EKO SERBIA A.D. BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
AND INDEPENDENT AUDITOR'S REPORT

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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 2012 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 Note 2 to these financial statements, 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 about 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 2012 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 and Note 2 to these financial statements.

Biljana Bogovac
Licensed Auditor

PricewaterhouseCoopers d.o.o. Beograd

Belgrade, 28 February 2013

PricewaterhouseCoopers d.o.o., Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia
T: +381 11 3302 100, F:+381 11 3302 101, www.pwc.rs

Company: EKO SERBIA a.d.
Address: Tošin Bunar 274a, 11070 Novi Beograd
Identification number: 17413333
Business code:
Tax identification number: 100118236

BALANCE SHEET

As at 31 December 2012

(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		6,337,610	6,529,995
00	I.	UNPAID SUBSCRIBED CAPITAL	002			
012	II.	GOODWILL	003			
01 less 012	III.	INTANGIBLE ASSETS	004	5	580,252	584,394
	IV.	PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005		5,757,358	5,945,601
020, 022, 023, 026, 027 (part), 028 (part), 029	1.	Property, plant &equipment	006	6	5,714,847	5,901,302
024, 027 (part), 028 (part)	2.	Investment property	007	6	42,511	44,299
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		1,725,041	1,997,858
10 to 13, 15	I.	INVENTORIES	013	8	912,993	1,059,183
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		812,048	938,675
20, 21, 22, except 223	1.	Receivables	016	9	569,633	618,325
223	2.	Overpaid tax receivables	017			
23 minus 237	3.	Short term financial placements	018			
24	4.	Cash and cash equivalents	019	10	158,121	184,589
27 and 28 except 288	5.	Value added tax and accruals	020	11	84,294	135,761
288	IV.	DEFERRED TAX ASSETS	021			

	C. BUSINESS ASSETS (001+012)	022		8,062,651	8,527,853
29	**D. LOSS EXCEEDING CAPITAL**	023	13	466,001	0
	E. TOTAL ASSETS (022+023)	024		8,528,652	8,527,853
88	**F. OFF-BALANCE SHEET ASSETS**	025		67,030	56,611
	LIABILITIES				
	A. ***CAPITAL (102+103+104+105+106-107-108)***	101		0	88,672
30	I. INITIAL CAPITAL	102		4,577,115	4,577,115
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		4,577,115	4,488,443
037 and 237	IX. TREASURY SHARES	110			
	B. ***LONG TERM PROVISIONS & LIABILITIES (110+111+114+121)***	111		8,528,652	8,439,181
40	I. LONG TERM PROVISIONS	112	14	2,311	1,954
41	II. LONG TERM LIABILITIES (112+113)	113	15		0
414, 415	1. Long term borrowings	114			
41 except 414 & 415	2. Other long term liabilities	115			0
	III. SHORT TERM LIABILITIES (115+116+117+118+119+120)	116	16	8,526,341	8,437,227
42 except 427	1. Short term financial liabilities	117		7,306,988	6,787,190
427	2. Liabilities attributable to assets held for sale and discontinued operations assets	118			
43 & 44	3. Trade payables	119		1,165,211	1,495,784
45 and 46	4. Other short term liabilities and accruals	120	18	28,030	3,475
47, 48 except 481 and 49 except 498	5. Liabilities for VAT and other public revenues	121		26,112	150,778
481	6. Income tax payable	122			
498	IV. DEFERRED TAX LIABILITIES	123			
	C. ***TOTAL LIABILITIES (101+109)***	124		8,528,652	8,527,853
89	**D.** ***OFF-BALANCE SHEET LIABILITIES***	125		67,030	56,611

In Belgrade | Responsible person for the preparation of accounts | Legal representative

28 February 2013 | ____________________________ | ____________________________

Company: EKO SERBIA a.d.
Address: Tošin Bunar 274a, 11070 Novi Beograd
Identification number: 17413333
Business code:
Tax identification number: 100118236

INCOME STATEMENT

For the year ended 31 December 2012

(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		17,931,377	19,544,860
60 & 61	1. Sales	202	21	17,931,377	19,544,860
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		17,490,168	19,116,478
50	1. Cost of goods sold	208	23	16,223,576	17,896,916
51	2. Cost of materials	209	23	96,863	109,601
52	3. Cost of salaries, fringe benefits and other personal expenses	210	28	147,468	112,449
54	4. Depreciation and provisions	211	23	241,168	251,114
53 & 55	5. Other operating expenses	212	24	781,093	746,398
	III. OPERATING INCOME (201 – 207)	213		441,208	428,382
	IV. OPERATING LOSS (207 – 201)	214			
66	**V. FINANCIAL INCOME**	215		42,651	47,362
56	**VI. FINANCIAL EXPENSES**	216		1,090,494	1,304,517
67 & 68	**VII. OTHER INCOME**	217		241,427	199,433
57 & 58	**VIII. OTHER EXPENSES**	218		189,466	116,323
	IX. OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)	219			
	X. OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)	220		554,673	745,663
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		554,673	745,663

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		554,673	745,663
	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

28 February 2013

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CASH FLOW STATEMENT

For the year ended 31 December 2012

(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	21,047,269	24,460,611
1.	Sales and advances received	302	21,039,089	24,407,285
2.	Interest from operating activities	303	6,245	25,733
3.	Other inflow from operating activities	304	1,935	27593
II.	**Cash outflows from operating activities (1 to 5)**	305	21,541,485	25,979,328
1.	Payments and prepayments to suppliers	306	19,671,934	23,637,054
2.	Salaries, fringe benefits and other personal expenses	307	130,967	110,800
3.	Interest paid	308	1,068,340	1,531,841
4.	Income tax paid	309		
5.	Payments for other public revenues	310	670,244	699,633
III.	**Net cash inflow from operating activities (I-II)**	311		
IV.	**Net cash outflow from operating activities (II –I)**	312	494,216	1,518,717
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
I.	**Proceeds from investing activities (1 to 5)**	313	1,783	204
1.	Sale of shares/stakes (net inflow)	314		
2.	Proceeds from sale of intangible assets, PPE and biological assets	315	1,783	204
3.	Other financial investments (net inflow)	316		
4.	Interest received	317		
5.	Dividends received	318		
II.	**Cash outflows from investing activities (1 to 3)**	319	55,130	31,026
1.	Purchase of shares/stakes (net outflow)	320		
2.	Purchase of intangible assets, property, plant and equipment and biological assets	321	55,130	31,026
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	53,347	30,822

ITEM		EDP	Amount`	
			Current year	Previous year
1		2	3	4
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
I.	**Proceeds from financing activities (1to3)**	325	1,766,473	2,911,338
1.	Capital stock increase	326		1,545,490
2.	Proceeds from long term and short term borrowings (Net)	327	1,766,473	1,365,848
3.	Other long term and short term liabilities	328		
II.	**Cash outflows from financing activities (1 to 4)**	329	1,246,674	1,477,655
1.	Purchase of treasury shares and stakes	330		
2.	Long term, short term and other liabilities (net outflow)	331	1,246,348	1,476,370
3.	Financial lease	332	326	1,285
4.	Dividends paid	333		
III.	**Net proceeds from financing activities (I-II)**	334	519,799	1,433,683
IV.	**Net outflow from financing activities (II-I)**	335		
D.	**TOTAL PROCEEDS (301+313+325)**	336	22,815,525	27,372,153
E.	**TOTAL OUTFLOW (305+319+329)**	337	22,843,289	27,488,009
F.	**PROCEEDS NET (336-337)**	338		0
G.	**OUTFLOW NET (337-336)**	339	27,764	115,856
H.	**CASH AT THE BEGINNING OF ACCOUNTING PERIOD**	340	184,589	300,464
I.	**FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	341	1,296	0
J.	**FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	342		19
K.	**CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)**	343	158,121	184,589

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2013

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(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	3,031,625									3,031,625			711,155
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)	3,031,625									3,031,625			711,155
5. Total increase in previous year	1,545,490									1,456,818		88,762	

6. Total decrease in previous year													711,155
7. Balance as at 31 December of previous year (4+5-6)	4,577,115									4,488,443		88,672	
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)	4,577,115									4,488,443		88,672	
11. Total increase in current year										88,672			466,001
12. Total decrease in current year												88,672	
13. Balance as at 31 December of current year (10+11-12)	4,577,115									4,577,115			466,001

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2013

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Company: EKO SERBIA a.d.
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STATISTICAL ANNEX

For the year 2012

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	41	41

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	616,537	32,143	584,394
	1.2. Additions (purchases) during the year	607	199	xxxxxxxxxxxxx	199
	1.3. Disposals during the year (disposals, write-offs, impairment)	608		xxxxxxxxxxxxx	
	1.4. Revaluation during the year	609		xxxxxxxxxxxxx	
	1.5. Balance as at year end (606+607-608 + 609)	610	616,736	36,486	580,250
02	**2. Property, Plant and Equipment, and Biological Assets**				
	2.1. Balance as at beginning of year	611	7,263,711	1,318,110	5,945,601
	2.2. Additions (purchases) during the year	612	48,843	xxxxxxxxxxxxx	48,843
	2.3. Disposals during the year (disposals, write-offs, impairment)	613	3,509	xxxxxxxxxxxxx	3,509
	2.4. Revaluation during the year	614		xxxxxxxxxxxxx	
	2.5. Balance as at year end (611 + 612 – 613 + 614)	615	7,309,045	1,551,685	5,757,360

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	918,633	944,874
14	5. Non-current assets available-for-sale	620		
15	6. Prepayments	621	15,674	114,309
	TOTAL (616+617+618+619+620+621=013+014)	**622**	934,307	1,059,183

IV. **EQUITY**

(In RSD thousand)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	4,577,115	4,577,115
	- 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	4,577,115	4,577,115

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	8550	550
Partly 300	1.2. Face value of ordinary shares - Total	635	4,577,115	4,577,115
	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**	4,577,115	4,577,115

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	527,400	590,945
43	2. Payables from operations (Balance at year end 639 ≤ 117)	640	1,164,527	1,495,154
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	3,267,189	3,384,570
43	5. Payables from operations (Credit turnover less opening balance)	643	21,196,506	23,580,098
450	6. Net salaries and fringe benefits payable (Credit turnover less opening balance)	644	82,569	69,785
451	7. Tax on salaries and fringe benefits charged to employees payable (Credit turnover less opening balance)	645	13,297	11,047
452	8. Contribution on salaries and fringe benefits charged to employees payable (Credit turnover less opening balance)	646	15,002	13,894
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	268	569
47	11. VAT collected for products, goods and services sold (Credit turnover less opening balance)	649	3,476,545	3,608,670
	12. Control Total (from 639 to 649)	**650**	29,743,303	32,754,732

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	74,782	84,458
520	2. Cost of salaries and fringe benefits (gross)	652	111,391	82,317
521	3. Cost of taxes and contributions on salaries and fringe benefits charged to employer	653	15,179	12,028
522, 523, 524 and 525	4. Cost of fees for services rendered by natural persons (gross)	654	12,174	9,337
526	5. Cost of fees for members of management and supervisory boards (gross)	655	1,850	2,088
529	6. Other personal fees and expenses	656	6,874	6,679
53	7. Production services cost	657	266,306	234,174
533, part of 540 and part of 525	8. Rental costs	658	25,895	27,476
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	240,810	250,715
552	12. Insurance premium costs	662	1,615	1,849
553	13. Payment operations costs	663	56,879	51,502
554	14. Membership fees	664	1,894	1,447
555	15. Taxes	665	74,776	72,316
556	16. Contributions	666		
562	17. Interest payable	667	1,060,897	1,257,174
part of 560, part of 561 and 562	18. Interest payable and a portion of financial expenses	668	1,060,897	1,257,174
Part of 560, part of 561 and part of 562	19. Interest payable on bank loans and loans from other financial organizations	669	1,060,897	1,257,174
Part of 579	20. Cost of humanitarian, cultural, helth, educational, scientific and religious purposes, environmental protection and sports purposes.	670	5,123	4,310
	21. Control Total (from 651 to 670)	**671**	3,264,484	4,612,218

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	17,931,377	19,544,860
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	11,563	25,733
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**	11,563	25,733
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**	17,954,503	19,596,326

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	305,963	402,366
2. Custums and other import duties calculated (annual Total as per calculation)	682		
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**	305,963	402,366

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2013

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EKO SERBIA A.D. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. General information

Eko Serbia 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 ultimate parent of the Company is Hellenic Petroleum (incorporated in Greece).

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

The Company is registered as a closed joint stock company.

Number of employees as at 31 December 2012 was 41 (in 2011 the number was 41).

These individual financial statements are approved by the management as at 28 February 2013.

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

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 and IAS 7

These financial statements have been prepared under the historical cost convention. The preparation 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 adopted by the Company

Other revised standards and interpretations effective for the current period. The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, did not have any impact on these financial statements. The amendment to IAS 12 "Income taxes", which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these consolidated financial statements.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2013 and which the Company has not early adopted nor translated into Serbian

IFRS 9, Financial Instruments - I: Classification and Measurement. IFRS 9, issued in November, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. [The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

IFRS 13 "Fair Value Measurement", (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), which aims to improve disclosures and achieve consistency by providing a revised definition of fair value.

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), which aim to improve the disclosure of items presented in other comprehensive income.

2. Summary of significant accounting policies (continued)

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013), which makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013), which requires disclosures that will enable users to better evaluate the effect of netting arrangements, including rights of set-off.

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014), which clarifies the meaning of 'currently has a legally enforceable right of set-off'.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013) which consists of improvements to five standards.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013), which clarify the transition guidance in IFRS 10 "Consolidated Financial Statements" and provide additional transition relief from reporting comparative information under IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities".

The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

2.1.2 Going concern assumption

Management prepared financial statements using going concern assumption as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's short-term liabilities in the amount of RSD 8,526,341 (2011: RSD 8,437,227) are higher than short term assets in the amount of RSD 1,725,041 (2011: RSD 1,997,858). However, the Company also obtained a letter of support from Hellenic Petroleum SA, the ultimate parent, where it states:

''...Hellenic Petroleum SA confirms that it is its current policy to (i) maintain in EKO Serbia AD Beograd its 100 percent effective shareholding and (ii) ensure that EKO Serbia AD Beograd is in a position to meet its debt and capital expenditure commitments as they fall due. This policy will be reviewed 12 months from the date of this letter.
We, Hellenic Petroleum S.A., also confirm that we will provide support to EKO Serbia AD Beograd so as to ensure that it will be in the position to meet its liabilities when they fall due."

[1]

2. Summary of significant accounting policies (continued)

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.

2.3 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 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%
Leasehold improvements – buildings refurbishment	10%

[1] Letter of support received from Hellenic Petroleum S.A. dated 31 January 2013

2. Summary of significant accounting policies (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 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 building, 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.

2.7 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. Summary of significant accounting policies (continued)

2.8 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, 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 recoverable amount. 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' Note 10.

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.

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.

2.9 Off balance sheet assets/liabilities

Off balance sheet assets/liabilities include bills of exchange given to the suppliers and fuel vouchers.

2.10 Equity

Ordinary shares are classified as share capital. The Company is not listed on the Belgrade stock exchange since the Company is registered as a closed joint stock company. Note 14

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.

2.11 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.

2. Summary of significant accounting policies (continued)

2.12 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.

2.13 Trade payables

Trade payables are obligations to pay the supplier for goods or services received in the ordinary course of business from suppliers. Accounts payable are classified as current if they are due for payment within one year.

2.14 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 nor 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.

Deferred tax assets and liabilities are offset when there is a legal basis to offset current tax assets against current tax liabilities, when deferred tax assets and liabilities relate to the income tax established by tax authorities to one or a number of taxpayers, and in case of an intention to settle accounts on net basis.

2.15 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 Note 15

2. Summary of significant accounting policies (continued)

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. Note 15

b) *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.

2.16 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. The volume discounts are assessed based on estimated volume of annual turnover.

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.

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)

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.

2.17 Leases

a) Leases: Accounting by lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) 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 an intangible asset.

2.18 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, credit risk and liquidity 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*

Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from purchases of fuel primarily in 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.

(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. Wholesale receivables from major customers are secured with obtained bank guarantees.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Company uses internal ratings of credit quality, taking into account financial position of a customer, annual turnover, year-end balance, terms of payment, past experience and other factors. The utilization of credit limits is regularly monitored.

(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. For more details on credit facilities, see note 17.

The table below analyses the Company's 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2012	**Less than 1 year**
Borrowings	7,306,988
Finance lease liabilities	-
Trade payables and other current liabilities	1,165,211

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3. Financial risk management (continued)

(d) *Cash flow* i*nterest rate risk*

The Company has short term borrowings issued at variable rates which exposed it to the cash flow interest rate risk. Any change in the base interest rate (2 weeks REPO) has a proportionate impact on the Company's results. As 31 December 2012 if interest rates in RSD denominated borrowings had been 0.5% higher with all other variables held constant, pre tax losses for the year would have been RSD 43,338 higher.

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.

Corporate strategy in 2012 has not changed compared to 2011. At 31 December 2012 and 2011 the gearing ratio of the Company was as follows:

	2012	**2011**
Total borrowings (notes 15 and 16)	7,306,988	6,786,864
Less: cash and cash equivalents (note 10)	158,121	184,589
Net debt	7,148,867	6,602,601
Total equity	(466,001)	88,672
Total capital	6,682,866	6,691,273
Gearing ratio	**106,97%**	**98,59%**

As stated in note No. 2.1.2. Company's liabilities exceed its assets, therefore equity is negative as at 31 December 2012. Regarding this matter, Company received letter of support from the Parent Company and management believes that the Company will continue in operation in foreseeable future without the intention or necessity of liquidation, cessation of trading or seeking protection from creditors in accordance with the laws.

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.

4. Critical accounting estimates and judgements (continued)

a) *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.

b) *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 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.

e) Impairment of non-current assets

Management analyses the indicators of decline in the recoverable value of non-current assets to ensure that carrying amounts of non-current assets do not differ materially from recoverable amounts. The analysis is based on individual petrol stations and discounted cash flows for the foreseeable future.

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.

5. Intangible assets

At 1 January 2011	Software and Licences	Other software development costs	Right of use of land	Total
Cost	19,916	6,290	2,003,588	2,029,794
Accumulated amortisation	(14,559)	(1,171)	-	(15,730)
Net book value	**5,357**	**5,119**	**2,003,588**	**2,014,064**
Year ended 31 December 2011				
Opening net book amount	5,357	5,119	2,003,588	2,014,064
Additions	-	-	-	-
Transfer from PPE	-	-	(1,413,256)	(1,413,256)
Amortization charge (note 23)	(774)	(629)	(575,321)	(16,414))
Closing net book value	**4,583**	**4,490**	**575,321**	**584,394**
At 31 December 2011				
Cost	19,916	6,290	590,332	616,538
Accumulated amortisation	(15,333)	(1,800)	(15,011)	(32,144)
Net book value	**4,583**	**4,490**	**575,321**	**584,394**
Year ended 31 December 2012				
Opening net book amount	4,583	4,490	575,321	584,394
Additions	199	-	-	199
Transfer to PPE	-	-	-	-
Amortization charge (note 23)	(773)	(629)	(2,941)	(4,343)
Closing net book value	**4,009**	**3,861**	**572,380**	**580,250**
At 31 December 2012				
Cost	20,115	6,290	590,332	616,737
Accumulated amortisation	(16,106)	(2,429)	(17,952)	(36,487)
Net book value	**4,009**	**3,861**	**572,380**	**580,250**

Amortization expense of RSD 4,343 (2011: RSD 16,414) is included in operating expenses in income statements, (Note 23).

6. Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Construction in progress (CIP)	Leasehold improvements	Advances for PPE	Total
At 1 January 2011							
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**
Year ended 31 December 2011							
Opening net book amount	779,591	3,162,459	294,807	267,514	38,490	184,428	4,727,289
Additions	-	12,430	15,638	10,640	872	-	39,580
Transfer to intangibles	1,741,983	2,686	1,218	(138,575)	(125)	(224,354)	1,413,256
Disposals (note 27)	(27,856)	-	(2,851)	30,4230	-	-	(30,707)
Depreciation charge(note 23)	-	(149,923)	(85,863)	-	(7,957)	39,926	(203,817)
Closing net book value as at 31 December 2012	**2,493,718**	**3,027,652**	**222,949**	**170,002**	**31,280**	**-**	**5,945,601**
At 31 December 2012							
Cost or valuation	2,493,718	3,754,238	774,684	170,002	71,069	-	7,263,711
Accumulated depreciation	-	(726,586)	(551,735)	-	(39,789)	-	(1,318,110)
Net book value	**2,493,718**	**3,027,652**	**222,949**	**170,002**	**31,289**	**-**	**5,945,601**
Year ended 31 December 2012							
Opening net book amount	2,493,718	3,027,652	222,949	170,002	31,280	-	5,945,601
Additions	-	19,511	20,293	4,130	4,909	-	48,843
Transfer from intangibles	_	202	367	(1,000)	431	-	-
Disposals (note 27)	-	-	(3019)	(490)	-	-	(3,509)
Depreciation charge (note 23)	-	(150,529)	(75,010)	-	(8,036)	-	(233,575)
Closing net book value as at 31 December 2012	**2,493,718**	**2,896,836**	**165,580**	**172,642**	**28,584**	**-**	**5,757,358**
At 31 December 2012							
Cost or valuation	2,493,718	3,773,951	792,325	172,642	76,409	-	7,309,045
Accumulated depreciation	-	(877,115)	(626,745)	-	(47,825)	-	(1,551,685)
Net book value	**2,493,718**	**2,896,836**	**165,580**	**172,642**	**28,584**	**-**	**5,757,358**

Depreciation expense of RSD 233,575 (2011 RSD: 203,817) is shown under operating expenses in income statement.

7 Financial instruments by category

	Loans and receivables
As at 31 December 2011	
Assets as per Balance Sheet	
Trade and other receivables (note 9)	618,325
Cash and cash equivalents (note 10)	184,589
Total	**802,914**

	Other financial liabilities
As at 31 December 2011	
Liabilities as per Balance Sheet	
Trade and other payables	1,495,784
Borrowings	6,786,864
Leases	326
Total	**8,282,974**

	Loans and receivables
As at 31 December 2012	
Assets as per Balance Sheet	
Trade and other receivables (note 9)	569,633
Cash and cash equivalents (note 10)	158,121
Total	**727,754**

	Other financial liabilities
As at 31 December 2012	
Liabilities as per Balance Sheet	
Trade and other payables	1,165,211
Borrowings	7,306,988
Leases	-
Total	**8,472,199**

8. Credit quality of financial assets

The credit quality of trade receivables that are neither past due nor impaired can be assessed by historical information about counterparty default rates:

	2012	2011
Trade receivables		
Group 1	289,868	387,730
Group 2	237,557	203,215
Total	**527,400**	**590,945**

In Group 1, the Company classifies customers with bank guarantees and other collaterals.

In Group 2 the Company classifies other customers.

9. Inventories

	2012	2011
Merchandise	897,319	944,874
Advances	15,674	114,309
Total inventories – net	**912,993**	**1,059,183**

Total shortages in 2012 amounted to RSD 180,418 and are recorded as other expenses (Note 26) and the surpluses for 2012 in RSD 164,285 are recorded in other income (Note 21).

10. Receivables

	2012	2011
Trade receivables	548,790	612,335
Receivables from employees	415	504
Receivable from state fund for sick leave reimbursement	12,951	4,534
Receivables for shortage on petrol stations from managers	21,315	-
Total receivable – Net	**591,023**	**639,715**
Less provision for bad debt	(21,390)	(21,390)
Current receivable	**569,633**	**618,325**

	2012	2011
Trade receivables	**548,790**	**612,335**
Less: provision for impairment of trade receivables	21,390	21,390
Trade receivables - net	527,400	590,945
Prepayments	6,688	23,629
Receivables from related parties	1,207	1,121
Total	**519,505**	**566,195**

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

	2012	2011
At 1 January	21,390	21,578
provision for receivables impairment (Note X)		
Reversal of provision (Note X)	-	188
At 31 December	**21,390**	**21,390**

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.

11. Cash and cash equivalents

	2012	**2011**
Credit cards	38,137	46,024
Current accounts	76,580	56,851
Cash in hand - petrol stations	35,841	72,386
Foreign account	7,563	9,328
	158,121	**184,589**

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.

	2012	**2011**
Tekući računi		
Vojvodjanska bank	49,594	8,756
Alpha bank	1	2,030
Euro bank	1,881	28,802
Euro bank - subaccount	88	279
Intesa bank	24,954	8,206
Credit Agricole bank	-	18
Transfer account	62	8,760
Foreign cash account-Euro banka	9,328	9,328
Ukupno	**84,143**	**66,179**

Cash at foreign accounts is denominated in EUR.

12. VAT receivable and prepaid expenses

	2012	**2011**
VAT receivable	4,285	50,088
Prepaid expenses	69,267	77,167
Other	10,742	8,506
Total	**84,294**	**135,761**

13. Off balance sheet assets and liabilities

The Company has issued the following instruments to the third parties:

- Bank guarantee in the amount of EUR 29, (RSD 3,298) in favour of City of Belgrade, according to supply contract
- Bank guarantee in amount of RSD 15,000 in favour of DIN (Duvanska industrija Nis), in accordance with the contract
- Blank promissory notes in favour of:
  - EFG Belgrade as loan guarantee (note 16)
  - NBG Belgrade as loan guarantee (note 16)

14. Equity

Movement table is as follows:

	Share capital	Retained earnings/(loss)	Total
Balance at 1 January 2011	**3,031,625**	**(3,742,780)**	**(711,156)**
Profit (loss) for the year	-	(745,663)	(745,663)
Additional capital	1,545,490	-	1,545,490
Balance at 31 December 2011	**4,577,115**	**(4,488,443)**	**88,672**
Balance at 1 January 2012	**4,577,115**	**(4,488,443)**	**88,672**
Profit (loss) for the year	-	(554,673)	(554,672)
Additional capital	-	-	-
Balance at 31 December 202	**4,577,115**	**(5,043,116)**	**466,001**

15. Long - term provisions

a) Compensations and other employee benefits

The Company has a legal obligation to pay the three average salaries to retiring workers, at the level of the average salary in Republic of Serbia in the moment of their retirement. Part of retirement benefits currently due is subject of annual assessment and current year costs are burdened for amount of estimated employee benefits that are currently due. If an employee has 10 years of experience (of envisaged 40) he has so far realised 25% of the value of future retirement benefits.

	2012	2011
Employee benefits	2,311	1,954
	2,311	**1,954**

The amounts recognized in the income statement

	2012	2011
Net actuarial losses recognized during the year	358	398
Total (included in salary expenses)	**358**	**398**

During calculation of liability for compensation and other employee benefits, Company used official information and data published by representative bodies.

b) Bonuses

Provisions for profit sharing and bonuses are payable within the period of three months after the adoption of audited financial statements.

16. Short term financial liabilities

	2012	2011
Short term borrowings	7,306,988	6,786,864
Current portion of financial lease liabilities	-	326
Total	**7,306,988**	**6,787,190**

Bank	As at 31 December 2012	As at 31 December 2011
NBG Belgrade	1,605,000	1,605,000
NBG Belgrade	1,983,000	1,981,245
NBG Belgrade	563,000	559,000
EFG Belgrade	1,003,848	489,478
EFG Belgrade	245,989	245,990
EFG Belgrade	1,625,474	1,625,474
EFG Belgrade	280,677	280,677
Total	**7,306,988**	**6,786,864**

Bank	Use	Limit	Maturity	Currency	Interest rate
NBG Belgrade	Working capital, refinancing	1,605,000	30-Jun-13	RSD	2W Repo + 3.5%
NBG Belgrade (note 34)	Working capital, refinancing	1,983,000	28-Feb-13	RSD	2W Repo + 3.5%
NBG Belgrade	General purposes	563,000	30-Jun-13	RSD	2W Repo + 3.5%
EFG Belgrade	Working capital	1,003,848	6-Dec-13	RSD	2W Repo + 6.25%
EFG Belgrade	Working capital	245,989	16-May-13	RSD	2W Repo + 6.25%
EFG Belgrade	Working capital	280,677	16-May-13	RSD	2W Repo + 6.25%
EFG Belgrade	Working capital	1,625,474	16-May-13	RSD	2W Repo + 6.25%

The company has no current credit lines

17. Trade payables

	2012	2011
Customer prepayments	7,372	24,259
Trade payables – domestic	971,164	1,334,366
Trade payables – foreign	186,674	137,160
Total	**1,165,211**	**1,495,784**

Trade payables amounting to RSD 137,160 are denominated in EUR as at 31 December 2012.
For disclosures about related parties, refer to Note 31 .

18. Other current liabilities and accrued expenses

18.1. Other current liabilities

	2012	2011
Liabilities for unpaid wages and salaries, gross	3,569	3,475
	3,569	**3,475**

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

	2012	2011
Liabilities for interest and finance expenses	24,461	69,571
Liabilities for excise on LPG	-	17,099
Accrued expenses	17,739	22,642
VAT liabilities	8,373	41,466
Total	**50,573**	**150,778**

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 1.231.119 (2011: RSD 1.186.652 thousand), as it is the uncertain realization of taxable profit to the funds realized in the period in which it is allowed.

20. Revenue

	2012	2011
Sales	18,028,821	19,655,694
Rebate	(97,444)	(110,834)
Total net sales	**17,931,377**	**19,544,860**

21. Other operating income

	2012	2011
Income from disposal of assets	60	440
Rental income	12,126	11,287
Income – surplus of inventories	164,285	118,546
Income – from renting advertisement space	63,705	42,747
Recharged expenses to managers of petrol stations	1,251	26,413
Total	**241,427**	**199,433**

22. Operating expenses

	2012	2011
Cost of goods sold	16,223,576	17,896,916
Material costs	96,863	109,601
Wages and salaries (note 27)	147,468	112,449
Depreciation and amortization (note 5,6)	237,301	220,231
Provisions	358	399
Disposal of assets	3,509	30,707
Other operating expenses (note 24)	781,093	746,398
	17,490,168	**19,116,701**

Material cost includes:

	2012	2011
Fittings	3,755	5,806
Other overhead material	21,116	20,873
Own consumption	6,546	5,271
Electricity	64,390	76,134
Material consumed in process of sales	1,056	1,517
Total	**96,863**	**109,601**

23. Other operating expenses

	2012	2011
Legal	4,367	
Audit	4,515	3,972
Security	17,840	18,916
Transportation services	4,840	1,135
Maintenance	104,774	79,445
Computer software maintenance	6,186	7,152
Rental costs	25,895	28,707
Fairs	4,209	4,724
Advertising and representation costs	82,711	58,591
Consulting services	22,506	19,133
Petrol stations management fees	323,554	338,037
Public services	12,697	18,178
Costs of other services	9,892	10,244
Costs of non production services	3,413	3,035
Representation costs	6,392	5,406
Insurance premium	1,615	1,849
Bank charges	56,879	51,502
Membership fees	1,894	1,447
Employee trainings	775	559
Taxes and contributions	74,776	72,316
Mail services	11,357	22,050
Total	**781,093**	**746,398**

24. Finance income

	2012	2011
Interest income	11,563	25,733
Foreign exchange Bains	31,088	21,629
Total	**42,651**	**47,362**

25. Finance expenses

	2012	2011
Interest expenses	1,061,169	1,257,475
Interest expenses – net	**1,061,169**	**1,257,475**
Foreign exchange losses	29,325	47,042
Total	**1,090,494**	**1,304,517**

26. Other expenses

	2012	2011
Shortages	180,418	108,630
Write off of merchandise	1,533	1,256
Receivables written off	6,673	2,568
Other	842	3,855
Total	**189,466**	**116,323**

27. Wages and salaries

	2012	2011
Wages and salaries (gross)	111,391	82,317
Taxes and contributions on wages and salaries paid by employer	15,179	12,027
Fees paid to management and supervisory board members	1,850	2,088
Cost of special service and temporary service agreements	12,174	9,337
Other personal expenses and benefits	6,874	6,680
Total	**147,468**	**112,449**

28. Income tax expense

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

	2012	2011
Loss before tax	(554,673)	(745,663)
Tax calculated at statutory tax rate – 10% on loss	(55,467)	(74,566)
Tax effect of:		
Expenses not deductible for tax purposes	11,000	10,403
Tax losses for which no deferred income tax assets was recognised	44,467	64,163
Tax charge	-	-

29. Contingencies

(a) *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.

(b) *Insurance policies*

The Company holds insurance policies at Delta Generali insurance in relation to its assets, operations and other insurable risks.

(c) *Environmental matters*

Environmental regulations are developing in the Republic of Serbia and the Company has not recorded any liability at 31 December 2011 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.

(d) *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,

(e) *Bank and other guarantees*

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 18,298 to third parties (note 12).

30. 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

	2012	2011
Purchase of goods:		
- HELLENIC PETROLEUM (purchase of fuel)	1,082,104	907,168
- EKO ELDA (purchase of fuel)	54,730	22,210
- OKTA (purchase of fuel)	110,694	441,080
- ELPE STATUTORY	6,810	12,557
- ELPE CONSULTING (purchase of services)	-	-
- JUGOPETROL KOTOR	-	77,489
Total	**1,254,338**	**1,460,504**

b) Sales of goods and services

	2012	2011
Sales of goods and services		
- OKTA	13,836	-
-JUGOPETROL KOTOR	15,781	7,984
	29,617	**7,984**

c) Year end balances arising from purchases of goods/services

	2012	2011
Payables to related parties (Note 17)		
- EKO ELDA	23,456	150
- HELLENIC PETROLEUM	161,661	55,465
- OKTA	75	47,369
- JUGOPETROL KOTOR	-	24,738
	185,192	**127,722**

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

d) Key management considerations

The key management received amount of RSD 7,751 (2011: RSD 8,371) as salary and bonuses during 2012.

Chief accountant

Milka Vrtikapa

Executive Director

Goran Dejanović