EKO SERBIA A.D., BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
AND INDEPENDENT AUDITOR'S REPORT

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

EKO SERBIA A.D. BEOGRAD
Financial statements for the year ended 31 December 2010

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of EKO Serbia a.d., Beograd

We have audited the accompanying financial statements of EKO Serbia a.d., Beograd (the "Company") which comprise the balance sheet as of 31 December 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended, summary of significant accounting policies, other explanatory notes and the statistical annex.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and Auditing of the Republic of Serbia.

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Emphasis of matter

Without qualifying our opinion we draw attention to the fact that, as disclosed in Note 2.1.2., the Company incurred a net loss of RSD 564,739 thousand during the year ended 31 December 2010 (31 December 2009 – RSD 1,034,321 thousand) and, as of that date the Company's net assets are negative by RSD 711,155 thousand (31 December 2009 – RSD 655,267 thousand) and the share capital amounts to RSD 3,031,625 thousand (31 December 2009 – RSD 2,522,775 thousand). In accordance with the Company Law, management of the Company must be informed in order to decide on appropriate action if during preparation of the Company's financial statements it is noted, or other circumstances indicate, that the Company has incurred losses up to 50% of its registered stake capital. The Company Law is silent on what are the consequences if the Company has incurred losses greater than 50% of its registered capital. Furthermore, if the net asset value of the Company is below the minimum stake capital required by the Company Law for that form of company, and remains in that manner for a period of six months from the moment it becomes first apparent, liquidation procedures can be initiated. The ultimate outcome of this matter cannot presently be determined and, consequently, the financial statements do not include adjustments or disclosures to reflect these issues.

Hana Andonov
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 30 March 2011

Company: EKO Serbia a.d.
Address: Novi Beograd, Tosin bunar 274a
Identification number: 17413333
Business code: 4730
Tax identification number: 100118236

BALANCE SHEET

As at 31 December 2010

(In RSD thousand)

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	ASSETS **A. NON CURRENT ASSETS (002+003+004+005+009)**	001		6741352	6835184
00	I. UNPAID SUBSCRIBED CAPITAL	002			
012	II. GOODWILL	003			
01 less 012	III. INTANGIBLE ASSETS	004	5	2014064	2011752
	IV. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005			
020, 022, 023, 026, 027 (part), 028 (part), 029	1. Property, plant &equipment	006	6	4680926	4776245
024, 027 (part), 028 (part)	2. Investment property	007	6	46362	47187
021, 025, 027 (part), 28 (part)	3. Biological assets	008			
	V. LONG TERM FINANCIAL INVESTMENTS (010+011)	009			
030 to 032, 039 (part)	1. Investments in Equity	010			
033 to 038, 039 (part), less 037	2. Other long term investments	011			
	B. CURRENT ASSETS (013+014+015+021)	012		1466389	1080566
10 to 13, 15	I. INVENTORIES	013	8	548046	476303
14	II. NON CURRENT ASSETS HELD FOR SALE & ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	014			
	III. SHORT TERM RECEIVABLES, INVESTMENTS & CASH (016+017+018+019+020)	015		918343	604263
20, 21, 22, except 223	1. Receivables	016	9	514583	385016
223	2. Overpaid tax receivables	017			
23 minus 237	3. Short term financial placements	018			
24	4. Cash and cash equivalents	019	10	300464	106530
27 and 28 except 288	5. Value added tax and accruals	020	11	103296	112717

288	IV. DEFERRED TAX ASSETS	021			
	C. BUSINESS ASSETS (001+012)	022			
29	**D. LOSS EXCEEDING CAPITAL**	023	13	711155	655267
	E. TOTAL ASSETS (022+023)	024		8918896	8571017
88	**F. OFF-BALANCE SHEET ASSETS**	025		864889	929362
	LIABILITIES				
	A. *CAPITAL (102+103+104+105+106-107-108)*	101			
30	I. INITIAL CAPITAL	102		3031625	2522775
31	II. UNPAID SUBSCRIBED CAPITAL	103			
32	III. RESERVES	104			
330 and 331	IV. REVALUATION RESERVE	105			
332	V. UNREALIZED GAINS ON SECURITIES	106			
333	VI. UNREALIZED LOSSES ON SECURITIES	107			
34	VII. RETAINED EARNINGS	108			
35	VIII. LOSS	109		3031625	2522775
037 and 237	IX. TREASURY SHARES	110			
	B. *LONG TERM PROVISIONS & LIABILITIES (110+111+114+121)*	111		8918896	8571017
40	I. LONG TERM PROVISIONS	112		1555	1388
41	II. LONG TERM LIABILITIES (112+113)	113	15	321	841246
414, 415	1. Long term borrowings	114		0	839677
41 except 414 & 415	2. Other long term liabilities	115		321	1569
	III. SHORT TERM LIABILITIES (115+116+117+118+119+120)	116	16	8917020	7728383
42 except 427	1. Short term financial liabilities	117		7948676	6875413
427	2. Liabilities attributable to assets held for sale and discontinued operations assets	118			
43 & 44	3. Trade payables	119	17	901508	711713
45 and 46	4. Other short term liabilities and accruals	120	18	13979	12295
47, 48 except 481 and 49 except 498	5. Liabilities for VAT and other public revenues	121	18	52857	128962
481	6. Income tax payable	122			
498	IV. DEFERRED TAX LIABILITIES	123			
	C. *TOTAL LIABILITIES (101+109)*	124		8918896	8571017
89	**D. *OFF-BALANCE SHEET LIABILITIES***	125	12	864889	929362

In Belgrade

Responsible person for the preparation of accounts

Legal representative

25 February 2011

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Company: EKO Serbia a.d.
Address: Novi Beograd, Tosin bunar 274a
Identification number: 17413333
Business code: 4730
Tax identification number: 100118236

INCOME STATEMENT

For the year ended 31 December 2010

(In RSD thousand)

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
	I. OPERATING INCOME (202+203+204-205+206)	201		16628394	11390231
60 & 61	1. Sales	202	21	16628394	11390231
62	2. Revenue from usage of finished goods and merchandise	203			
630	3. Inventories -Value increase	204			
631	4. Inventories -Value decrease	205			
64 & 65	5. Other operating revenue	206			
	II. OPERATING EXPENSES (208 to 212)	207		16299714	11212564
50	1. Cost of goods sold	208	23	15033002	10033557
51	2. Cost of materials	209	23	102283	87864
52	3. Cost of salaries, fringe benefits and other personal expenses	210	28	122816	108361
54	4. Depreciation and provisions	211	23	266905	271726
53 & 55	5. Other operating expenses	212	24	774708	711056
	III. OPERATING INCOME (201 – 207)	213		328680	177667
	IV. OPERATING LOSS (207 – 201)	214			
66	**V. FINANCIAL INCOME**	215		13716	13065
56	**VI. FINANCIAL EXPENSES**	216		993400	1299158
67 & 68	**VII. OTHER INCOME**	217		153161	100033
57 & 58	**VIII. OTHER EXPENSES**	218		66896	25928
	IX. OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)	219			
	X. OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)	220		564739	1034321
69 – 59	**XI. NET PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS**	221			
59 – 69	**XII. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS**	222			
	B. PROFIT BEFORE TAX (219-220+221-222)	223			
	C. LOSS BEFORE TAX (22O-219+222-221)	224		564739	1034321

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	D. INCOME TAX				
721	**1.** Income tax expense for the period	225			
722	**2.** Deferred income expense for the period	226			
722	**3.** Deferred tax income for the period	227			
723	**E. BENEFITS PAID TO EMPLOYER**	228			
	F. NET PROFIT (223-224-225-226+227-228)	229			
	G. NET LOSS (224-223+225+226-227+228)	230		564739	1034321
	H. NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	231			
	I. NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	232			
	J. EARNINGS PER SHARE				
	1. Basic earnings per share	233			
	2. Diluted earnings per share	234			

In Belgrade

Responsible person for the preparation of accounts

Legal representative

25 February 2011

Company: EKO Serbia a.d.
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CASH FLOW STATEMENT

For the year ended 31 December 2010

(In RSD thousand)

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
I.	**Cash generated from operations (1 to 3)**	301	15213691	13967889
1.	Sales and advances received	302	12250007	11869890
2.	Interest from operating activities	303	10826	1230
3.	Other inflow from operating activities	304	2952858	2096769
II.	**Cash outflows from operating activities (1 to 5)**	305	15674773	14667384
1.	Payments and prepayments to suppliers	306	10955117	10816304
2.	Salaries, fringe benefits and other personal expenses	307	108837	100775
3.	Interest paid	308	1036313	1254472
4.	Income tax paid	309		
5.	Payments for other public revenues	310	3574506	2495833
III.	**Net cash inflow from operating activities (I-II)**	311		
IV.	**Net cash outflow from operating activities (II –I)**	312	461082	699495
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
I.	**Proceeds from investing activities (1 to 5)**	313		
1.	Sale of shares/stakes (net inflow)	314	372	617
2.	Proceeds from sale of intangible assets, PPE and biological assets	315		
3.	Other financial investments (net inflow)	316	372	617
4.	Interest received	317		
5.	Dividends received	318		
II.	**Cash outflows from investing activities (1 to 3)**	319	170260	191731
1.	Purchase of shares/stakes (net outflow)	320		
2.	Purchase of intangible assets, property, plant and equipment and biological assets	321	170260	191731
3.	Other financial investments (net outflow)	322		
III.	**Net proceeds from investing activities (I-II)**	323		
IV.	**Net outflow from investing activities (II-I)**	324	169888	191114

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
I.	**Proceeds from financing activities (1to3)**	325	3598450	1747435
1.	Capital stock increase	326	508850	478750
2.	Proceeds from long term and short term borrowings (Net)	327	3089600	1268685
3.	Other long term and short term liabilities	328		
II.	**Cash outflows from financing activities (1 to 4)**	329	2774992	826862
1.	Purchase of treasury shares and stakes	330		
2.	Long term, short term and other liabilities (net outflow)	331	2773701	825449
3.	Financial lease	332	1291	1413
4.	Dividends paid	333		
III.	**Net proceeds from financing activities (I-II)**	334	823458	920573
IV.	**Net outflow from financing activities (II-I)**	335		
D.	**TOTAL PROCEEDS (301+313+325)**	336	18812513	15715941
E.	**TOTAL OUTFLOW (305+319+329)**	337	18620025	15685977
F.	**PROCEEDS NET (336-337)**	338	192488	29964
G.	**OUTFLOW NET (337-336)**	339		
H.	**CASH AT THE BEGINNING OF ACCOUNTING PERIOD**	340	106530	76185
I.	**FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	341	1446	381
J.	**FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	342		
K.	**CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)**	343	300464	106530

In Belgrade

25 February 2011

Responsible person for the preparation of accounts

Legal representative

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

(In RSD thousand)

DESCRIPTION	Share capital (Group 30 less 309)	Other capital (Acc. 309)	Unpaid subscribed capital (Group 31)	Share premium (Acc. 320)	Reserves (Acc. 321, 322)	Revaluation reserves (Acc. 33o I 331)	Unrealized gains on securities (Acc. 332)	Unrealized losses on securities (Acc. 333)	Retained earnings (Group 34)	Loss not exceeding capital (Group 35)	Treasury shares and stakes (Acc. 037, 237)	Total (column 2+3+4+5+6+7+8-9+10-11-12)	Loss exceeding capital (Group 29)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Balance as at 1 January of previous year	204405									2044025			99696
2. Adjustments of material errors and changes in accounting policies in previous year - Increase													
3. Adjustments of material errors and changes in accounting policies in previous year - Decrease													
4. Restated opening balance as at 1 January of previous year (1+2-3)	204405									2044025			99696
5. Total increase in previous year	478750									478750			555571

6. Total decrease in previous year													
7. Balance as at 31 December of previous year (4+5-6)	252275									2522775			655267
8. Adjustments of material errors and changes in accounting policies in current year - Increase													
9. Adjustments of material errors and changes in accounting policies in current year - Decrease													
10. Restated opening balance as at 1 January of current year (7+8-9)	252275									2522775			655267
11. Total increase in current year	508850									508850			55888
12. Total decrease in current year													
13. Balance as at 31 December of current year (10+11-12)	303165									3031625			711155

In Belgrade

Responsible person for the preparation of accounts

Legal representative

25 February 2011

Company:	EKO Serbia a.d.
Address:	Novi Beograd, Tosin bunar 274a
Identification number:	17413333
Business code:	4730
Tax identification number:	100118236

STATISTICAL ANNEX

For the year 2010

I. GENERAL INFORMATION ON COMPANY/ENTREPRENEUR

DESCRIPTION	EDP	Current year	Previous year
1	**2**	**3**	**4**
1. Number of months of operations (1to12)	601	12	12
2. Code identifying the company's size (1to3)	602	3	3
3. Code identifying the company's ownership structure (1to5)	603	2	2
4. Number of foreign persons, who may be natural persons or legal entities, holding a share in capital	604		
5. Average number of employees based on employee position as at each month's end	605	42	43

II. MOVEMENTS WITHIN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND BIOLOGICAL ASSETS/ GROSS

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Gross	Accumulated Depreciation	Net (Column 4-5)
1	2	3	4	5	6
01	**1. Intangible assets**				
	1.1. Balance as at beginning of year	606	2021496	9744	2011752
	1.2. Additions (purchases) during the year	607	3512	xxxxxxxxxxxx	3512
	1.3. Disposals during the year (disposals, write-offs, impairment)	608	1200	xxxxxxxxxxx	1200
	1.4. Revaluation during the year	609		xxxxxxxxxxx	
	1.5. Balance as at year end (606+607-608 + 609)	610	2023808	9744	2014064
02	**2. Property, Plant and Equipment, and Biological Assets**				
	2.1. Balance as at beginning of year	611	5183944	360512	4823432
	2.2. Additions (purchases) during the year	612	169663	xxxxxxxxxxx	169663
	2.3. Disposals during the year (disposals, write-offs, impairment)	613	265807	xxxxxxxxxxx	265807
	2.4. Revaluation during the year	614		xxxxxxxxxxx	
	2.5. Balance as at year end (611 + 612 – 613 + 614)	615	5087800	360512	4727288

III. INVENTORIES

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
10	1. Stock of material	616		
11	2. Work in progress	617		
12	3. Finished goods	618		
13	4. Merchandise	619	523213	452129
14	5. Non-current assets available-for-sale	620		
15	6. Prepayments	621	24833	24174
	TOTAL (616+617+618+619+620+621=013+014)	**622**	548046	476303

IV. EQUITY

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	3031625	2522775
	- foreign capital	624		
301	2. Stakes of a limited liability company	625		
	- foreign capital	626		
302	3. Stakes of members of a partnership or limited partnership	627		
	- foreign capital	628		
303	4. State owned capital	629		
304	5. Socially owned capital	630		
305	6. Stakes in cooperatives	631		
309	7. Other equity	632		
30	**TOTAL (623+625+627+629+630+631+632 =102)**	633	3031625	2522775

V. SHARE CAPITAL

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
	1. Ordinary Shares			
	1.1. Number of ordinary shares	634	400	350
Partly 300	1.2. Face value of ordinary shares - Total	635	3031625	2522775
	2. Preference shares			
	2.1. Number of preference shares	636		
Partly 300	2.2. Face value of preference shares - Total	637		
	TOTAL – Face value of shares (635+637=623)	**638**	3031625	2522775

VI. RECEIVABLES AND PAYABLES

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
20	1. Receivables from sales (Balance at year end 639 ≤ 016)	639	508522	366871
43	2. Payables from operations (Balance at year end 639 ≤ 117)	640	898111	684964
Partly 228	3. Receivables from insurance companies for compensation for damage during the year (Debit turnover less opening balance)	641		
27	4. VAT paid for goods and services purchased (Amount for the year as per tax returns)	642	2856988	1960736
43	5. Payables from operations (Credit turnover less opening balance)	643	34974214	23580458
450	6. Net salaries and fringe benefits payable (Credit turnover less opening balance)	644	78985	73129
451	7. Tax on salaries and fringe benefits charged to employees payable (Credit turnover less opening balance)	645	17025	12390
452	8. Contribution on salaries and fringe benefits charged to employees payable (Credit turnover less opening balance)	646	13966	11011
461, 462 and 723	9. Dividends, share in profit and personal earnings of the employer payable (Credit turnover less opening balance)	647		
465	10. Fees for services rendered by natural persons payable (Credit turnover less opening balance)	648	4090	4624
47	11. VAT collected for products, goods and services sold (Credit turnover less opening balance)	649	3090084	2132433
	12. Control Total (from 639 to 649)	**650**	42441985	28826616

VII. **OTHER COSTS AND EXPENSES**

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
513	1. Cost of fuel and energy	651	73426	61432
520	2. Cost of salaries and fringe benefits (gross)	652	93864	81700
521	3. Cost of taxes and contributions on salaries and fringe benefits charged to employer	653	13287	10716
522, 523, 524 and 525	4. Cost of fees for services rendered by natural persons (gross)	654	8026	6719
526	5. Cost of fees for members of management and supervisory boards (gross)	655	1286	2648
529	6. Other personal fees and expenses	656	6353	6578
53	7. Production services cost	657	229203	168575
533, part of 540 and part of 525	8. Rental costs	658	30191	27829
Part of 533, part of 540 and part of 525	9. Rental costs/Land	659		
536, 537	10. Research and development costs	660		
540	11. Depreciation costs	661	266905	271726
552	12. Insurance premium costs	662	1733	1990
553	13. Payment operations costs	663	54342	40717
554	14. Membership fees	664	940	922
555	15. Taxes	665	85170	78617
556	16. Contributions	666		
562	17. Interest payable	667	982811	1254472
part of 560, part of 561 and 562	18. Interest payable and a portion of financial expenses	668	982811	1254472
Part of 560, part of 561 and part of 562	19. Interest payable on bank loans and loans from other financial organizations	669	982811	1254472
Part of 579	20. Cost of humanitarian, cultural, helth, educational, scientific and religious purposes, environmental protection and sports purposes.	670		
	21. Control Total (from 651 to 670)	**671**	3813159	4523585

VIII. OTHER REVENUE

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
60	1. Sales of merchandise	672	16628394	11390231
640	2. Revenues from premiums, subventions, grants, recourses, compensations and tax returns	673		
641	3. Revenues from conditional donations	674		
part of 650	4. Revenues from land-rental fees	675		
651	5. Membership fees	676		
part of 660, part of 661 and 662	6. Interest income	677	10826	1230
part of 660, part of 661 and part of 662	7. Interest income arising from accounts and deposits with banks and other financial organizations	**678**	10826	1230
part of 660, part of 661 and part of 669	8. Revenues from dividends and share in profit	**679**		
	9. **Control Total (from 672 to 679)**	**680**	16650046	11392691

IX. OTHER INFORMATION

(In RSD thousand)

DESCRIPTION	EDP	Current year	Previous year
1	2	3	4
1. Excise duty liability (as per annual calculation of excise duty)	681	399252	362978
2. Custums and other import duties calculated (annual Total as per calculation)	682	0	628
3. Capital subsidies and other government grants for the construction and purchase of fixed assets and intangible assets	683		
4. Government grants as premiums, recourses and coverage of running operating costs	684		
5. Other government grants	685		
6. Foreign donations and other non-returnable funds, received either in cash or in kind from foreign legal and/or natural persons	686		
7. Personal earnings of the enterprener from net profit (to be completed only by enterpreners)	687		
8. **Control Total (from 681 to 687)**	**688**	399252	363606

In Belgrade

Responsible person for the preparation of accounts

Legal representative

25 February 2011

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EKO SERBIA A.D. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. General information

Eko YU a.d. ("the Company") is engaged in wholesale and retail of motor fuels, other goods (supermarket goods, oils), the service of car wash and café services.

The Company was established on 12 September 2002 and was fully controlled by EKO-ELDA Company, Greece. In December 2007 the Company changed owners when Cypriot company HELLENIC PETROLEUM SERBIA (HOLDINGS) became owner of 100% of EKO YU AD shares.

The address of the Company's registered office is in Tosin Bunar 274a.

The Company has the internal listing and no listing on the Belgrade stock exchange since the Company is registered as a closed joint stock company.

Number of employees as at 31 December 2009 was 42 (in 2009 the number was 43).

These individual financial statements are approved by the management as at 25 February 2011.

2. Summary of significant accounting policies

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

2.1 Basis of preparation and going concern concept

2.1.1 Basis of preparation

Other than as described below, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention.

The Company has prepared these financial statements in accordance with the Law on Accounting and Auditing, which requires full scope of IFRS to be applied, and the regulations issued by the Ministry of Finance. Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

1 "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet (note 12). Such items do not meet the definition of either an asset or a liability under IFRS.

2 If total shareholders' equity is less than zero, an asset is recorded in the balance sheet of the Company under the caption "Loss exceeding equity" such that total equity then equals zero. This asset does not meet the definition of an asset under IFRS.

3 These financial statements are prepared in the format prescribed by Ministry of Finance, which does not comply with IAS 1 – "Presentation of Financial Statements" requirements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2. Summary of significant accounting policies (continued)

(a) *New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company*

- IFRIC 17, _'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether the embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to made this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

- IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible asset as a single asset if each asset has similar useful economic lives.

- IAS 1 (amendment), Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IAS 36 (amendment) 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating IFRIC 8, Scope of IFRS 2 and IFRIC 11, 'LFRS 2— Group and treasury share transactions', the amendments expand on the guidance in FRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

2. Summary of significant accounting policies (continued)

(b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted*

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes AS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from 1 January 2011. When the revised standard is applied, the Company and the parent will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments, recognition and measurement IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess IFRS 9's full impact.

2. Summary of significant accounting policies (continued)

2.1.2 Going concern concept

These financial statements are prepared in accordance with the going concern concept, which assumes that the Company will continue its operations in the foreseeable future. Hellenic Petroleum S.A., as the parent of the Company, states that its policy, within twelve months as of the date of these financial statements, is to maintain its 100% effective shareholding in the Company and ensure that the Company is in position to meet its debts and capital expenditure commitments as they fall due. Hellenic Petroleum S.A. also confirms that they will provide support to the Company so as to ensure that it will be in the position to meet its liabilities when they fall due.

The Company incurred a net loss of RSD 564,739 thousand during the year ended 31 December 2010 (31 December 2009 – RSD 1,034,321 thousand) and, as of that date the Company's net assets are negative by RSD 711,155 thousand (31 December 2009 – RSD 655,267 thousand) and the share capital amounts to RSD 3,031,625 thousand (31 December 2009 – RSD 2,522,775 thousand). In accordance with the Company Law of the Republic of Serbia management of the Company must be informed, so that they can decide on appropriate action if during preparation of the Company's statutory financial statements it is noted, or other circumstances indicate, that the Company has incurred losses up to 50% of its registered stake capital. The Company Law does not stipulate what the consequences of the Company incurring losses greater than 50% of its registered capital could be. Furthermore, if the net asset value of the Company is below minimum stake capital required by the Company Law, and remains in that manner for a period of six months from the moment it becomes apparent, it is hypothetically possible that liquidation procedures could be initiated. It is not clear whether this matter could have any impact, and if so what the impact could be, and therefore no adjustments to the financial statements for any potential outcomes have been made.

2.2 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured and presented in Serbian dinars ("RSD").

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.3 Intangible assets

a) *Computer software*

Licences acquired for computer software are capitalised at cost incurred in the process of acquisition and putting software in use. These costs are amortised during their estimated useful life (3 to 5 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly attributable to identifiable and unique software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. The directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Borrowing costs incurred during construction of each asset meeting the recognition criteria are capitalised over the period of time needed for the asset to be finished and ready for use. Other borrowing costs are stated at cost.

Land is not depreciated. Depreciation on the building land under long-term lease (Prepayments – Note 6) is calculated in the same way as the buildings on the land, at the rate of 4%.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Buildings	4
Vehicles, furniture	10
Machinery and equipment	15
Telecommunication equipment	20
Computers, software, fittings	30
Investment in third party equipment – buildings	10
Investment in third party equipment – furniture	10
Investment in third party equipment – machinery and equipment	15
Investment in third party equipment – telecommunication equipment	20
Investment in third party equipment – computers, software, fittings	30

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other (expenses)/income, in the income statement.

2.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment when 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Assets that have an indefinite useful life, are not subject to amortisation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.6 Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Company.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required.

If any indication exists, those investment properties may be impaired; the Company estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2. Summary of significant accounting policies (continued)

2.7 Long – term financial assets

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. 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 trade 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 carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to 'other income' in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.11 Off balance sheet assets/liabilities

Off balance sheet assets/liabilities include payables relating to collaterals given such as guarantees and other warrants.

2. Summary of significant accounting policies (continued)

2.12 Equity

(a) *Share Capital*

Ordinary shares are classified as share capital. (Note 13)

The Company has internal listing and no listing on the Belgrade stock exchange since the Company is registered as a closed joint stock company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

2.13 Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Trade payables

Accounts payable are obligations to pay the supplier for goods or services received in the ordinary course of business. Accounts payable are classified as current if they are due for payment within one year or less (or in the ordinary course of business cycle if longer).

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

2. Summary of significant accounting policies (continued)

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Serbia (where Company operates and generates taxable profit). Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is fully provided for, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 Employee benefits

a) *Pension obligations*

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

b) *Other employee benefit schemes*

The Company provides retirement employee benefit schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The defined benefit obligation is valued annually and the provision is made in proportion to employee service period.

c) *Profit-sharing and bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates, discounts and internally generated revenue.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Sales of goods – wholesale

The Company sells EURO – diesel and motor oils in the wholesale market. Sales of goods are recognised when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

b) Sales of goods – retail

Sales of goods are recognised when a Company sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

It is the company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

c) Sales of services

The Company sells services within cafes at the gas stations and the car wash services. These services are provided on a time and material basis or as a fixed price contract, with contract terms generally ranging */from less than one year to three years/.*

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

d) Interest income

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

2.19 Leases

a) Leases: Accounting by lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

b) Leases: Accounting by lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

c) Right of use of land

Right of use of land acquired as a part of either acquisition or a separate transaction through payment to a third party is treated as an intangible asset. The intangible asset has an indefinite useful life and is subject to annual impairment testing.

Right of use of land acquired as a separate transaction through payment to the relevant Local Authority is treated as a prepayment. The prepayment is amortised over the useful life of the related building. In accordance with the corporate policy, depreciation period for above mentioned asset is 25 years.

2.20 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (The Company Treasury) under policies approved by the board of directors. The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) *Market risk*

(i) *Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Management has set up a policy to manage its foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company treasury. In order to hedge from the potential foreign exchange loss, the Hellenic Petroleum Group reached a decision that all new borrowings will take effect in functional currency. In addition, current foreign borrowings are being replaced by new borrowings denominated in RSD functional currency through refinancing. Foreign exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

(ii) *Cash flow and fair value interest rate risk*

Risk of changes in fair value of interest arises regarding financial loans from banks. During 2010, the Company has refinanced loans due by signing short-term contracts for new credit borrowing. All short term loans have interest equal to the interest rate on two-week repo National Bank of Serbia increased by 3.5%.

(b) *Credit risk*

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Counterparties and cash transactions are limited to high-credit-quality financial institutions. Wholesale receivables from major customers are secured with obtained bank guarantees.

3. Financial risk management (continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company Treasury aims to maintain flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows[1]. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2009	Less than 1 year	Between 1 and 2 years
Borrowings	6.874.000	839.667
Finance lease liabilities	1.413	1.569

At 31 December 2010	Less than 1 year
Borrowings	7.947.386
Finance lease liabilities	1.611

3.2 Capital risk management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3. Financial risk management (continued)

3.2 Capital risk management (continued)

Corporate strategy in 2010 has not changed compared to 2009. At 31 December 2010 and 2009 the gearing ratio of the Company was as follows:

	2009	2010
Total borrowings (notes 15 and 16)	7,716,659	7,948,997
Less: cash and cash equivalents (note 10)	106,530	300,464
Net debt	7,610,129	7,648,533
Total equity	(655,267)	(711,155)
Total capital	**6,954,862**	**6,937,378**
Gearing ratio	**109,42%**	**110.25%**

In 2010 there were no capital investments.

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

a) *Pension obligations*

The present value of pension obligations depends on a number of factors which are determined based on numerous assumptions in the market.
Any changes in these assumptions will affect the carrying value of pension obligations.

4. Critical accounting estimates and judgements (continued)

c) *Useful lives of plant and equipment*

The Company's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its products. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

d) *Provision for severance*

Other key assumptions for other obligations are based in part on current market conditions. Provision for retirement benefit is calculated accounting for the estimate that all employees will remain Company's employees by the time of pension benefit payment. Additional information is disclosed in note 14.

e) *Financial crisis*

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances."

Impact on liquidity:

The volume of wholesale financing has significantly reduced starting from October 2009. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions."

Impact on customers/ borrowers:

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers (or borrowers) may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments."

4. Critical accounting estimates and judgements (continued)

Impact on collateral (especially real estate):

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Serbia for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

5. Intangible assets

	Trade Marks & licences and similar rights	Other software development costs	Other intangibles	Total
At 1 January 2009				
Cost	6.283	2.476	2.003.543	2.012.302
Accumulated amortisation and impairment	(439)	(157)	(45)	(551)
Net book value	**5.844**	**2.319**	**2.003.588**	**2.011.751**
Year ended 31 December 2009				
Opening net book amount	6.283	2.476	2.003.543	2.012.302
Additions	-	140	45	185
Transfer from CIP	650	-	-	650
Impairment charge (note 23)	(1.089)	(291)	-	(1.386)
Closing net book value	**5.844**	**2.319**	**2.003.588**	**2.011.751**
At 31 December 2009				
Cost	19.644	3.050	2.003.588	2.026.282
Accumulated amortisation and impairment	(13.800)	(731)	-	(14.531)
Net book value	**5.844**	**2.319**	**2.003.588**	**2.011.751**
Year ended 31 December 2010				
Opening net book amount	5.844	2.319	2.003.588	2.011.751
Additions	55	3.240	-	3.295
Transfer from CIP	217	-	-	217
Impairment charge (note 23)	(759)	(440)	-	(14.531)
Closing net book value	**5.357**	**2.203**	**2.003.588**	**2.014.064**
At 31 December 2010				
Cost	19.916	6.290	2.003.588	2.029.794
Accumulated amortisation and impairment	(14.559)	(1.171)	-	(15.730)
Net book value	**5.357**	**(542)**	**2.003.588**	**2.014.064**

Amortisation of RSD 1,199 (2009: RSD 1,386) is included in operating expenses in income statements, (Note 23).

6. Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Construction in progress (CIP)	Investments In third party PP&E	Pre-payments	Total
At 1 January 2009							
Cost or valuation	779,591	3,632,888	711,802	258,302	68,369	224,354	5,657,306
Accumulated depreciation	-	(428,298)	(369,468)		(23,155)	(30,952)	(851,873)
Net book value	**779,591**	**3,204,590**	**342,334**	**258,302**	**45,214**	**193,402**	**4,805,433**
Year ended 31 December 2009							
Opening net book amount	724.812	3.274.432	406.459	230.173	47.670	202.376	4.885.922
Additions	50.388	73.678	33.981	43.922	6.300	-	208.269
Transfer from CIP to intangibles	4.391	558	10.028	(15.793)	166	-	(650)
Disposals (note 27)	-	-	(5.672)	-	-	-	(5.672)
Depreciation charge(note 23)	-	(144.078)	(102.462)	-	(8.922)	(8.974)	(264.436)
Closing net book value as at 31 December 2009	**779.591**	**3.204.590**	**342.334**	**258.302**	**45.214**	**193.402**	**4.823.433**
At 31 December 2009							
Cost or valuation	779,591	3,632,888	711,802	258.302	68.369	224.354	5.675.306
Accumulated depreciation	-	(428,298)	(369,468)		(23.155)	(30.952)	(851.873)
Net book value	**779.591**	**3.204.590**	**342.334**	**258.302**	**45.214**	**193.402**	**4.823.433**
Year ended 31 December 2010							
Opening net book amount	**779.591**	**3.204.590**	**342.334**	**258.302**	**45.214**	**193.402**	**4.823.433**
Additions	0	51.785	42.683	73.471	1.941	-	169.880
Transfer from CIP	0	54.449	9.495	(64.173)	12	-	(217)
Disposals (note 27)	-	-	(3.301)	(86)	-	-	(3.387)
Depreciation charge (note 23)	-	(148.365)	(96.404)	-	(8.677)	(8.974)	(262.420)
Closing net book value as at 31 December 2010	**779.591**	**3.162.459**	**294.807**	**267.514**	**38.490**	**184.428**	**4.727.289**
At 31 December 2010							
Cost or valuation	779.591	3.739.122	760.679	267.514	70.322	224.354	5.841.582
Accumulated depreciation	-	(576.663)	(465.872)	-	(31.832)	(39.926)	(1.114.293)
Net book value	**779.591**	**3.162.459**	**294.807**	**267.514**	**38.490**	**184.428**	**4.727.289**

6. Property, plant and equipment (continued)

Depreciation expense of RSD 263,619 (2009: RSD 264,436) is shown under operating expenses in income statement,

In accordance with the annual count, machinery and equipment with net book value of RSD 183 is written off (purchase cost: RSD 3,387 / written off value RSD 3,204),

Total increase in value of fixed assets (new purchase) in the amount of RSD 173,175is inclusive of RSD 1,502 generated in the process of interest capitalisation.

The investment properties are valued annually on 31 December at fair value, same as other property.

7. Financial instruments by category

Accounting policies related to financial instruments are applied to items shown in the table below:

	Loans and receivables	Total
Assets		
31 December 2010		
Trade and other receivables excluding prepayments	514,583	514,583
Cash and cash equivalents	300,464	300,464
Total	**815,047**	**815,047**

	Other financial liabilities	Total
Liabilities		
Trade and other payables excluding prepayments	901.508	901.508
Borrowings	7.948.676	7.948.676
Leases	13.979	13.979
Total	**8,864,163**	**8,864,163**

7. Financial instruments by category (continued)

	Loans and receivables	Total
Assets		
31 December 2009		
Assets as per balance sheet		
Trade and other receivables excluding prepayments	385,016	385,016
Cash and cash equivalents	106,530	106,530
Total	**491,543**	**491,543**

	Other financial liabilities	Total
Liabilities		
Liabilities as per balance sheet		
Trade and other payables excluding statutory liabilities	711,713	711,713
Borrowings	6,875,413	6,875,413
Leases	12,295	12,295
Total	**7,599,421**	**7,599,421**

8. Inventories

	2009	2010
Merchandise	452.129	523.213
Advances	24.174	24.833
Total inventories – net	**476.303**	**548.046**

Total shortages in 2010 amounted to RSD 58.954 and are recorded as other expenses (Note 27) and the surpluses for 2010 in RSD 60.143 are recorded in other income (Note 22).

9. Receivables

	2009	2010
Trade receivables	396,214	530,101
Less: provision	(21,578)	(21,579)
Trade receivables-net	**374,636**	**508,523**
Receivables from employees	19	89
Other receivables	10,361	5,972
Total receivables	**385,016**	**514,583**

The fair value of receivables is not significantly different from net book value.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

The ageing analysis of these trade receivables is as follows:

		2009	2010
Group 1	Up to 3 months	312,710	445,668
Group 2	3 to 6 months	38,913	41,189
Group 3	Over 6 months	44,591	43,244
		396,214	**530,101**

Group 1 – New customers up to 3 months

Group 2 – Current customers from 3 to 6 months with certain defaults

Group 3 – Current customers over 6 months with defauls

It was assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to a number of independent customers for whom there is no recent history of default.

9, Receivables (continued)

Table of movements on provision for doubtful receivables is as follows:

	2009	2010
At 1 January	21,336	21,579
Provision for doubtful receivables (Note 27)	-	-
Receivables written off during the year as uncollectible	(242)	-
Collection of provision (Note 22)		-
At 31 December	**21,578**	**21,579**

Provision and release of provision for doubtful receivables have been recorded in 'other expenses/other income in the income statement (note 27), Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company has promissory notes as security for collection.

10. Cash and cash equivalents

	2009	2010
Checks and claims in respect of payment cards – cash equivalents	14,762	48.936
Current accounts	46,816	198.761
Cash in hand of the operating units – Petrol stations	35,544	40.785
Cash in hand	-	-
Foreign account	9,408	11.982
	106,530	**300.464**

Credit quality of financial assets – cash equivalents and cash is with the banks with no external credit ratings, but management assesses that those are banks bear low risk.

11. VAT and prepaid expenses

	2009	2010
VAT	32,878	-
Prepaid expenses	79,939	103,296
Other prepaid expenses		
Total	**112,717**	**103,296**

12. Off balance sheet assets and liabilities

The Company has issued the following instruments as collaterals

- Bank guarantee in amount of EUR 7,500 (RSD 791.236) in favour of NIS, according to supply contract
- Bank guarantee in amount of RSD 15,000 in favour of DIN, in accordance with the contract
- Blank promissory notes in favour of:
- Eurobank as loan guarantee
- Alpha bank as loan guarantee
- Vojvodjanska bank as loan guarantee

Off-balance is recorded and liabilities and receivables for coupons for gasoline in the amount of 58,654 RSD

13. Equity

Share capital includes the following:

	2009	2010
Stakes – Share capital	2,522,775	3,031,625
Total	**2,522,775**	**3,031,625**

	Share capital	Retained earnings/(loss)	Total
Balance at 1 January 2009	**2.044,025**	**(2.143.721)**	**(99.696)**
Profit (loss) for the year	478.750	(1.034.321)	(555.571)
Total recognised income and expense for the year	**478.750**	(1034.321)	(555.571)
Balance at 31 December 2009	**2.522.775**	**(3.178.042)**	**(655.267)**
Balance at 1 January 2010	**2.522.775**	**(3.178.042)**	**(655.267)**
Profit (loss) for the year	508.850	(564.739)	(55.889)
Total recognised income and expense for the year	**508.850**	(564.739)	(55.889)
Balance at 31 December 2010	**3.031.625**	**(3.742.781)**	**(711.156)**

As the accumulated loss of RSD 3.742.780 exceeds share capital, the amount of RSD 711.155 is transferred to company's assets.

14. Long – term provisions

The Company has a legal obligation to pay the three average salaries, in the level of Republic average salary, to the workers who retire. Annually part of severance costs is estimated, which are burdening financial year. If the worker is 10 years work experience (of the planned 40) he has so far realized 25% of the value of future retirement benefits

	2009	2010
Provision for employee benefits (Note 2,17b)	1,388	1,555
	1,388	**1,555**

(a) *Employee benefits*

All employees are entitled to retirement benefits in accordance with the Labour law in Serbia, In 2010 the amount of RSD 168 was charged to income statement as other expenses. (Note 23)

(b) Bonuses

The provision for profit-sharing and bonuses is payable within three months of finalisation of the audited financial statements.

15. Long term loans

	2009	2010
Domestic		
-for intangible assets and investments in PP&E	839,677	-
Foreign		
-for current assets		-
- for intengible assets and investments in PP&E	-	-
Total	**839,677**	**-**

15. Long term loans (continued)

The maturity of non-current loan was as follows:

	2009	2010
Between 1 and 2 years	839,677	-
Between 2 and 5 years	-	-
	839,677	**-**

The carrying amounts of the Company's loans are denominated in the following currencies:

	2009	2010
RSD	7,631,487	7
EUR	82,190	-

The exposure of the Company's loans to interest rate changes and the maturity dates at the balance sheet dates are as follows:

	6 -12 months	1-5 years	Total
At 31 December 2009			
Total borrowings	6,874,000	839,677	7,713,677
At 31 December 2010			
Total borrowings	-	-	-

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

15. Long term loans (continued)

The Company has the following unused loan facilities:

	2009	2010
Floating rate:		
– Expiring within 3 years	478,750	100,000
Total	**478,750**	**100,000**

Loan facilities have been arranged to help finance the proposed expansion of the Company's activities in capital investments.

Long-term lease liabilities

	2009	2010
- Maturity up to 1 year	1,413	1.291
- Maturity up to 5 years	1,569	321
	2,982	**1.612**

16. Short term financial liabilities

	2009	2010
Short term loans – domestic		7.947.386
Current portion of long term loans	6,874,000	
Current portion of financial lease liabilities	1,413	1,291
Total	**6,875,413**	**7.948.676**

17. Payables

	2009	2010
Customer prepayments	13,370	40.099
Trade payables – parents and subsidiaries	4,827	858.544
Trade payables – domestic	693,516	2.865
Trade payables – foreign		**901.508**
Total	**711,713**	**901.508**

Trade payables amounting to RSD 2.865 are denominated in foreign currency, in EUR as at 31 December 2010.

18. Other current liabilities and accrued expenses

18.1. Other current liabilities

	2009	2010
Liabilities for unpaid wages and salaries, gross	12,295	13.979
	12,295	**13.979**

Liabilities for salaries and benefits relates to the calculated of accrual in 2010 year for payment in 2011.
Liabilities for interest expense relate to loan interest accounted for in 2010

18.2. Liabilities for VAT and other public revenue and accrued expenses

	2009	2010
Liabilities for interest and finance expenses	69,852	17,235
Liabilities for other taxes and contributions	6,505	51
Liabilities for assize on LPG	18,886	-
Prepaid expenses	6,178	17.324
Other accrued expenses – VAT shortage	27,541	18.247
Total	**128,962**	**52.857**

19. Deferred income tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the future taxable profits will be available for use. The Company did not recognise deferred income tax assets of RSD - 1.018.814 (2009: RSD 1.032.643) in respect of losses amounting to RSD 3.628.390 (2009: RSD 2.411.611) that can be carried forward against future taxable income, as it is the uncertain realization of taxable tax profit to the funds realized in the period in which it is allowed.

20. Reconciliation

The Company has performed reconciliation of its receivables and payables as at 31/12/2010.
Non-reconciled receivables amounted in RSD 828, out of total of RSD 508.523.
Non-reconciled payables amounted in RSD 1.120 out of total RSD 861.409.

21. Revenue

	2009	2010
Sales	11.390.231	16.678.460
Rebate		50.066
Total	**11.390.231**	**16.628.394**

22. Other operating income

	2009	2010
Income from collection of written off receivables-reduced for income from fixed asset sale	-	5,759
Rental income	25,082	18,600
Income – surpluses	37,349	60,143
Income – marketing and advertisement	27,705	44,658
Recharged expenses to managers of petrol stations	9,897	24,001
Total	**100,033**	**153,161**

23. Operating expenses

	2009	2010
Cost of goods sold	10.033.557	15.033.002
Material costs	87.864	102.283
Wages and salaries (note 28)	108.361	122.816
Depreciation (note 5,6)	271.466	266.737
Provisions	260	168
Other operating expenses (note 24)	711.056	774.708
	11.212.564	**16.299.714**

Amortization costs for intangible assets amount to RSD 1,199, and depreciation for property, plant and equipment in RSD 263.619 (Notes 5 and 6)

Material cost includes;

	2009	2010
Fittings	392	2.474
Other overhead material	24.016	27.321
Own consumption	2.377	4.784
Electricity	59.055	66.012
Material consumed in process of sales	2.024	1.692
Total	**87.864**	**102.283**

24. Other operating expenses

	2009	2010
Audit	3,384	4.105
Security	19,452	17.463
Transportation services	4,483	756
Maintenance	54,861	69.006
Computer software maintenance	3,753	63
Rental costs	27,830	30,093
Fairs	682	790
Advertising and representation costs	54,509	68.382
Consulting services	16,008	16.544
Gas stations fees	335,674	333.995
Public services	13,737	15.566
Costs of other services	24,017	39.488
Costs of non production services	4,661	4.686
Representation costs	7,012	6.722
Insurance premium	1,990	1.733
Bank charges	40,717	54.342
Membership fees	922	940
Employee trainings	1,070	1.853
Taxes and contributions	78,518	85.169
Mail services	17,776	23.012
Total	**711,056**	**774.708**

25. Finance income

	2009	2010
Interest income	1,230	10.826
Foreign exchange gains	11,835	2.890
Total	**13,065**	**13.716**

26. Finance expenses

	2009	2010
Interest expenses – total	1,258,673	985.056
Interest capitalisation (note 6)	(4,201)	(1.502)
Interest expenses – net	1,254,472	983.554
Foreign exchange losses	44,686	9.846
Total	**1,299,158**	**993.400**

27. Other expenses

	2009	2010
Direct writing off receivables	-	3.604
Shortages	24,532	58.954
Losses from thefts at petrol stations	440	-
Writing off of prepayments	-	1.113
Other	956	3.225
Total	**25,928**	**22,017**

28. Wages and salaries

	2009	2010
Wages and salaries (gross)	81.700	93.864
Taxes and contributions on wages and salaries paid by employer	10.716	13.288
Fees paid to management and supervisory board members	2.648	1.286
Cost of special service and temporary service agreements		
Cost of copyright agreements	6.719	8.025
Other personal expenses and benefits	6.578	6.353
Total	**108.361**	**122.816**

29. Income tax expense

	2009	2010
Current tax:	-	-
Deferred tax	-	-
	-	-

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighed average tax rate applicable to the Company's profits as follows:

	2009	2010
Profit / (loss) before tax	(1.034.321)	(564.738)
Tax calculated at statutory tax rate – 10% on loss	(103.432)	(56.474)
Expenses not deductible for tax purposes	11.116	11.439
Utilisation of previously unrecognised tax losses		
Tax losses for which no deferred income tax assets was recognised	92.316	45.035
Tax charge	-	-

30. Contingencies

The Company has contingent liabilities in respect of the bank guarantee issued as a collateral in favour of NIS Jugopetrol in the amount of RSD 791.236 mil. and for DIN in the amount of RSD 15 mil. It is not anticipated that any material liabilities will arise from the contingent liabilities.

(a) *Taxation*

The Company was subject to tax inspection in 2008 which encompassed control over 2007 and 2008. Upon completion of the tax audit, inspection issued decision for improper calculation of VAT payable in those periods imposing significant penalties to the Company.
The Company has appealed to the Decision and tax authorities ruled in favour of the Company, which means that the procedure will start from the beginning; The Company does not expect that contingent liability will result from the new process. The Company has received final solution after thoroughly renovated 30/03/2010 controls in 2009. in favour of the company because they refuted remarks made by the tax authorities.

(b) *Transfer pricing*

The fiscal legislation of the Republic of Serbia includes regulations regarding transfer pricing between related parties. The current legislative framework defines the "arm's length" principle for transactions between related parties, as well as the methods for determining the transfer prices. Thus, it is expected that the tax authorities may initiate in depth inspections of the transfer prices, in order to ensure that the taxable profit and/or the customs value of imported goods are not misstated by the effects of transfer prices between related parties. The Company cannot assess the outcome of any such inspection.

(c) *Insurance policies*

The Company holds no insurance policies at DDOR Novi Sad in relation to its assets, operations or other insurable risks.

(d) *Environmental matters*

Environmental regulations are developing in the Republic of Serbia and the Company has not recorded any liability at 31 December 2010 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management do not consider the costs associated with environmental issues to be significant.

(e) *Legal proceedings*

During the year, the Company was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these financial statements,

(f) *Bank and other guarantees*

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has given guarantees in the ordinary course of business amounting to RSD 806.236 to third parties.

31. Commitments

(a) *Operating lease commitments – where the Company is the lessee*

The Company leases certain number of Petrol stations under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.
The operating lease costs are recorded to the income statement during the year as disclosed in the note 23.

32. Related party transactions

The Company is controlled by HELLENIC PETROLEUM SERBIA (HOLDINGS), incorporated in Cyprus), which owns 100% of the Company's shares. The ultimate parent of the Company Is Hellenic – Petroleum (incorporated in Greece),

The following transactions were carried out with related parties:

a) Purchases of goods and services

	2009	2010
Purchase of goods:		
- HELLENIC PETROLEUM	23,232	-
- EKO ELDA	12,245	17,513
- ELPE STATUTORY		1,055
- ELPE CONSULTING	12,259	9,814
Total	**47,736**	**33,338**

a) Year end balances arising from sales/purchases of goods/services

	2009	2010
Payables to related parties (Note 17)		
- EKO ELDA	4,827	2,847
- HELLENIC PETROLEUM	-	-
- ELPE CONSULTING	-	-
	4,827	**2,847**

The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase.

No provision has been required in 2009 and 2008 for the loans made to directors and associates.

(a) *Key management considerations*

The key management received amount of RSD 10.093 (2009: RSD 8.553) as salary and bonuses during 2010.

33. Events after the balance sheet dates

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for. There are no events requiring disclosure after the balance sheet date.

Chief accountant
Milka Vrtikapa

PREDUZEĆE ZA TRGOVINU I USLUGE AD
»EKO SERBIA«
BEOGRAD

Executive Director
Vuk Radovic

PricewaterhouseCoopers d.o.o.
Omladinskih brigada 88a
11070 New Belgrade
Republic of Serbia

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of EKO Srbija a.d., Beograd ("the Company") as at and for the year ended 31 December 2010 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the Company's financial position and results as at 31 December 2010 and for the year then ended in conformity with Serbian the Law on Accounting and Auditing ("Službeni Glasnik RS" number 46 dated 2 June 2006).

We acknowledge as the Board of Directors our responsibility for:

(a) the fair presentation of the financial statements in conformity with the Serbian accounting regulations;

(b) the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.

We confirm, to the best of our knowledge and belief, the following representations:

1. The financial statements including Notes to the financial statements contain all disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of our Company in accordance with the Serbian accounting regulations.

2. We confirm that we have reviewed the Company's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of the financial statements are the most appropriate to give a true and fair view for the Company's particular circumstances, as required by the Serbian accounting regulations.

3. The financial statements disclose all of the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Company's plans. The Company also has the intent and ability to take actions necessary to continue as a going concern. We have made available to you all relevant information on the Company's ability to continue as a going concern that could affect the financial statements, including the recoverability or classification of recorded assets or the amounts and classification of liabilities. Accordingly, the Company's financial statements are appropriately prepared on a going concern basis

4. We have provided to you:

   4.1. all minutes of the meetings of our Company's ruling bodies, meetings of shareholders and Board of directors.

   4.2. all accounting documentation and other information, which might affect the truth and fairness of, or necessary disclosure in, the financial statements. We are not aware of any significant transactions or agreements not fairly described and properly recorded in the accounting records underlying the financial statements.

5. There have been no:

   5.1. irregularities involving our Company's management or employees who have significant roles in the system of internal control, or irregularities involving other employees that could have a material effect on the financial statements;

   5.2. violations or possible violations of legislative and normative acts the effects of which should be considered for disclosure in the financial statements or as a basis for recording a provision in the financial statements, except for those disclosed to you .

6. All contractual arrangements entered into by the Company with third parties have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you. Our Company has complied with all contractual obligations non fulfilment of which would have a material effect on the financial statements.

7. We have disclosed to you:

   7.1. all significant facts relating to any frauds or suspected frauds known to us that may have affected the Company;

   7.2. the results of our assessment of the risk that the financial statements may be materially misstated as a result of irregularities or breaches of law.

8 The financial statements are free of material misstatements, including omissions. We believe that the effects of those uncorrected financial statements misstatements aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

9 All assets of our Company are included in the financial statements. Our Company has satisfactory title to all owned assets and all liens, encumbrances and security interests of any important consequence on any asset of our Company is disclosed in the financial statements.

EKO SERBIA A.D. BEOGRAD
TOSIN BUNAR 274A
11 070 BEOGRAD
SRBIJA
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10 In our opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

11 All arrangements with banks, financial and other institutions involving any restrictions on cash balances or similar arrangements are disclosed in the financial statements.

12 The allowance for doubtful debts is sufficient to provide for any losses, which may be sustained on non-realisation of the receivables.

13 All inventories recorded in the financial statements are stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average method consistently with the prior year. All inventories, the net selling price for which decreased during audited period below cost, or which became obsolete or partially lost their initial quality, have been identified and reduced in the financial statements to their net realisable value.

14 Physical quantities of goods for resale at 31 December 2010 were determined from the Company's inventory records, which have been adjusted on the basis of physical inventories taken by competent employees as at 31 December 2010. All quantities of goods for resale the title to which has passed to customers at that date are excluded from the financial statements.

15 All investments were properly classified in the financial statements.

16 Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the financial statements. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

17 We have evaluated the contracts into which we have entered to determine whether any such contracts are in effect hybrid instruments that contain embedded derivative instruments. For those embedded derivative instruments that possess economic characteristics that are not clearly and closely related to the host contract and meet the definition of a derivative instrument according to Serbian accounting regulations when considered on a stand-alone basis, we have bifurcated the embedded derivative instrument and accounted for it separately at fair value pursuant to the provisions of accounting regulations.

18 Useful lives and expected pattern of consumption of economic benefits as determined by our Company for all depreciable assets represent an appropriate basis for the systematic allocation of the depreciable amount of the assets.

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19 We have reviewed long-lived assets such as property, plant and equipment, intangible assets, property investments, investments in intangible assets for impairment, whenever events or changes in circumstances indicated that the carrying amount of assets might not be recoverable, and have appropriately recorded the adjustment where necessary.

20 The deferred tax asset is determined at the amount of corporation tax recoverable in the future in respect of deductible temporary differences and the carry forward of tax losses.

21 All liabilities of our Company, both actual and contingent, of which we are aware, are included in the financial statements. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed. In addition, we are not aware of any claims, which were made or can potentially be made by third parties, including claims in court, arbitration or arbitration tribunal which may result in significant loss to our Company, nor has our legal counsel advised us on any issues during the year or subsequently to the date of this letter.

22 Sufficient provisions for loss to be sustained in the fulfilment of, or from inability to fulfil, any sales commitments and for loss as a result of purchase commitments in excess of anticipated requirements were recorded in the financial statements.

23 Other than those schemes that have already been brought to your attention, and for which adequate provision has already been raised in the financial statements with respect to any liabilities that have accrued at the balance sheet date, our Company does not have any bonus schemes or other compensation schemes that may require our Company to make payments based on length of service, of which some of the service would have already been provided.

24 There are no significant outstanding claims from or settlements with local and other tax authorities that have not been brought to your attention or appropriately disclosed in the financial statements. We are not aware of any additional material liability for tax related penalties and charges which has not been adequately provided for in the accounts.

25 Other than described in the financial statements, there are no:

25.1. written and oral guarantees made by a director, manager, employee or any other third party acting as representative of the Company;

25.2. capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements;

25.3. other off-balance sheet accounts.

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26 The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- Related party transactions and related amounts receivable and payable,

There are no:

- Losses arising from sale and purchase commitments,
- Agreements and options to buy back assets previously sold,
- Assets pledged as collateral.

27 No matters or occurrences have come to our attention subsequent to the balance sheet date up to the date of this letter that would materially affect the financial statements or, although not affecting such financial statements, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or results of operations of our Company. Our Company's accounting records for the periods subsequent to the audited period, do not include any material entries, which you are not aware of, in relation to transactions that should have been included in the financial statements in earlier periods.

28 Our Company has no plans or intentions that may materially affect the carrying amount or classification of assets and liabilities.

29 Our Company carries out its activity in accordance with its foundation documents and appropriate decisions of its ruling bodies. The Company held all licenses and permits required in order to carry out its operations and operate in accordance with those licenses.

30 We have assessed the impact on the financial position and performance of the Company of the recent turbulence in the financial markets (commonly referred to as the "credit crunch" and its effects). We informed you of our conclusions from this assessment and, where relevant, have ensured that all these effects have been properly reflected in the financial statements.

31 The Company has recorded loss in year 2010 in the amount of RSD 564,739 thousand, and accumulated losses from prior periods in the amount of RSD 3,742,780 thousand. According to the Company Law in Serbia, Board of Directors of the Company has been informed that accumulated loss as at 31 December 2010 is above 50% of the Company's registered capital.

32 During 2007, the Company signed contracts for purchase of land on locations of Batrovci 1 and Batrovci 2 and has paid advance in the amount of EUR 250 thousand (RSD 20,229 thousand) and EUR 161 thousand (RSD 13,048 thousand) respectively. During the period until today, there have been several factors (a: ownership issues, b: delays in obtaining operational licenses) which have contributed to not finalizing the acquisition. Furthermore, a review of the project profitability expectation has been conducted. During 2009, the Company pushed for settlement out of Court. The parties agreed that the vendor will offer

new location in Sremska Mitrovica, as alternative plot. The value of the alternative plot approximates the value of paid advance with accumulated interest. The Company obtained formal approval from the Board of Directors.

33 The Company purchased two locations in Dobanovci (total value RSD 247,352 thousand) with a plan to build two petrol stations. However, the land has never been developed into petrol stations due to problems with obtaining formal construction approval from City of Belgrade since there is another petrol station near to this location. The Company submitted complaint to the City of Belgrade and is waiting for formal approval which confirms its legality to be published by The Official Gazette. The representatives of the Company participated in the City Assembly where new town-planning scheme is adopted and the construction of petrol stations on these locations is approved.

General Manager

PREDUZEĆE ZA TRGOVINU I USLUGE AD »EKO SERBIA« BEOGRAD

Chief Finance officer

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Belgrade, 30 March 2011