2012). The Group duly notified its supplier of this restriction on payments and the inability to accept further crude oil cargoes under the contract, as a result of the aforementioned international sanctions.

On 18 October 2015, by Decision (CFSP) 2015/1863, the Council of the European Union (EU) decided to terminate implementation of most of Union restrictions against Iran, taking into account UNSCR 2231 (2015) and Annex B to UNSCR 2231 (2015), simultaneously with the IAEA-verified implementation by Iran of agreed nuclear-related measures. On 16 January 2016 ("Implementation Day"), by Decision (CFSP) 2016/37, the Council decided that Decision (CFSP) 2015/1863 shall apply from that date. On the same date U.S and other International Restrictive Measures were also partially lifted. In light of the above developments, Hellenic Petroleum and NIOC executed Heads of Terms to a cooperation-agreement on 22 January 2016 for the recommencement of their commercial relationship for the supply of crude and for the settlement of the due trade payables. Implementation of the agreement will be in full compliance with prevailing EU and international framework, as well as surviving restrictions. In accordance with the aforementioned Heads of Terms, the relevant amount which falls due after twelve months has been transferred from trade payables to trade and other payables in non-current liabilities as at 31 December 2016 (Note 20).

Where deemed beneficial to the Group, in order to achieve better terms (such as better pricing, higher credit limits, longer payment terms), the Group provides short term letters of credit or guarantee for the payment of liabilities arising from trade creditors, making use of its existing credit lines with its banks. To the extent these liabilities materialise before the balance sheet date, they are included in the balance under trade creditors.

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

Accrued expenses and deferred income include the estimated cost of the CO_2 emission rights required under the corresponding environmental legislation amounting to €12 million as at 31 December 2016 (2015: €16 million).

16 Borrowings

	As at	
	31 December 2016	**31 December 2015**
Non-current borrowings		
Bank borrowings	772.364	794.634
Eurobonds	680.111	799.014
Finance leases	3.729	4.306
Total non-current borrowings	**1.456.204**	**1.597.954**
Current borrowings		
Short term bank borrowings	1.078.095	1.226.063
Eurobonds	262.814	361.641
Current portion of long-term bank borrowings	44.815	44.796
Finance leases - current portion	575	533
Total current borrowings	**1.386.299**	**1.633.033**
Total borrowings	**2.842.503**	**3.230.987**

(All amounts in Euro thousands unless otherwise stated)

Non-current borrowings mature as follows:

	As at	
	31 December 2016	**31 December 2015**
Between 1 and 2 years	616.809	529.263
Between 2 and 5 years	817.174	1.002.026
Over 5 years	22.221	66.665
	1.456.204	**1.597.954**

The weighted average effective interest margins are as follows:

		As at	
Bank Borrowings	**Currency**	**31 December 2016**	**31 December 2015**
Short-term			
- Floating Euribor + margin	Euro	5,32%	5,30%
- Floating Belibor + margin	Serbian Dinar	5,62%	8,94%
- Floating Sofibor + margin	Bulgarian Lev	5,58%	5,75%
- Central Bank Bills + margin	FYROM Dinar	5,48%	5,54%
- Fixed coupon	US Dollar	4,63%	4,63%
- Fixed coupon	Euro	8,00%	-
Long-term			
- Floating Euribor + margin	Euro	3,70%	4,09%
- Fixed coupon	Euro	5,05%	6,91%

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

	As at	
	31 December 2016	**31 December 2015**
Euro	2.779.187	2.774.371
US Dollar	-	361.641
Serbian Dinar	19.903	23.460
Bulgarian Lev	33.000	55.678
FYROM Dinar	10.413	15.837
Total borrowings	**2.842.503**	**3.230.987**

The Group has centralised treasury operations which coordinate and control the funding and cash management activities of all group companies. Within this framework, Hellenic Petroleum Finance plc (HPF) was established in November 2005 in the U.K. as a wholly-owned subsidiary of Hellenic Petroleum S.A. to act as the central treasury vehicle of the Hellenic Petroleum Group.

Gross borrowings of the Group by maturity as at 31 December 2016 and 31 December 2015 are summarised on the table below (amounts in € million):

			Balance as at	
	Company	**Maturity**	**31 December 2016**	**31 December 2015**
1a. Syndicated credit facility €20 million	HPF plc	Jul 2018	20	40
1b. Syndicated credit facility €10 million	HPF plc	Jul 2018	10	10
1c. Syndicated bond loan €350 million	HP SA	Jul 2018	344	341
2. Bond loan €400 million	HP SA	Oct 2017	284	225
3. Bond loan €200 million	HP SA	Jan 2018	199	199
4. Bond loan SBF €400 million	HP SA	Nov 2017	72	-
5. European Investment Bank ("EIB")Term loan	HP SA	Jun 2022	244	289
6. Eurobond €500 million	HPF plc	May 2017	263	485
7. Eurobond $400 million	HPF plc	May 2016	-	362
8. Eurobond €325 million	HPF plc	Jul 2019	313	314
9. Eurobond €375 million	HPF plc	Oct 2021	367	-
10. Bilateral lines	Various	Various	723	961
11. Finance leases	Various	Various	4	5
Total			**2.843**	**3.231**

Refer to 'Liquidity Risk Management' (Note 3.1c) for an analysis of the Group's plans regarding the facilities falling due in 2016. No loans were in default as at 31 December 2016 (none as at 31 December 2015).

1. *Term loans*

In July 2014, the Group concluded two new credit facilities with similar terms and conditions with a syndicate of Greek and international banks as follows:

(1a-1b) HPF concluded a €50 million syndicated credit facility guaranteed by Hellenic Petroleum S.A. The facility had a €40 million tranche which matured in July 2016 and a €10 million tranche maturing in July 2018. In July 2016, upon maturity of the € 40 million tranche, the Group proceeded with a partial repayment of € 20 million and extended the maturity of the remaining € 20 million to July 2018.

(1c) Hellenic Petroleum S.A. concluded a €350 million syndicated bond loan credit facility guaranteed by HPF maturing in July 2018.

2. *Bond Loan €400 million*

In September 2015 Hellenic Petroleum S.A. extended the maturity date of a €400 million syndicated bond loan agreement from December 2015 to June 2016 and subsequently to October 2017 with two six-month extension options. The outstanding balance of the loan as at 31 December 2016 was € 284 million.

3. *Bond loan €200 million*

In line with the Group's risk management strategy to increase the percentage of committed term credit facilities, Hellenic Petroleum S.A. concluded a €200 million committed credit facility in January 2015, with a tenor of 3 years, with National Bank of Greece.

4. *Bond loans stand-by facility €400 million*

In May 2016 Hellenic Petroleum S.A. concluded a € 400 million bond loan stand-by facility with a tenor of 18 months and an extension option for a further 6 months. The bond loan facility has two Tranches, a committed Tranche of €240 million and an uncommitted Tranche of €160 million. The balance of the committed Tranche as at 31 December 2016 was €72 million.

5. *EIB Term loans*

On 26 May 2010, Hellenic Petroleum S.A. signed two loan agreements (Facilities A and B) with the European Investment Bank for a total amount of €400 million (€200 million each). The purpose of the loans was to finance part of the investment program relating to the upgrade of the Elefsina Refinery. Both loans had a maturity of twelve years with amortization beginning in December 2013 and similar terms and conditions. Facility B is credit enhanced by a commercial bank guarantee (see note 12). This is normal practice for EIB lending particularly during the construction phase of large projects. Total repayments on both loans up to 31 December 2016 amounted to € 156 million (€44 million paid during 2016). See also note 12 - Cash and Cash Equivalents.

(All amounts in Euro thousands unless otherwise stated)

6. Eurobond €500m

In May 2013, the Group issued a €500 million four-year Eurobond, with an 8% annual coupon, maturing in May 2017. The Notes were issued by Hellenic Petroleum Finance Plc and are guaranteed by Hellenic Petroleum S.A. The notes were partially prepaid in October 2016 with the proceeds of a new Eurobond issue of €375 million five-year Eurobond as detailed below. The balance as at 31 December 2016 was €264 million.

7. Eurobond $400m

In May 2014 the Group issued a $400 million two-year Eurobond, with a 4,625% annual coupon, maturing in May 2016. In May 2016 Hellenic Petroleum Finance repaid the $ 400 million Eurobond upon maturity. The exchange gain realised upon repayment was €12 million and is included in Currency exchange gains / (losses) (Note 26).

8. Eurobond €325m

In July 2014 the Group issued a €325 million five-year Eurobond, with a 5,25% annual coupon, maturing in July 2019. The Notes, which were issued by Hellenic Petroleum Finance Plc and are guaranteed by Hellenic Petroleum S.A., are redeemable at the option of the Issuer in July 2017 and are listed on the Luxembourg Stock Exchange.

9. Eurobond €375m

In October 2016 HPF issued a €375 million five-year 4.875% Eurobond guaranteed by Hellenic Petroleum S.A. with the issue price being 99.453 per cent. of the principal amount. The notes mature in October 2021.The proceeds of the issue were used to repay existing financial indebtedness, including the partial prepayment of the €500 million Eurobond maturing in May 2017 through a tender offer process which was completed in October 2016 during which notes of nominal value of €225 million were accepted.

10. Bilateral lines

The Group companies have credit facilities with various banks in place, for general corporate purposes. These mainly relate to short-term loans of the parent company Hellenic Petroleum S.A., which have been put in place and renewed as necessary over the past few years.

Certain medium term credit agreements that the Group has concluded, include financial covenants, mainly for the maintenance of certain ratios such as: "Net Debt/EBITDA", "EBITDA/Net Interest" and "Net Debt/Net Worth". Management monitors the performance of the Group to ensure compliance with the above covenants.

11. Finance leases

Finance leases are analysed as follows:

	As at	
	31 December 2016	**31 December 2015**
Obligations under finance leases		
Within 1 year	575	533
Between 1 and 2 years	655	601
Between 2 and 5 years	1.890	1.949
After 5 years	1.184	1.756
Total lease payments	**4.304**	**4.839**

(All amounts in Euro thousands unless otherwise stated)

17 Deferred income tax

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

	As at	
	31 December 2016	**31 December 2015**
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	100.973	239.538
	100.973	**239.538**
Deferred tax liabilities:		
Deferred tax liabilities to be incurred after more than 12 months	(42.736)	(45.287)
	(42.736)	**(45.287)**
	58.237	**194.251**

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

	As at	
	31 December 2016	**31 December 2015**
Beginning of the year	194.251	183.835
Income statement recovery / (charge)	(122.149)	15.768
Charged / (released) to equity	(12.106)	(5.371)
Other movements	(1.759)	19
End of year	**58.237**	**194.251**

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

	As at	
	31 December 2016	**31 December 2015**
Intangible and tangible fixed assets	(205.068)	(198.137)
Inventory valuation	11.297	7.068
Unrealised exchange gains	(5.383)	20.066
Employee benefits provision	31.869	28.441
Provision for bad debts	26.908	16.345
Derivative financial instruments at fair value	(4.406)	12.732
Net interest cost carried forward (thin capitalisation)	47.625	46.886
Net tax losses carried forward	139.392	248.678
Environmental provisions	3.548	4.575
Impairment of investments	9.430	5.216
Other temporary differences	3.025	2.381
End of year	**58.237**	**194.251**

Deferred tax assets relating to tax loss carry-forwards are recognised if it is probable that they can be offset against future taxable profits. As at 31 December 2016, the Group recognised deferred tax assets on tax loss carry-forwards totalling €139 million (2015: €249 million) since, on the basis of the approved business plan, the Group considers it probable that these can be offset against future taxable profits.

In 2014, thin capitalization rules as per art. 49 of law 4172/2013 were applied for the first time, whereby the net interest expense is deductible up to a certain percentage of tax EBITDA (60% for 2014, 50% for 2015 and 40% for 2016 and onwards). This resulted in a deferred tax asset of €48 million as at 31 December 2016 (31 December 2015: €47 million), which can be offset against future taxable profits without any time constraints.

(All amounts in Euro thousands unless otherwise stated)

18 Retirement benefit obligations

The table below outlines where the group's retirement benefit amounts and activity are included in the financial statements.

	As at	
	31 December 2016	**31 December 2015**
Statement of Financial Position obligations for:		
Pension benefits	110.912	95.362
Liability in the Statement of Financial Position	**110.912**	**95.362**
Statement of Comprehensive Income charge for:		
Pension benefits	9.060	9.554
Total as per Statement of Comprehensive Income	**9.060**	**9.554**
Remeasurements for:		
Pension benefits	10.172	(1.818)
Total as per Statement of Other Comprehensive Income	**10.172**	**(1.818)**

The amounts recognised in the Statement of Financial Position are as follows:

	As at	
	31 December 2016	**31 December 2015**
Present value of funded obligations	19.822	16.717
Fair value of plan assets	(8.370)	(7.118)
Deficit of funded plans	11.452	9.599
Present value of unfunded obligations	99.460	85.763
Liability in the Statement of Financial Position	**110.912**	**95.362**

The Group operates defined benefit pension plans in Greece, Bulgaria, FYROM, Montenegro and Cyprus. All of the plans are final salary pension plans. The level of benefits provided depend on members' length of service and remuneration. The majority of the plans are unfunded, however there are certain plans in Greece and Cyprus that have plan assets.

The movement in the defined benefit obligation is as follows:

	Present Value of Obligation	**Fair Value of Plan Assets**	**Total**
As at 1 January 2015	**99.773**	**(7.045)**	**92.728**
Current service cost	4.876	-	4.876
Interest expense/(income)	3.125	(160)	2.965
Past service costs and (gains)/losses on settlements	1.713	-	1.713
Statement of comprehensive income charge	**9.714**	**(160)**	**9.554**
Remeasurements:			
- Return on plan assets, excluding amounts included in Interest expense/(income)	-	89	89
- (Gain)/loss from change in demographic assumptions	83	-	83
- (Gain)/loss from change in financial assumptions	(3.719)	-	(3.719)
- Experience (gains)/losses	1.729	-	1.729
Statement of other comprehensive income charge	**(1.907)**	**89**	**(1.818)**
Exchange Differences	(2)	-	(2)
Benefits paid directly by the group/Contributions paid by the group	(4.328)	(772)	(5.100)
Benefit payments from the plan	(770)	770	-
As at 31 December 2015	**102.480**	**(7.118)**	**95.362**

(All amounts in Euro thousands unless otherwise stated)

	Present Value of Obligation	Fair Value of Plan Assets	Total
As at 1 January 2016	**102.480**	**(7.118)**	**95.362**
Current service cost	4.841	-	4.841
Interest expense/(income)	3.458	(174)	3.284
Past service costs and (gains)/losses on settlements	935	-	935
Statement of comprehensive income charge	**9.234**	**(174)**	**9.060**
Remeasurements:			
- Return on plan assets, excluding amounts included in Interest expense/(income)	-	(307)	(307)
- (Gain)/loss from change in demographic assumptions	(322)	-	(322)
- (Gain)/loss from change in financial assumptions	15.566	-	15.566
- Experience (gains)/losses	(4.766)	-	(4.766)
Statement of other comprehensive income charge	**10.478**	**(307)**	**10.172**
Benefits paid directly by the group/Contributions paid by the group	(2.155)	(1.526)	(3.681)
Benefit payments from the plan	(755)	755	-
As at 31 December 2016	**119.282**	**(8.370)**	**110.912**

The expected maturity analysis of undiscounted pension benefits is as follows:

Balance at 31 December 2016	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Pension Benefits	2.975	2.071	16.009	251.942	**272.997**

Plan assets are comprised as follows:

	2016				2015			
	Quoted	**Unquoted**	**Total**	**%**	**Quoted**	**Unquoted**	**Total**	**%**
Equity Instruments	1.938	-	1.938	23%	1.827	-	1.827	26%
Debt Instruments								
- Government bonds	781	-	781	9%	210	-	210	3%
- Corporate bonds	2.950	-	2.950	35%	2.360	-	2.360	33%
Investment funds	947	-	947	11%	1.029	-	1.029	14%
Real Estate/ Property	1.442	-	1.442	17%	1.371	-	1.371	19%
Cash and cash equivalents	-	312	312	4%	-	321	321	5%
Total	**8.058**	**312**	**8.370**	**100%**	**6.797**	**321**	**7.118**	**100%**

The principal actuarial assumptions used were as follows:

	As at	
	31 December 2016	**31 December 2015**
Discount Rate	2,50%	3,50%
Future Salary Increases	0,50%	0,50%
Inflation	0,50%	0,50%

(All amounts in Euro thousands unless otherwise stated)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on Defined Benefit Obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount Rate	0,5%	-5,16%	5,57%
Future Salary Increases	0,5%	4,61%	Not appicable

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

Expected contributions to defined benefit plans for the following year amount to €1,1 million. The weighted average duration of the defined benefit obligation is 17 years.

19 Provisions for other liabilities and charges

The movement for provisions for 2016 and 2015 is as follows:

	Provisions for other liabilities and charges
At 1 January 2015	**6.224**
Charged / (credited) to the income statement:	
- Additional provisions	219
- Utilized during year	(38)
At 31 December 2015	**6.405**
Charged / (credited) to the income statement:	
- Additional provisions	4.733
- Utilized during year	(1)
Other movements / Reclassifications	(1.831)
At 31 December 2016	**9.306**

The majority of the amounts reported in the above category concern provisions for pending legal claims.

20 Trade and other payables, non-current

	As at	
	31 December 2016	**31 December 2015**
Government grants	12.454	10.792
Trade and other payables	247.190	11.882
Total	**259.644**	**22.674**

Government grants

Advances by the Government to the Group’s entities relate to grants for the purchase of property plant and equipment. Amortization for 2016 amounted to €1,4 million (2015: €2,1 million).

Trade and other payables

Trade and other payables, non-current are comprised of cash guarantees received from petrol station dealers/ managers of the Group's retail companies in order to ensure that contract terms and conditions are met, as well as the long term portion of the NIOC trade payables (Note15).

21 Derivative financial instruments

	31 December 2016				31 December 2015			
Commodity Derivative type	**Notional Amount**		**Assets**	**Liabilities**	**Notional Amount**		**Assets**	**Liabilities**
	MT'000	**Bbls'000**	**€**	**€**	**MT'000**	**Bbls'000**	**€**	**€**
Commodity Swaps	-	2.588	15.192	-	-	2.948	-	34.814
	-	**2.588**	**15.192**	**-**	**-**	**2.948**	**-**	**34.814**
Total			**15.192**	**-**			**-**	**34.814**

	31 December 2016		31 December 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Non-current portion				
Commodity swaps	-	-	-	-
	-	**-**	**-**	**-**
Current portion				
Commodity swaps	15.192	-	-	34.814
	15.192	**-**	**-**	**34.814**
Total	**15.192**	**-**	**-**	**34.814**

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Derivatives designated as cash flow hedges

During the year ended 31 December 2016 amounts transferred to the statement of comprehensive income, relating to contracts that were settled during the year, amounted to €19,642 million loss, net of tax (2015: €24,548 million loss, net of tax).

The remaining cash flow hedges are highly effective and the movement in their fair value, amounting to a gain of €15,862 net of tax as at 31 December 2016, (2015: €4,802 loss, net of tax), is included in the hedging reserve (see Note 14).

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

(All amounts in Euro thousands unless otherwise stated)

22 Expenses by nature

	For the year ended	
	31 December 2016	**31 December 2015**
Raw materials and consumables used	4.876.484	5.848.285
Employee costs	234.100	227.506
Depreciation	194.198	179.869
Amortisation	15.280	19.031
Impairment of PPE	8.313	-
Other expenses	753.160	791.894
Total cost of sales, distribution cost and administrative expenses	**6.081.535**	**7.066.586**

Employee costs are set out in the table below:

Employee costs

	For the year ended	
	31 December 2016	**31 December 2015**
Wages and salaries	164.326	157.403
Social security costs	39.628	38.100
Pension costs	8.075	9.801
Other employment benefits	22.071	22.202
Total	**234.100**	**227.506**

Other employment benefits include medical insurance, catering and transportation expenses. They also include expenses paid to employees as part of the voluntary retirement scheme (VRS) which are approximately €0,6 million (2015: €1,4 million). See Note 24.

23 Exploration and Development expenses

Geological and geophysical costs are expensed as incurred (2016: €2,2 million and 2015: €0,5 million) and relate mainly to exploration operations in the Gulf of Patraikos Lease-Area, offshore Greece, in a joint operation between HELPE Patraikos (50%, operator) & Edison International SpA (50%). The Lease Agreement for the offshore area of the Gulf of Patraikos has been ratified by the Greek Parliament and has been published in the Greek Government Gazette as Law No. 4299 - Volume A, 221/03-10-14.

Exploration license costs relating to Patraikos area have been capitalized within intangible assets (2016: €0,07 million) and are amortised over the term of the exploration period.

(All amounts in Euro thousands unless otherwise stated)

24 Other operating income / (expenses) and other gains / (losses)

Other operating income/ (expenses) and other gains / (losses) are analysed as follows:

	For the year ended	
	31 December 2016	**31 December 2015**
Income from Grants	1.404	2.121
Services to 3rd Parties	5.804	2.369
Rental income	8.471	11.044
Profit / (loss) from the sale of PPE - net	633	(614)
Insurance compensation	41.727	1.357
Discounting effect of long-term liabilities	8.285	-
Voluntary retirement scheme cost	(551)	(1.448)
Provisions for customs related disputes	(7.173)	-
Other operating income / (expenses)	(5.707)	340
Total other operating income / (expenses)	**52.893**	**15.169**
Impairment of investments	(14.759)	(7.000)
Other operating (losses) / gains	(8.084)	1.258
Total other operating income / (expenses) - net	**30.050**	**9.427**

Rental income relates to long term rental of petrol stations, let to dealers. Insurance compensation relates to the settlement of an insurance claim relating to the business interruption of the Elefsina refinery flexicocker unit in 2012. Other operating income / (expenses) include income or expenses which do not relate to the trading activities of the Group.

Impairment of investments includes the impairment in Elpedison B.V (Note 8) and the impairment of available-for-sale financial assets.

Other operating (losses) / gains mainly comprise results from open market purchases relating to Eurobonds (Note 16).

25 Finance (Expenses) / Income - Net

	For the year ended	
	31 December 2016	**31 December 2015**
Interest income	5.129	8.797
Interest expense and similar charges	(205.909)	(209.842)
Finance costs -net	**(200.780)**	**(201.045)**

In addition to the finance cost shown above , as explained in Note 6, an amount of €1,9 million of finance costs (2015: €2,4 million) has been capitalised.

26 Currency exchange gains / (losses)

Foreign currency exchange gains of €21 million (31 December 2015: €27 million loss) relate to (a) realized gains on settlement of USD denominated loans, due to the weakening of the USD against the Euro upon repayment of the $400 million Eurobond and (b) unrealized gains arising from the valuation of bank accounts denominated in USD.

(All amounts in Euro thousands unless otherwise stated)

27 Income tax expense

	For the year ended	
	31 December 2016	**31 December 2015**
Current tax	(14.787)	(9.705)
Deferred tax (Note 17)	(122.149)	15.768
Income Tax (expense) / credit	**(136.936)**	**6.063**

The corporate income tax rate of legal entities in Greece is 29% for 2016 (2015: 29%).

Effective for fiscal years ending 31 December 2011 onward, Greek companies meeting certain criteria have to be audited on an annual basis by their statutory auditor in respect of compliance with tax law. This audit leads to the issuance of a Tax Certificate which under certain conditions, substitutes the full tax audit by the tax authorities, however the tax authorities reserve the right of future tax audit. All Group companies based in Greece have been audited by their respective statutory auditor and have received a Tax Compliance report with no findings, for fiscal years up to 2015 (inclusive).

Unaudited income tax years

The unaudited income tax years of the parent company and its most significant subsidiaries are set out below. As a result their income tax obligations are not considered final. As mentioned above from 2011 onwards, Group companies based in Greece have been audited by their respective statutory auditor and have obtained unqualified Tax Compliance Certificates up to the fiscal year ended 31 December 2015, therefore these fiscal years are considered audited.

Company Name	**Financial years ended**
HELLENIC PETROLEUM S.A.	2010
EKO S.A	2008-2010
HELLENIC FUELS S.A.	2010

Issuance of tax certificates for the fiscal year 2016 is expected within the 2nd quarter of 2017.

Management believes that no additional material liability will arise as a result of unaudited tax years over and above the tax liabilities and provisions recognised in the consolidated financial statements for the year ended 31 December 2016.

Other Taxes

Provisional VAT audits have been completed for:

- Hellenic Petroleum S.A. for the period up to and including December 2014,
- EKO S.A. up to and including October 2013.

Relevant audits, for subsequent periods and for other Group companies are in progress.

The tax (charge) / credit relating to components of other comprehensive income, is as follows:

	For the year ended					
	31 December 2016			31 December 2015		
	Before tax	(charge)/ credit	After tax	Before tax	(charge)/ credit	After tax
Share of other comprehensive income of associates	(869)	-	(869)	-	-	-
Available-for-sale financial assets	147	-	147	(272)	17	(255)
Cash flow hedges	50.006	(14.502)	35.504	25.273	(5.527)	19.746
Currency translation differences	(1.076)	-	(1.076)	(603)	-	(603)
Actuarial gains/ (losses) on defined benefit pension plans	(10.172)	2.396	(7.776)	1.818	(203)	1.615
Other comprehensive income	**38.036**	**(12.106)**	**25.930**	**26.216**	**(5.713)**	**20.503**

Numerical reconciliation of Group Income tax expense to prima facie tax payable:

	For the year ended	
	31 December 2016	31 December 2015
Profit/(Loss) before tax	**465.671**	**38.964**
Tax (expense) / credit at Greek corporation tax rate of 29% (2015 - 29%)	(135.044)	(11.300)
Difference in overseas tax rates	3.878	7.162
Tax exempt results of shipping companies	3.016	3.062
Tax on income not subject to corporate tax	5.065	8.482
Tax on expenses not deductible for tax purposes	(12.590)	(7.070)
Utilization of previously unrecognized tax losses	594	1.937
Tax losses for which no deferred income tax was recognised	(1.430)	(5.204)
Adjustments to Deferred tax due to changes in tax rate	3	13.946
Adjustments for current tax of prior periods	255	(6.182)
Other	(683)	1.230
Tax (Charge) / Credit	**(136.936)**	**6.063**

28 Earnings per share

Basic and diluted earnings per ordinary share are equal, as the effect of dilution is not material. Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	For the year ended	
	31 December 2016	31 December 2015
Earnings per share attributable to the Company Shareholders (expressed in Euro per share):	**1,08**	**0,15**
Net income attributable to ordinary shares (Euro in thousands)	329.760	46.684
Average number of ordinary shares outstanding	305.635.185	305.635.185

29 Dividends per share

The BOD will propose to the upcoming AGM the distribution of a dividend out of prior-year reserves of €0,20 per share. The Board did not approve a change in dividend policy overall and will re-evaluate the payment of an additional dividend, special dividend or interim dividend during 2017.

(All amounts in Euro thousands unless otherwise stated)

30 Cash generated from operations

		For the year ended	
	Note	**31 December 2016**	**31 December 2015**
Profit before tax		**465.671**	**38.963**
Adjustments for:			
Depreciation and amortisation of property, plant & equipment and intangible assets	**6,7**	209.478	198.900
Impairment of fixed assets	**6**	8.313	-
Amortisation of grants	**20**	(1.404)	(2.121)
Finance costs - net	**25**	200.780	201.045
Share of operating profit of associates	**8**	(19.407)	(21.518)
(Gain)/Loss from disposal of available for sale financial assets		-	6
Provisions for expenses & valuation charges		77.011	69.851
Foreign exchange (gains) / losses	**26**	(20.773)	26.753
Discounting effect on long term payables	**24**	(8.285)	-
Loss / (gain) on sale of property, plant and equipment		(633)	614
		910.751	**512.493**
Changes in working capital			
Decrease / (increase) in inventories		(281.476)	(50.492)
(Increase) / decrease in trade and other receivables		(155.812)	(73.892)
Increase / (decrease) in payables		(790.829)	106.249
		(1.228.117)	**(18.135)**
Net cash generated from operating activities		**(317.366)**	**494.358**

31 Contingencies and litigation

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. They are as follows:

(a) Business issues

(i) Unresolved legal claims

The Group is involved in a number of legal proceedings and has various unresolved claims pending arising in the ordinary course of business. Based on currently available information and the opinion of legal counsel, management believes the final outcome will not have a significant effect on the Group’s operating results or financial position, over and above provisions already reflected in the consolidated financial statements.

(ii) Guarantees

The parent Company has provided letters of comfort and guarantees in 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 2016 was the equivalent of €1.210 million (31 December 2015: €1.427 million). Out of these, €1.110 million (31 December 2015: €1.322 million) are included in consolidated borrowings of the Group and are presented as such in the consolidated financial statements.

(iii) International operations

The Group's international operations face a number of legal issues related to changes in local permits and tax regulations, however it is considered that they do not present any material impact on the consolidated financial statements. Such cases include a dispute in connection with the local tank depots of Jugopetrol AD in Montenegro, as well as the re-opening of the Commission for the Protection of Competition in Cyprus' investigation against the Petroleum companies operating there (wholesale), for the period from 1 October 2004 to 22 December 2006, according to which a fine of €14 million against the Company had been imposed in 2011. Management believes that no additional material liabilities will arise as a result of these cases over and above those recognised in the consolidated financial statements.

(a) Taxation and customs

(i) Open tax years – Litigation tax cases

Income tax audits for the Group's most important Greek legal entities have been completed up to and including the financial year ended 31 December 2009, with the exception of EKO where income tax audits have been concluded up to and including the financial year ended 31 December 2007, while ongoing audits are in place for financial years from 2008 up to and including the year ended 31 December 2010 for EKO, as well as for financial years from 2010 up to and including the years ended 31 December 2012, for HELPE. Furthermore, for these legal entities, provisional tax audits mainly relating to VAT refunds have been concluded up to more recent dates for the same entities. In cases where the audits have been finalized and any amounts charged are disputable, the Group has timely practiced all possible legal remedies. Management believes that no additional material liability will arise either as a result of open tax years or from the outcome of current litigation cases over and above the tax liabilities and provisions recognised in the consolidated financial statements.

It is noted that for financial years ending 31 December 2011 up to 31 December 2015, Greek legal entities were subject to annual tax audits from their statutory auditors. All the relevant Group companies were audited for the financial years ended 31 December 2011- 2015 obtaining unqualified tax audit certificates. According to recent legislation, the tax audit and the issuance of tax certificates is also valid from 2016 onwards but on an optional basis.

(ii) Assessments of customs and fines

In 2008, Customs authorities assessed additional customs duties and penalties amounting to approximately €40 million for alleged "stock shortages" during the years 2001-2005. The Company has duly filed contestations before the Administrative Court of First Instance, and Management believes that this case will have a positive outcome when the court hearings take place.

Notwithstanding the filing of the above contestations, the Customs office withheld an amount of €54 million (full payment plus surcharges) of established VAT refunds (Note 11), an action against which the Company filed two Contestations before the Administrative Courts of Athens and Piraeus. The Administrative Court of Athens ruled that the withholding effected by the Tax Office was done against the law.

The Company considers that the above amounts will be recovered.

32 Commitments

(a) Capital commitments

Significant contractual commitments of the Group amount to €23 million as at 31 December 2016 (31 December 2015: €35 million), which mainly relate to improvements in refining assets.

(b) Operating lease commitments

The Group leases offices and petrol stations (buildings and plant) under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

(All amounts in Euro thousands unless otherwise stated)

	For the year ended	
	31 December 2016	**31 December 2015**
No later than 1 year	33.971	31.502
Later than 1 year and no later than 5 years	112.872	119.551
Later than 5 years	113.331	102.883
Total	**260.174**	**253.936**

(c) Letters of Credit

The Group may be requested to provide bank letters of credit to suppliers in order to obtain better commercial and credit terms. To the extent that such items are already recorded as liabilities in the financial statements there is no additional commitment to be disclosed. In cases where the underlying transaction occurs after the year end, the Group is not liable to settle the letter of credit and hence no such liability exists as at the year end.

33 Related-party transactions

Included in the statement of comprehensive income are proceeds, costs and expenses, which arise from transactions between the Group and related parties. Such transactions are mainly comprised of sales and purchases of goods and services in the ordinary course of business and are conducted under normal trading and commercial terms on an arm’s length basis:

Transactions have been carried out with the following related parties:

a) Associates and joint ventures of the Group which are consolidated under the equity method:

- Athens Airport Fuel Pipeline Company S.A. (EAKAA)
- Public Gas Corporation of Greece S.A. (DEPA)
- Elpedison B.V.
- Spata Aviation Fuel Company S.A. (SAFCO)
- HELPE Thraki S.A.
- D.M.E.P. HOLDCO

(All amounts in Euro thousands unless otherwise stated)

	For the year ended	
	31 December 2016	**31 December 2015**
Sales of goods and services to related parties		
Associates	760.269	827.339
Joint ventures	171	499
Total	**760.440**	**827.838**
Purchases of goods and services from related parties		
Associates	780.259	855.792
Joint ventures	3.533	1.184
Total	**783.792**	**856.975**
Balances due to related parties		
Associates	34.846	73.348
Joint ventures	639	294
Total	**35.485**	**73.642**
Balances due from related parties		
Associates	23.720	42.062
Joint ventures	9	101
Total	**23.729**	**42.163**

The parent Company has provided letters of comfort and guarantees in favour of banks as security for loans granted by them to Elpedison B.V., the outstanding amount of which as at 31 December 2016 was €100 million (31 December 2015: €105 million).

b) Government related entities which are under common control with the Group due to the shareholding and control rights of the Hellenic State and with which the Group has material transactions or balances:

- Public Power Corporation Hellas S.A.
- Hellenic Armed Forces
- Road Transport S.A.
- Trainose S.A.

During the year ended 31 December 2016, transactions and balances with the above government related entities are as follows:

- Sales of goods and services amounted to €141 million (31 December 2015: €281 million);
- Purchases of goods and services amounted to €51 million (31 December 2015: €49 million);
- Receivable balances of €18 million (31 December 2015: €31 million);
- Payable balances of €2 million (31 December 2015: €10 million).

(All amounts in Euro thousands unless otherwise stated)

c) Key management includes directors (Executive and Non-Executive Members of the board of Hellenic Petroleum S.A.) and General Managers. The compensation paid or payable to the aforementioned key management is as follows:

	For the year ended 31 December 2016		**For the year ended 31 December 2015**	
	Short term employee benefits	**Termination benefits**	**Short term employee benefits**	**Termination benefits**
BOD Executive Members	1.355	-	1.370	608
BOD Non Executive Members	508	2	633	445
General Managers	1.740	523	1.629	757
Total	**3.603**	**525**	**3.632**	**1.810**

The Board of Directors is comprised of four executive directors and nine non-executive directors.

(All amounts in Euro thousands unless otherwise stated)

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

COMPANY NAME	ACTIVITY	COUNTRY OF REGISTRATION	EFFECTIVE PARTICIPATION PERCENTAGE	METHOD OF CONSOLIDATION
HELLENIC FUELS AND LUBRICANTS INDUSTRIAL	Marketing	GREECE	100,00%	FULL
EKOTA KO S.A.	Marketing	GREECE	49,00%	FULL
EKO KALYPSO M.E.P.E.	Marketing	GREECE	100,00%	FULL
EKO ATHINA MARITIME COMPANY	Vessel owning / Marketing	GREECE	100,00%	FULL
EKO ARTEMIS MARITIME COMPANY	Vessel owning / Marketing	GREECE	100,00%	FULL
EKO DIMITRA MARITIME COMPANY	Vessel owning / Marketing	GREECE	100,00%	FULL
EKO IRA MARITIME COMPANY	Vessel owning / Marketing	GREECE	100,00%	FULL
EKO AFRODITI MARITIME COMPANY	Vessel owning / Marketing	GREECE	100,00%	FULL
EKO BULGARIA EAD	Marketing	BULGARIA	100,00%	FULL
EKO SERBIA AD	Marketing	SERBIA	100,00%	FULL
HELLENIC PETROLEUM INTERNATIONAL S.A.	Holding	AUSTRIA	100,00%	FULL
HELPE CYPRUS LTD	Marketing	U.K	100,00%	FULL
RAMOIL S.A.	Marketing	CYPRUS	100,00%	FULL
HELLENIC PETROLEUM BULGARIA (HOLDINGS) LTD	Holding	CYPRUS	100,00%	FULL
HELLENIC PETROLEUM SERBIA (HOLDINGS) LTD	Holding	CYPRUS	100,00%	FULL
JUGOPETROL AD	Marketing	MONTENEGRO	54,35%	FULL
GLOBAL ALBANIA S.A	Marketing	ALBANIA	99,96%	FULL
ELPET BALKANIKI S.A.	Holding	GREECE	63,00%	FULL
VARDAX S.A	Pipeline	GREECE	50,40%	FULL
OKTA CRUDE OIL REFINERY A.D	Refining	FYROM	51,35%	FULL
ASPROFOS S.A	Engineering	GREECE	100,00%	FULL
DIAXON S.A.	Petrochemicals	GREECE	100,00%	FULL
POSEIDON MARITIME COMPANY	Vessel owning / Petrochemicals	GREECE	100,00%	FULL
APOLLON MARITIME COMPANY	Vessel owning / Refining	GREECE	100,00%	FULL
HELLENIC PETROLEUM FINANCE PLC	Treasury services	U.K	100,00%	FULL
HELLENIC PETROLEUM CONSULTING	Consulting services	GREECE	100,00%	FULL
HELLENIC PETROLEUM R.E.S S.A.	Energy	GREECE	100,00%	FULL
HELPE-LARCO ENERGIAKI SERVION S.A.	Energy	GREECE	51,00%	FULL
HELPE-LARCO ENERGIAKI KOKKINOU S.A.	Energy	GREECE	51,00%	FULL
ENERGIAKI PYLOY METHONIS S.A.	Energy	GREECE	100,00%	FULL
HELPE PATRAIKOS S.A.	E&P of hydrocarbons	GREECE	100,00%	FULL
HELPE UPSTREAM S.A	E&P of hydrocarbons	GREECE	100,00%	FULL
SUPERLUBE LTD	Lubricants	CYPRUS	100,00%	FULL
ELPEDISON B.V.	Power Generation	NETHERLANDS	50,00%	EQUITY
SAFCO S.A.	Airplane Fuelling	GREECE	33,33%	EQUITY
DEPA S.A.	Natural Gas	GREECE	35,00%	EQUITY
E.A.K.A.A S.A.	Pipeline	GREECE	50,00%	EQUITY
HELPE THRAKI S.A	Pipeline	GREECE	25,00%	EQUITY
DMEP HOLDCO LTD	Trade of crude/products	U.K	48,00%	EQUITY

- Subsidiaries with non- controlling interests are not material for the Group.

- On 31 August 2016 the Group companies Hellenic Fuels S.A. and EKO S.A. merged with the absorption of EKO S.A. by Hellenic Fuels S.A. Thereafter Hellenic Fuels S.A. was renamed to Hellenic Fuels and Lubricants Industrial and Commercial S.A.

- On 31 October 2016 the Group companies EKO Bulgaria EAD and HELPE Bulgaria Properties LTD merged with the absorption of HELPE Bulgaria Properties LTD by EKO Bulgaria EAD.

- On 15 December 2016 HELPE Cyprus Ltd, acquired the remaining 35% minority shareholding of Superlube Ltd which is now a wholly owned subsidiary.

35 Events after the end of the reporting period

There were no material events after the end of the reporting period and up to the date of publication of the financial statements.