O K T A Рафинерија на нафта
Акционерско друштво
Бр. 01-3491
13.04. 2009 год.
Скопје 1

OKTA CRUDE OIL REFINERY A.D. - SKOPJE

Financial Statements

For the year ended 31 December 2008

With the Report of the Auditors Thereon

Content

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Directors and Shareholders of OKTA crude oil refinery A.D. - Skopje

Report on the Financial Statements

We have audited the accompanying financial statements of OKTA crude oil refinery A.D. - Skopje, which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Laws and Regulations of the Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as described below, we conducted our audit in accordance with International Standards of 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.

PRICEWATERHOUSECOOPERS

Basis for Qualified Opinion

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkanike S.A. (the parent company of OKTA crude oil refinery AD Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in the amount of approximately MKD 769,497,000 which arise from liabilities relating to the period prior to the acquisition. Based on information available to the Company, EL.P.ET Balkanike S.A. considered that amount to be recoverable from the Government of the Republic of Macedonia. EL.P.ET Balkanike S.A. accordingly filed a legal action against the Government of the Republic of Macedonia to recover these amounts. During 2007 EL.P.ET Balkanike S.A. won the legal action and on 31 December 2007 representatives from EL.P.ET Balkanike S.A. and the Government of the Republic of Macedonia agreed on a settlement on the matter. As of the date of this report, the Management of the Company understands that EL.P.ET Balkanike S.A. has not confirmed that the settlement agreement has been fully executed and as a result the Company continues to carry the amount as a receivable. We did not receive sufficient appropriate audit evidence to assess whether the Company will be able to fully recover the balance of MKD 769,497,000. Our report on the Financial Statements as of 31 December 2007 and for the year then ended was modified accordingly.

Qualified Opinion

In our opinion, except for the effect of matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of OKTA crude oil refinery A.D. - Skopje as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with Laws and Regulations of the Republic of Macedonia.

General Manager

Ljube Gjorgjievski

Certified auditor

Ljube Gjorgjievski

Skopje
8 April 2009

PricewaterhouseCoopers Revizija DOO Skopje

(all amounts are in thousands of MKD unless otherwise stated)

Income statement

	Note	Year ended 31 December 2008	2007
Sales	4	39,714,191	30,000,393
Cost of sales	5	(40,391,016)	(28,606,003)
GROSS (LOSS)/ PROFIT		**(676,825)**	**1,394,390**
Administrative expenses	6	(233,347)	(206,508)
Sales and distribution expenses	7	(186,537)	(187,237)
Other income	8	4,204	76,365
Other expenses	9	(20,532)	(91,131)
OPERATING (LOSS)/ PROFIT		**(1,113,037)**	**985,879**
Finance income / (costs) net	10	(263,790)	89,997
(LOSS)/ PROFIT BEFORE TAXATION		**(1,376,827)**	**1,075,876**
Income tax expense	11	-	(87,827)
NET (LOSS)/ PROFIT		**(1,376,827)**	**988,049**

(all amounts are in thousands of MKD unless otherwise stated)

Balance sheet

	Note	Year ended 31 December 2008	2007
ASSETS			
Non-current assets			
Intangible assets	13	163	258
Property, plant and equipment	12	2,596,668	2,486,683
Total non-current assets		**2,596,831**	**2,486,941**
Current assets			
Inventory	14	707,182	1,620,504
Trade receivables	15	2,642,768	3,751,194
Other receivables	16	861,354	817,137
Available-for-sale financial assets	17	11,220	39,937
Cash and cash equivalents	18	325,346	1,406,905
Prepaid expenses	19	4,852	40,888
Total current assets		**4,552,722**	**7,676,565**
TOTAL ASSETS		**7,149,553**	**10,163,506**
EQUITY AND LIABILITIES			
Share capital		2,472,820	2,472,820
Revaluation and other reserves		1,676,980	1,355,885
Retained earnings		1,049,480	2,776,260
Total equity		**5,199,280**	**6,604,965**
Trade payables	20	1,174,623	2,800,100
Accrued liabilities	21	26,212	19,983
Other current liabilities	22	749,438	738,458
Total liabilities		**1,950,273**	**3,558,541**
TOTAL LIABILITIES AND EQUITY		**7,149,553**	**10,163,506**

The financial statements of OKTA A.D. – Skopje were authorised for issue by the Management on 26 February 2009. These financial statements are subject to approval of the Management Board and the Company's Annual Shareholders Assembly.

Signed on behalf of the Management of OKTA Crude oil refinery A.D. Skopje:

Lampros Zogopoulos
Chief Executive Officer

Рафинерија на нафта OKTA Скопје Акционерско друштво

Srecko Surkov
Director of Directorate of Finance and Administration

(all amounts are in thousands of MKD unless otherwise stated)

Statement of changes in equity

	Capital	Revaluation and other reserves	Retained Earnings	Total
Balance at 01 January 2007	**2,472,820**	**115,239**	**3,029,204**	**5,617,263**
Appropriation of statutory reserves	-	370,923	(370,923)	-
Reinvestment of income	-	869,723	(869,723)	-
Net profit for 2007	-	-	988,049	**988,049**
Paid dividends	-	-	(1,349)	**(1,349)**
Retirement benefits obligations	-	-	1,002	**1,002**
Balance at 31 December 2007	**2,472,820**	**1,355,885**	**2,776,260**	**6,604,965**
Appropriation of statutory reserves	-	123,795	(123,795)	-
Transfer to other reserves *1)	-	225,660	(225,660)	-
Fair value of available for sale investments	-	(28,360)	-	**(28,360)**
Net profit / loss for 2008	-	-	(1,376,827)	**(1,376,827)**
Paid dividends	-	-	(1,354)	**(1,354)**
Retirement benefits obligations	-	-	856	**856**
Balance at 31 December 2008	**2,472,820**	**1,676,980**	**1,049,480**	**5,199,280**

According to Macedonian regulations, the Company is required to have compulsory general reserve established through apportionment of a portion of its net profits. The annual contribution to the general reserve may not be less than fifteen percent (15%) of the profit, unless or until the company's reserves reach an amount equal to one-fifth of its basic capital.

*1) Transfer from retained earnings to other reserves represents reinvestment of profit in accordance with the Income Tax Law. On the basis of such reinvested profit the Company will be eligible for deduction of the tax base in the year when the capital investment occurred.

(all amounts are in thousands of MKD unless otherwise stated)

Cash flow statement

	Year ended 31 December 2008	2007
Operating activities		
Profit before tax for the year	**(1,376,827)**	**1,075,876**
Adjustments for:		
Depreciation	157,035	152,390
Impairment on fixed assets	-	-
Gain on available for sale financial assets	-	50,483
Interest income	(92,802)	(153,312)
Interest expense and bank charges	16,785	17,358
Foreign exchange gain	(685,032)	(217,789)
Foreign exchange loss	1,025,046	265,893
Dividend income	(207)	(2,148)
Gain on sale of equipment	(713)	(4,188)
Cash generated from operations before changes in working capital	**(956,715)**	**1,184,563**
Operating activities		
Increase (decrease) in inventories	913,323	(53,603)
Increase (decrease) in receivables	1,100,602	(549,050)
Decrease (increase) in payables	(1,529,710)	551,898
Cash generated from operations	**(472,500)**	**1,133,808**
Interest and bank charges paid	(16,785)	(17,358)
Income taxes paid	(77,413)	(87,884)
Cash flows from operating activities	**(566,698)**	**1,028,566**
Investing activities		
Acquisition of property, plant and equipment	(267,215)	(334,372)
Proceeds from sale of property, plant and equipment	713	4,188
Interest received	92,802	153,312
Dividends received	207	2,148
Foreign exchange gain	685,032	217,789
Foreign exchange loss	(1,025,046)	(265,893)
Cash flows from investing activities	**(513,507)**	**(222,828)**
Financing activities		
Dividends paid	(1,354)	(1,349)
Net cash used in financing activities	**(1,354)**	**(1,349)**
Net increase (decrease) in cash and cash equivalents	(1,081,559)	804,389
Cash and cash equivalents at 1 January	1,406,905	602,516
Cash and cash equivalents at 31 December (note 18)	**325,346**	**1,406,905**

(all amounts are in thousands of MKD unless otherwise stated)

1. General information

OKTA Crude oil refinery A.D. Skopje (hereinafter "the Company") is a joint stock company established on 26 March 1980. The Company is owned 81.51% by EL.P.ET Balkanike, a company jointly controlled - 63% by Hellenic Petroleum S.A. and 37% by Consorcium of banks APE. The parent company is incorporated in Greece.

The Company's main activities involve refining of crude oil and distribution of oil derivatives. The company is of hydroskimming type with a nominal capacity of 2.5 million tons a storage capacity of 250,000 mC. The following products are part of the production range: oil, liquid gas, regular and unleaded petrol, diesel fuels, heating fuel, oils and other derivatives.

In 2008, the Company has 863 employees (2007: 927 employees).

The address of the Company is as follows:
s. Miladinovci, bb
P.O. Box 66,
1000 Skopje
Republic of Macedonia

The names of the Directors of the Company serving during the financial year and to the date of this report are as follows:

Chief Executive Officer	Lampros Zogopoulos (appointed on the Shareholder's Assembly held on 29.05.2008)
Chief Executive Officer	Ioannis Psychogyios (from 01.04.2005 to 29.05.2008)
Director of Directorate of Finance and Administration	Srecko Surkov

The financial statements of OKTA A.D. – Skopje were authorised for issue by the Management on 28 February 2009. These financial statements are subject to approval of the Management Board and the Company's Annual Shareholders Assembly.

2. Accounting policies

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

2.1. Basis of preparation

These financial statements are prepared, in all material respects, in accordance with Trade Law (Official Gazette No. 28/2004) and Rule Book for Accounting (Official Gazette No. 94/2004 and 11/2005 and No. 40/1997 and 73/99). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and depreciation.

2.2. Foreign currencies

Transaction denominated in foreign currencies has been translated into Macedonian Denars at the middle exchange rate at the date of transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars ("Denars") at the National Bank of the Republic of Macedonia middle exchange rate on the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the Statement of Income as other financial income or expenses in the period in which they arose.

(all amounts are in thousands of MKD unless otherwise stated)

2. Accounting policies (continued)

2.2. Foreign currencies (continued)

Exchange rate:

	31 December 2008 MKD	31 December 2007 MKD
EUR	61.41	61.20
USD	43.56	41.65

2.3. Property, plant and equipment

Property, plant and equipment are recorded at cost and they are revaluated at the year-end by applying official revaluation coefficients based on the general manufactured goods price index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation. The effect of the revaluation of property, plant and equipment has been credited to the revaluation reserve.

Additions of the property, plant and equipment are revaluated using by the official indexes of revaluation, which are accumulative, calculated since their acquisition, or construction till the end of the current year. The next year depreciation is based on revalued value of property, plant and equipment stated at year-end.

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

Disposal of property, plant and equipment represents expense or technology obsoleteness or other type of elimination of property, plant and equipment, including the accumulated provision. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

Depreciation of property, plant and equipment is provided at rates not lower than those prescribed by law and is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilization of the property, plant and equipment has started.

The principal useful lives in use are:

Buildings	40 years
Computers	4 years
Equipment	20 years
Other equipment and vehicles	5 - 10 years

The costs of regular maintenance and repairs are charged to operating cost as incurred.

Improvements to existing fixed assets are capitalized as incurred.

(all amounts are in thousands of MKD unless otherwise stated)

2. Accounting policies (continued)

2.4. Intangible assets

Developed computer software is capitalised on the basis of the costs incurred to develop and bring to use the specific software. These costs are amortised over their estimated useful lives (4 years).

2.5. Inventories

Inventories are stated at cost of sales. Cost of sales represent purchase price, customs duties, and other purchase costs. The cost of crude oil inventory is determined by using FIFO method, whereas the cost of spare parts is determined on a weighted average cost basis. The cost of finished goods and work in progress comprises the costs of direct materials and labour and a proportion of manufacturing overheads, however excluding borrowing costs.

2.6. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. 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 in payments are considered indicators that the trade receivable is impaired.
The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

2.7. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
Regular purchases and sales of investments are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.
Dividends on an available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.
Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in equity.
When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from available for sale investments'

2.8. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances in denar and foreign currency, and deposits in banks with original maturity with less than 3 months.

2.9. Share capital

Ordinary and priority shares are classified as equity.

2.10. Trade payables

Trade payables are initially recognised and carried at original invoice amount.

(all amounts are in thousands of MKD unless otherwise stated)

2. Accounting policies (continued)

2.11. Income taxes

Taxes currently due are calculated and paid in accordance with the Macedonian Income Tax Law. The estimated tax on monthly profit is paid in advance as determined by the tax authorities. Final taxes on profit of 10% are payable based on the annual profit shown in the statutory Income Statement.

2.12. Employees Benefits

a) Pension

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.
The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

b) Termination and retirement benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Pursuant to the Labour law prevailing in the Republic of Macedonia, the Company is obliged to pay retirement benefits in an amount equal to two average republic salaries. According to the Collective bargaining agreement, the Company is obliged to pay up to one average republic salary for jubilee anniversary award. The number of average republic salaries for jubilee anniversary awards corresponds to the total number of years of service of the employee as presented in the table below:

Total number of Service Years	Percentage from one average republic salary
10	50% from one average republic salary
20	70% from one average republic salary
30	100% from one average republic salary

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the present value of expected future cash payments towards the qualifying employees.

2.13. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of Company's activities.
Sales are recognised upon delivery of products and customer acceptance, net of sales taxes and discounts.

Other revenues earned by the Company are recognised on the following bases:
Interest income - as it accrues unless collectibles is in doubt.
Dividend income – it is recognised when the right to receive payment is established.

2. Accounting policies (continued)

2.14. Dividend distribution

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

2.15. Comparative information

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purpose. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

3. Financial risk management

3.1 Financial risk factors

The Company does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the income statement. The Company is exposed in particular to risks from movements in exchange rates and market prices that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

(i) Market risk

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. As the vast majority of the revenues and expenses of the Company arise in MKD, the functional currency of the Company is MKD, and as a result, the Company objective is to minimize the level of its financial risk in MKD terms. For the presentation of market risks sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity are required. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the balance sheet date. The balance at the balance sheet date is representative for the year as a whole.

Foreign exchange risk

The Company's functional currency is the Macedonian denar.

The foreign exchange risk exposure of the Company is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international companies as well as capital expenditure contracted with vendors in foreign currency.

The currency giving rise to this risk is primarily USD. The Company uses cash deposits in MKD. The Company manages the foreign exchange risk exposure by striving to lower the number of contracts with foreign operators in USD as relatively unstable currency in the period. The Company has very small cash reserves in USD currency.

The foreign currency risk sensitivity information is limited to the risks that arise on financial instruments denominated in currencies other than the functional currency in which they are measured.

3. Financial risk management (continued)

The Company realized more purchases in EUR and USD than its realized sales in USD, as it's single foreign currency used for sale transactions.. At 31 December 2008, if EUR would have been 1% (2007: 1%) weaker or stronger against MKD profit would have been MKD 277 thousand (2007: 639 MKD thousand) after tax in net balance higher or lower, respectively. At 31 December 2008, if USD would have been 1% (2007: 1%) weaker or stronger against MKD profit would have been MKD 6,514 thousand (2007: 24,049 MKD thousand) after tax in net balance higher or lower, respectively.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

The Company has no interest bearing liabilities. Changes in market interest rates affect the interest income on deposits with banks.

The Company had MKD 1,174,456,526 deposits as of 31 December 2007, 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 11,744,565 annually after tax, while similar decrease would have caused the same decrease in interest received. Amount of deposit is MKD 220,456,526 as of 31 December 2008, therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approx. MKD 2,204,565 annually after tax, while similar decrease would have caused the same decrease in interest received.

iii) Other price risk

As of 31 December 2008, the Company holds investments or other financial instruments in amount of MKD 11,220,000 (note 17), which could be affected by risk variables such as stock exchange prices.

3. Financial risk management (continued)

(iv) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its operating activities and certain financing activities. The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process, court proceedings, involvement of the executive unit and factoring. The overdue payments are followed through a debt escalation procedure based on customer's type, credit class and amount of debt. The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customers credit worthiness and through preventive barring – which determinates the credit limit based on the customer's previous traffic revenues. The Company has no significant concentration of credit risk with any single counter party or Company of counter parties having similar characteristics. The Company's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit. The Company has bank guarantees for the wholesalers in order to ensure their collectability and does not allow exceeding this limit. The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the balance sheet date.

Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

The following table represents Company exposure to credit risk in 2008 and 2007:

In thousands of denars	**2008**	**2007**
Deposits with banks	220,456	1,174,457
Cash and cash equivalents	104,516	232,028
Trade receivables	2,642,768	3,751,194
Trade creditors – domestic	(100,288)	(56,881)
Trade creditors – foreign	(928,640)	(2,742,217)
Other receivables	861,354	817,137
	2,800,166	**3,175,718**

Cash and cash equivalents in the table above exclude cash on hand as no credit risk exists for this category.

Largest amount of one deposit in 2008 is MKD 150,000,000 (2007: MKD 637,000,000) and the Company has deposits with 2 domestic banks (2007: 2 domestic banks).

(all amounts are in thousands of MKD unless otherwise stated)

3. Financial risk management (continued)

(v) Liquidity risk

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time. The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks. The Company's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Regular cash projections are prepared and updated by the Accounting Department.

All trade payables have maturity within one year.

(vi) 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.

(vii) Fair value estimation

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The table below shows the categorisation of financial assets as at 31 December 2008:

2008	**Carrying amount**	**Fair Value**
Cash and cash equivalents	104,890	104,890
Bank deposits	220,456	220,456
Trade receivables	2,642,768	2,642,768
Other current financial assets	861,354	861,354
Available-for-sale Investments	39,937	11,220
	3,869,405	**3,840,688**

The table below shows the categorisation of financial assets as at 31 December 2007:

2007	**Carrying amount**	**Fair Value**
Cash and cash equivalents	232,448	232,448
Bank deposits	1,174,457	1,174,457
Trade receivables	3,751,194	3,751,194
Other current financial assets	817,137	817,137
Available-for-sale Investments	18,553	39,937
	5,993,789	**6,015,173**

3.2 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. Estimates and judgments 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. The most critical estimates and assumptions are discussed below.

(i) Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

(ii) Potential impairment of property, plant and equipment and intangibles

We assess the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of operations and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

(iii) Impairment of trade and other receivables

We calculate impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the aging of our account receivables balance and our historical write-off experience, customer credit-worthiness and changes in our customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary. The estimates involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

(iv) Provisions

Provisions in general are highly judgmental, especially in the cases of legal disputes. The Company assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

(all amounts are in thousands of MKD unless otherwise stated)

4. Analysis of sales

	2008	2007
Sales on domestic market	26,692,878	22,303,280
Sales on foreign market	13,021,313	7,697,113
	39,714,191	**30,000,393**

The sales on domestic and foreign market represent sale of oil derivatives

5. Cost of Sales

	2008	2007
Consumed crude oil	35,463,258	25,218,259
Cost of traded goods	2,547,221	1,619,652
Expenses for chemicals	698,830	619,574
Inventory movements	701,911	351,745
Wages and salaries	207,628	197,107
Electricity	289,571	171,069
State contributions	127,791	127,130
Depreciation	126,916	126,837
Maintenance expenses	64,305	42,186
Insurance expenses	32,599	33,985
Other benefits	32,638	29,931
Personnel transportation expenses	20,793	19,678
Consumed food products	17,855	17,646
Miscellaneous expenses	16,253	15,561
Own consumption	4,602	4,247
Other fixed cost	12,812	7,916
Redundancy expenses	23,605	-
Telecommunication expenses	1,407	1,644
Overtime	-	-
Office supplies expenses	1,021	1,272
Other variable expenses	-	564
	40,391,016	**28,606,003**

(all amounts are in thousands of MKD unless otherwise stated)

6. Administrative expenses

	2008	2007
Salaries, wages, benefits	62,579	55,495
Contribution (social security etc.)	36,148	34,132
Depreciation	14,840	17,188
Public relation and advert expenses	17,354	8,121
Other benefits	9,976	9,249
Personnel transportation expenses	5,634	5,475
Insurance expenses	4,668	4,904
Consumed food products	4,918	4,651
Rental expenses	8,956	6,041
Telecommunication expenses	3,608	3,753
Maintenance expenses	4,333	2,263
Business travel	2,098	1,748
Office supplies expenses	1,425	1,797
Management and allocated expenses	1,261	1,265
Redundancy expenses	9,530	341
Other fixed cost	5,220	5,376
Miscellaneous expenses	40,799	44,709
	233,347	**206,508**

7. Sales and distribution expenses

	2008	2007
Transportation of oil products - in the country	42,473	60,728
Other variable expenses	27,028	19,298
Salaries, wages, benefits	25,176	24,895
Transportation of oil products – abroad	27,958	20,943
Depreciation	15,279	8,365
Contribution (social security etc.)	15,203	15,907
Other benefits	5,569	5,173
Miscellaneous expenses	2,111	1,850
Insurance expenses	3,038	2,686
Telecommunication expenses	1,929	2,092
Public relation and advert expenses	6,971	12,589
Consumed food products	1,688	1,846
Personnel transportation expenses	1,900	1,680
Office supplies expenses	1,241	1,203
Electricity	1,104	1,173
Maintenance expenses	1,665	1,283
Other fixed cost	6,204	5,526
	186,537	**187,237**

(all amounts are in thousands of MKD unless otherwise stated)

8. Other income

	2008	2007
Income from rents	2,364	-
Income from previous years	-	12,130
Income from gain on available-for-sale financial assets	-	21,384
Other income	837	1,914
Income from sale of fixed assets	1,003	6,899
Insurance reimbursements	-	47
Capital gain from sale –shares	-	33,991
	4,204	**76,365**

9. Other expenses

	2008	2007
Net book value of sold fixed assets	-	2,711
Pipeline charges	-	63,955
Prior year expenses	3,829	20,169
Other expenses	16,703	4,296
	20,532	**91,131**

10. Finance income / (costs)

	2008	2007
Foreign exchange gain	685,032	217,789
Foreign exchange loss	(1,025,046)	(265,893)
Interest income	92,802	153,312
Interest expenses	-	(30)
Income from dividends received	207	2,147
Bank charges	(16,785)	(17,328)
	(263,790)	**89,997**

11. Income tax expense

	2008	2007
(Loss) / Income before tax	(1,376,827)	1,075,876
Tax calculated at a tax rate of 10% (2007: 12%)	(137,683)	129,105
Expenses non tax deductible according to local regulations	3,425	1,578
Income not subject to tax	-	(5,051)
Tax allowance	-	(37,805)
Tax charge	**-**	**87,827**

The tax authorities are authorised to carry out a full-scope tax audit at the Company for the year ended 31 December 2008.
The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

(all amounts are in thousands of MKD unless otherwise stated)

12. Property Plant and Equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
At 1 January 2007					
Cost	126,876	2,998,766	4,611,118	424,887	**8,161,647**
Accumulated depreciation	-	(2,442,537)	(3,414,831)	-	**(5,857,368)**
Net book amount	**126,876**	**556,229**	**1,196,287**	**424,887**	**2,304,279**
Year ended 31 December 2007					
Opening net book amount	**126,876**	**556,229**	**1,196,287**	**424,887**	**2,304,279**
Additions	-	-	-	337,081	**337,081**
Transfer from construction in progress	-	17,224	106,193	(123,417)	-
Disposals (net book amount)	-		(2,709)	-	**(2,709)**
Depreciation charge	-	(32,961)	(119,007)	-	**(151,968)**
Closing net book amount	**126,876**	**540,492**	**1,180,764**	**638,551**	**2,486,683**
At 31 December 2007					
Cost	126,876	3,015,990	4,714,602	638,551	**8,496,019**
Accumulated depreciation	-	(2,475,498)	(3,533,838)	-	**(6,009,336)**
Net book amount	**126,876**	**540,492**	**1,180,764**	**638,551**	**2,486,683**
Year ended 31 December 2008					
Opening net book amount	**126,876**	**540,492**	**1,180,764**	**638,551**	**2,486,683**
Additions	-	-	-	267,215	**267,215**
Transfer from construction in progress	-	15,961	628,478	(644,439)	-
Disposals (net book amount)	-	-	(290)	-	**(290)**
Depreciation charge	-	(32,069)	(124,966)	-	**(157,035)**
Closing net book amount	**126,876**	**524,384**	**1,683,986**	**261,327**	**2,596,573**
At 31 December 2008	**126,876**	**524,384**	**1,683,986**	**261,327**	**2,596,573**
Cost	126,876	3,031,950	5,327,527	261,153	**8,747,236**
Accumulated depreciation	-	(2,507,568)	(3,643,006)	-	**(6,150,568)**
Net book amount	**126,876**	**524,382**	**1,682,541**	**261,153**	**2,596,668**

(all amounts are in thousands of MKD unless otherwise stated)

13. Intangible assets

	Software	Total
At 1 January 2007		
Cost	1,688	1,688
Accumulated amortisation and impairment	(1,008)	(1,008)
Net book amount	**680**	**680**
Year ended 31 December 2007		
Opening net book amount	680	680
Additions	-	-
Transfer from construction in progress	-	-
Disposal	-	-
Amortisation charge	(422)	(422)
Closing net book amount	**258**	**258**
At 31 December 2007		
Cost	1,688	1,688
Accumulated amortisation and impairment	(1,430)	(1,430)
Net book amount	**258**	**258**
Year ended 31 December 2008		
Opening net book amount	258	258
Additions	191	191
Transfer from construction in progress		
Disposal	(286)	(286)
Amortisation charge		
Closing net book amount	**163**	**163**
At 31 December 2008		
Cost	1,879	1,879
Accumulated amortisation and impairment	(1,716)	(1,716)
Net book amount	**163**	**163**

Total depreciation expense (of the tangible and intangible assets) in amount of MKD 126,916 (2007: MKD 126,837) has been charged in cost of sales, MKD 14,840 (2007: MKD 17,187) in administrative costs and MKD 15,279 (2007: MKD 8,365) in selling and distribution expenses.

14. Inventory

	2008	2007
Finished goods	99,880	640,664
Raw materials - crude oil	406,161	742,884
Work in progress	17,945	179,073
Trade goods	161,657	38,236
Spare parts in storage	20,881	19,249
Tools and consumables stores - inventory	658	398
	707,182	**1,620,504**

15. Trade receivables

	2008	2007
Trade receivables domestic	2,409,568	3,492,441
Trade receivables foreign	248,287	273,094
Impairment for bad and doubtful debts	(16,087)	(14,341)
	2,642,768	**3,751,194**

The ageing analysis of these trade receivables is as follows:

	2008	2007
Up to 3 months	2,398,276	3,716,989
3 to 6 months	18,535	26,326
6 months to 1 year	788	1,728
Over 1 year	87,977	98,866
	2,505,576	**3,843,909**

Movements on the provision for impairment of trade receivables are as follows:

	2008	2007
At 1 January	(14,341)	(14,341)
Provision for receivables impairment	(1,746)	-
At 31 December	**(16,087)**	**(14,341)**

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no individually significant impaired receivables.

As of 31 December 2008, domestic trade debtors of MKD 1,746 thousand are impaired. The ageing of these receivables is as follows:

In thousands of denars	2008	2007
More than 360 days	1,746	-
	1,746	**-**

15. Trade receivables (continued)

Real sale receivables of costumer and other receivables are presented as following:

	2008	2007
Net receivables of customers	2,628,476	3,701,445
Inter companies receivables	14,291	49,749
Other receivables	861,354	817,137
	3,504,121	**4,568,331**

The carrying amounts of the Company's trade and other receivables presented in thousands of MKD are denominated in the following currencies:

	2008	2007
MKD	3,254,584	4,294,943
EUR	17,065	16,537
USD	232,472	256,851
	3,504,121	**4,568,331**

16. Other receivables

	2008	2007
Receivable from Escrow account	769,497	769,497
Advance payments	5,233	2,791
Input VAT taxes	-	321
Receivable from workers	651	1,180
Other receivables	85,973	43,348
	861,354	**817,137**

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkanike S.A. (the parent company of OKTA crude oil refinery AD Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in the amount of approximately MKD 769,497,000 which arise from liabilities relating to the period prior to the acquisition.

17. Available-for-sale financial assets

	2008	2007
Beginning of the year	39,937	90,420
Disposals		(71,867)
Gains recognised in Income statement	(28,717)	21,384
End of the year	**11,220**	**39,937**

(all amounts are in thousands of MKD unless otherwise stated)

17. Available-for-sale financial assets (continued)

There were no impairment provisions on available-for-sale financial assets in 2008 and 2007. Available-for-sale financial assets are denominated in Macedonian denars and include the following:

	2008	2007
Investments in companies	6,624	23,449
Investments in banks	4,596	16,488
	11,220	**39,937**

18. Cash and cash equivalents

	2008	2007
Bank accounts in domestic currency	76,052	126,701
Foreign accounts	21,164	98,756
Cash on hand	374	420
Other cash and cash equivalents	6,886	5,833
Checks	414	738
Bank deposits	220,456	1,174,457
	325,346	**1,406,905**

Short-term bank deposits relate to time deposits up to one month in domestic and foreign currency. Deposits in domestic and foreign currency are placed in Stopanska Banka and Alfa Banka with up to one month maturity and interest rate of 6% for domestic deposits.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2008	2007
MKD	304,106	1,308,149
EUR	415	2
USD	20,825	98,754
	325,346	**1,406,905**

19. Prepaid expenses

	2008	2007
Prepaid expenses	4,852	40,869
Prepaid excise duties on border	-	19
	4,852	**40,888**

(all amounts are in thousands of MKD unless otherwise stated)

20. Trade payables

	2008	2007
Domestic trade payables	100,288	56,881
Foreign trade payables	928,640	2,742,217
Payables for non-invoiced goods	145,695	1,002
	1,174,623	**2,800,100**

21. Accrued liabilities

	2008	2007
Retirement benefit obligations	26,212	19,983
	26,212	**19,983**

22. Other current liabilities

	2008	2007
Advances received	33,632	27,277
Excise taxes payable	476,458	228,217
Other acc. payable - Chamber of commerce fee	264	244
Income taxes payable	3,824	19,159
Wages payable	29,306	27,020
Employee illness fund	366	293
VAT taxes payables	205,588	434,138
Withholding tax	-	2,110
	749,438	**738,458**

(all amounts are in thousands of MKD unless otherwise stated)

23. Related party transactions

The Company is controlled by EL.P.ET Balkanike, which owns 81.51% of the Company's shares. Ultimate parent is Hellenic Petroleum S.A, incorporated in Greece. The remaining 7.41% of the shares are held by the minor shareholders and 11.08% of shares are held by the Pension and Disability Fund.

The following transactions were carried out with related parties:

i) Sales of goods and services

Sales of goods	2008	2007
Eko Yu A.D. Beograd	-	26,658
GLOBAL -Albania	23,742	3,219
Hellenic Petroleum S.A.	53,314	-
	77,056	**29,877**

	2008	2007
Sales of services		
Vardax S.A.	1,511	2,887
Hellenic Petroleum S.A.	-	52,069
Eko Yu A.D. Beograd	-	77
	1,511	**55,033**

ii) Purchases of raw material, goods and services

	2008	2007
Purchases of raw material and goods		
Hellenic Petroleum S.A.	37,204,597	26,518,928
Hellenic Petroleum Chemicals S.A.	12,653	5,336
Eko Elda S.A.	876	2,308
Asprofos S.A.	21,900	7,047
	37,240,026	**26,533,619**

	2008	2007
Purchases of services		
Vardax S.A.	829,236	1,103,003
EL.P.ET Balkanike S.A.	43	3,392
	829,279	**1,106,395**

(all amounts are in thousands of MKD unless otherwise stated)

23. Related party transactions (continued)

iii) Outstanding balances arising from sale/purchase of goods/services

	2008	2007
Receivables arising from sale of goods		
Hellenic Petroleum S.A	13,241	7,971
GLOBAL Albania	2	3,219
	13,243	**11,190**

	2008	2007
Receivables arising from sale of services		
Hellenic Petroleum S.A	448	35,221
Vardax S.A.	599	3,336
EL.P.ET Balkanike S.A.	2	2
	1,049	**38,559**

	2008	2007
Payables arising from purchase of goods		
Hellenic Petroleum S.A.	693,889	2,397,124
Asprofos S.A.	2,579	-
Vardax S.A.	-	137,091
	696,468	**2,534,215**

	2008	2007
Payables arising from purchase of services		
Vardax S.A.	53,777	-
EL.P.ET Balkanike S.A.	-	11,965
	53,777	**11,965**

24. Contingences and commitments

a) Contingences with respect to bank guarantees

The company has contingent liabilities in respect of bank guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The company has bank guarantees in the amount of MKD 736,000,000 as at 31.12.2008 (2007: MKD 591,000,000). No additional payments are anticipated at the date of the financial statements.

b) Litigations

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated by the management of the Company that any material liabilities will arise from the contingent liabilities.

24. Contingencies and commitments (continued)

c) Recent volatility in global financial markets

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, 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.

It is difficult for the management to reliably estimate the effects on the Company'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 Company's business in the current circumstances.

25. Subsequent events

a) Changes in the regulations regarding quality standards of oil derivatives

Investment projects in estimated amount of MKD 610,000,000 have been started for the Company to be in compliance with the new upcoming regulations regarding the quality of the oil derivatives who are expecting to come in force starting from 1 July 2009. The Company undertakes all the necessary measures in order to be able to produce oil derivatives in accordance with the prescribed quality.