CONSOLIDATED ANNUAL REPORT

ACCOMPANIED BY

INDEPENDENT AUDITOR'S REPORT THEREON AND CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011

(This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail)

May 2012

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SELECTED PERFORMANCE INDICATORS

Financial highlights		2011	2010	2009	2008	2007
Revenue	BGN mln	1,439.1	1,218.3	1,015.2	1,365.6	1,383.8
	EUR mln	735.8	622.9	519.1	698.2	707.5
Gross margin from sales of goods[1]	BGN mln	66.1	94.0	75.4	109.9	82.8
	EUR mln	33.8	48.1	38.6	56.2	42.3
	%	4.6	7.8	7.5	8.1	6.2
EBITDA[2]	BGN mln	1.9	40.5	14.7	415.0	40.5
	EUR mln	1.0	20.7	7.5	212.2	20.7
	%	0.1	3.3	1.4	23.6	2.9
EBIT[3]	BGN mln	(12.9)	24.0	(3.5)	394.4	22.9
	EUR mln	(6.6)	12.3	(1.8)	201.7	11.7
	%	(0.9)	2.0	(0.3)	22.4	1.6
Net profit (loss)	BGN mln	(44.7)	(0.5)	(22.2)	226.2	(32.9)
	EUR mln	(22.9)	(0.3)	(11.4)	115.7	(16.8)
	%	(3.1)	(0.04)	(2.2)	12.9	(2.4)
Share price[4]	BGN	7.97	7.96	6.99	10.99	5.28
	EUR	4.07	4.07	3.57	5.62	2.70
Assets	BGN mln	557.8	549.7	417.4	389.0	658.6
	EUR mln	285.2	281.1	213.4	198.9	336.7
Debt[5]	BGN mln	296.1	288.3	216.5	212.1	275.2
	EUR mln	151.4	147.4	110.7	108.4	140.7
Shareholders' equity	BGN mln	(20.1)	25.4	25.5	36.7	103.7
	EUR mln	(10.3)	13.0	13.0	18.8	53.0
Capital expenditure	BGN mln	11.0	11.5	17.7	38.8	43.8
	EUR mln	5.6	5.9	9.0	19.8	22.4

[1] Gross margin is estimated as difference between revenue from sales of goods and cost of goods sold, the percentage of gross margin is calculated as gross margin is divided to the revenue.

[2] EBITDA - earnings before interest, tax, depreciation and amortization.

[3] EBIT - earnings before interest and tax.

[4] Closing share price as of the end of respective year on Bulgarian Stock Exchange – Sofia.

[5] Includes interest-bearing loans and financial lease liabilities.

Financial ratios	2011	2010	2009	2008	2007
Return on average capital employed (ROACE)[6] (%)	(8.78)	14.87	(1.41)	138.25	6.60
Return on assets (ROA)[7] (%)	(2.34)	4.97	(0.87)	75.30	3.49
Debt to assets ratio (%)	53.09	52.44	51.86	54.51	41.79
Shareholders' equity to Total assets (%)	(3.60)	4.63	6.10	9.44	15.75
Current ratio [8]	0.68	0.54	0.94	1.06	1.05
Inventories turnover (days)[9]	17	20	17	26	39
Accounts receivable collection period (days)[10]	16	13	19	17	22
Accounts payable payment period (days)[11]	59	56	47	15	59

Operating data	2011	2010	2009	2008	2007
Volume of fuel sales (million litres)	789	759	732	741	846
Volume of fuel sales (thousand tonnes)	1	33	58	79	55
Market share in retail fuel sales	14%	15%	15%	16%	20%
Market share in wholesale fuel sales	22%	23%	20%	14%	12%
Number of fuel stations	357	371	392	445	519
Number of storage facilities, including	80	80	44	44	45
Storage facilities operating during the period	*12*	*12*	*12*	*12*	*13*
Number of fuel tank trucks	36	36	36	37	34
Percentage of credit card sales (%)	29%	32%	31%	31%	24%
Number of personnel (at the end of the period)	2,223	2,254	1,923	2,082	3,126

[6] ROACE (return on average capital employed) is estimated as ratio between the EBIT and the average invested capital. The latter presents the difference between assets and current liabilities to non-related parties (that are not part of Petrol Holding Group).

[7] ROA (Return on assets) presents the ratio between the EBIT and the average assets.

[8] Current ratio – presents the ratio between current assets and current liabilities.

[9] Inventories turnover – presents the ratio between average stocks and the cost of goods sold, multiplied by 365 days.

[10] Accounts receivable collection period – presents the ratio between trade receivable from non-related parties and revenue from non-related parties, multiplied by 365 days.

[11] Accounts payable payment period– presents the ratio between trade payables to suppliers and the cost of goods sold, multiplied by 365 days.

Group profile

Petrol today – energy for people

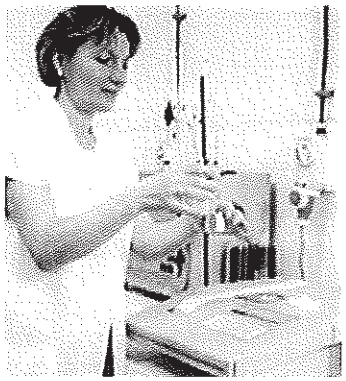
The Group of Petrol is one of the biggest participants in the oil business in Bulgaria. At the end of 2011 the Petrol Group comprised, besides the Parent company Petrol AD, twelve subsidiaries *(see also Group's structure)*. The main activities of the Group include wholesale and retail trading and storage of fuels and petroleum products. Besides its core activities the Group also performs transportation of fuels, repair and maintenance of fuel stations and fuel storage facilities, etc. The Group owns at present a well-developed network for distribution of petroleum products, both wholesale and retail, and is among the biggest owners of available capacity for storage of fuels and petroleum products in the country.

As of December 31, 2011 the retail trade network includes 357 stations spread throughout the territory of the country. After the privatization of the Parent company, a huge investment program was started, as a result of which a significant number of retail stations were reconstructed and modernised. In 2011 one new fuel station was built and another fully reconstructed. In addition, during the last year a LPG module system was constructed. As a result during the last three years 15 trade sites were modernized. The appearance of all sites was changed and in 8 sites the tanks were replaced with new ones. All sites are equipped with systems for collection of vapour emitted during unloading of fuels complying with all environment protection requirements. As of December 31, 2011 more than a half of the sites were reconstructed into modern European style. All kinds of unleaded gasoline and Euro diesel are sold in all trade sites, LPG is offered in 150 of the fuel stations. The sites also offer the full range of Bulgarian and imported motor and transmission lubricants, brake and antifreeze fluids, automobile cosmetics, spare parts and accessories. In addition the newly built and reconstructed sites have fast-food places and some provide internet access to customers. Most of the stores at the sites offer more than 4,000 items of leading Bulgarian and world producers of food, personal cosmetics, gifts, accessories, newspapers, magazines and others. In many sites additional facilities were provided such as car washes, inspection/service pits, pits for dismounting, mounting and balance of tyres and other auto services. In all sites Visa, MasterCard and Transcard are accepted. Customers can also withdraw and pay in cash.

The Group's wholesale sales are made through a network of own storage facilities. As of December 31, 2011 the Group owns 80 fuel storage facilities situated on a total area of 3,215 thousand m^2 with total tank capacity of 1,197 thousand m^3. Currently the Group uses 12 of these facilities, 2 facilities were leased out to third parties and the remaining facilities belong to the group of the so-called" reserve storage facilities". In order to implement its investment programme and to develop its storage activity, in 2011 the Group finished modernization of SD Plovdiv. In compliance with the requirements *of Ordinance No 3 for specific requirements and control by the customs authorities of the means of measurement of excise goods,* part of the SD Plovdiv was separated into a licensed tax warehouse under the *Excise Duty and Tax Warehouses Act* (EDTWA), intended only for storage of fuels under the *Mandatory Stocks of Crude Oil and Petroleum Products Act* (MSCOPPA). In compliance with the requirements *of Ordinance No 3 for specific requirements and control by the customs authorities of the means of measurement of excise goods*, SD Varna and SD Burgas were equipped with additional automated measurement and level measuring systems during 2011. In SD Varna automated systems for blending of liquid fuels of crude oil origin with biofuels for meeting the requirements of the *Energy from Renewable Sources Act* and automated systems for marking of gas oil under *EDTWA* were mounted.

As of December 31, 2011 three of the operated fuel storage facilities have the status of tax warehouses according to the EDTWA, which provides opportunity for temporary suspension of excise duty taxation. In addition, at the end of 2011 the Group holds licenses under the MSCOPPA for storage of diesel oil, gasoline, heating oil and aviation fuel in tanks of 7 storage facilities with total capacity of 314 thousand m^3. The Group operates on three port-terminals for loading and unloading of fuels, 2 of which are situated on the Black sea coast and one on the Danube river.

The uncompromising quality of the offered fuels is guaranteed by 4 laboratories, where with the help of modern technologies, the strict control and quality analysis of fuel and petroleum products are carried out. The laboratory in Varna is licensed to perform examinations on a state level, thus able to provide internationally acknowledged certificates. Group's retail stations are being tested 4 to 6 times annually by experts on fuels quality.

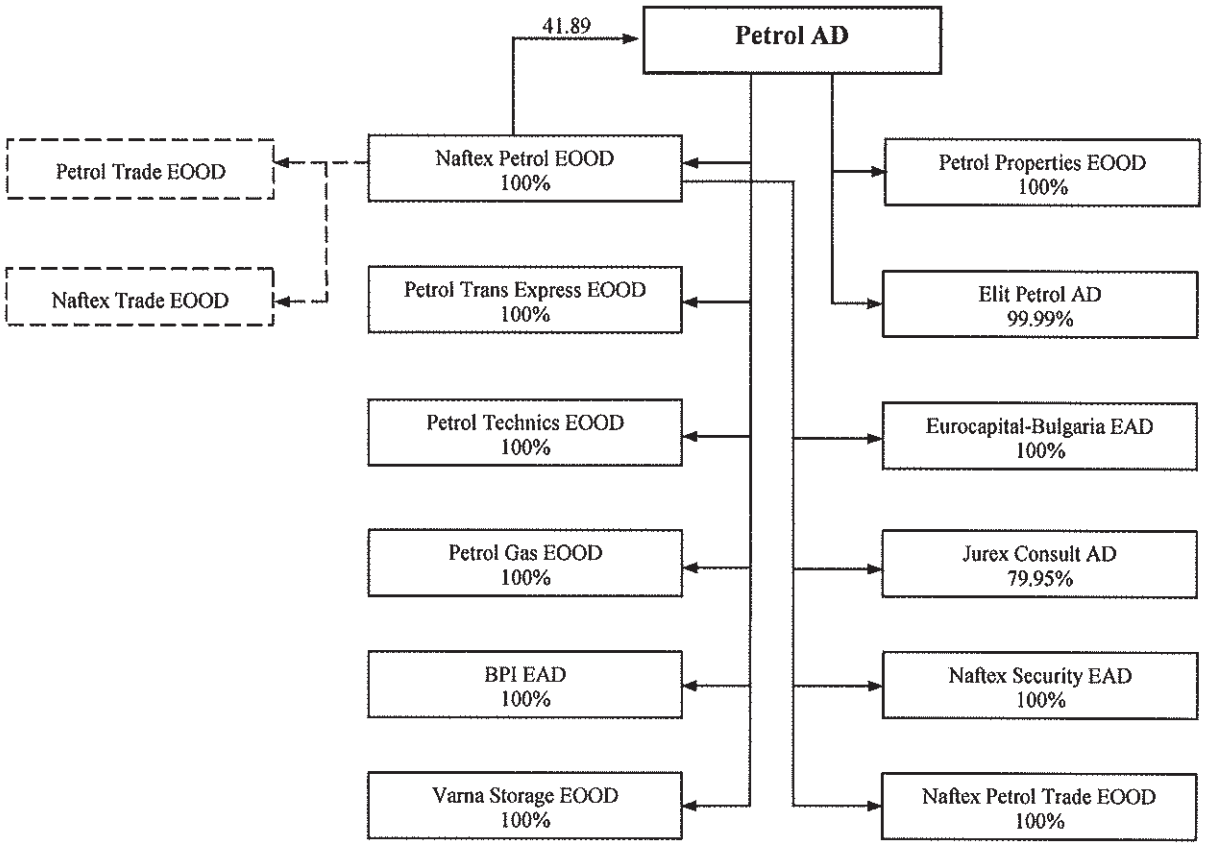


As of December 31, 2011 the Group operates the largest fuel transportation fleet in Bulgaria. The totally renewed fleet includes 36 tanker trucks with capacity for transport of 780 thousand liters light fuels and 180 thousand liters LPG and complies with the latest European requirements for transport of dangerous loads and environment protection.

The activities of the Group concerning fuels trade and transport are subject to strict control regarding the implementation of ecological requirements for environmental protection. In that relation the Group continues to invest in constructing and renewing of systems for collection and recovery of vapours (VRU) in the retail stations and storage facilities under the requirements of *Ordinance No 16 for restriction of the emissions of volatile organic compounds in storing, loading or unloading and transportation of petrol.* In 2011, such installations were fitted at SD Burgas.

Group Structure

As of December 31, 2011 the Petrol Group consists of 12 subsidiaries and 2 special purpose entities:



Naftex Petrol EOOD is a solely owned limited liability company incorporated under the laws of Bulgaria and registered at the Varna District Court under company court file 3464/2003. The company is one of the leading participants on the wholesale market of fuels and petroleum products in Bulgaria. As of December 31, 2011 Petrol AD owns 100% of the issued share capital of Naftex Petrol EOOD. Naftex Petrol EOOD has fully controlling the capital of Eurocapital – Bulgaria AD, acquired by the means of an in-kind contribution of assets which belonged to former fuel storage facilities at the end of 2007 as well as participation of 79.95% in the capital of Jurex Consult AD. As of December 31, 2011 Naftex Petrol EOOD is the sole owner of Naftex Security EAD and Naftex Petrol Trade EOOD;

Petrol Trans Express EOOD is a solely owned limited liability company, incorporated under the laws of Bulgaria and registered at the Burgas District Court under company court file number 3203/2000, which specialises in fuel transportation. The company transports fuels to Petrol AD's network of trade sites as well as to the other customers of Naftex Petrol EOOD and Petrol Gas EOOD. As of December 31, 2011 Petrol Trans Express EOOD is wholly owned by Petrol AD;

Petrol Technics EOOD is a solely owned limited liability company, incorporated under the laws of Bulgaria and registered at the Sofia City Court under company court file number 3671/2001, which specialises in construction, maintenance and servicing of fuel stations and fuel storage facilities owned and managed by the Group. As of December 31, 2011 Petrol Technics EOOD was wholly owned by Petrol AD;

Petrol Gas EOOD is a limited liability company, incorporated under the laws of Bulgaria and registered at the Sofia City Court under company court file number 7833/2007, which specialises in wholesale trade with LPG. As of December 31, 2011, Petrol AD owns 100% of the issued share capital of Petrol Gas EOOD;

Petrol Properties EOOD is a solely owned limited liability company incorporated under the law of Bulgaria and registered at the Sofia City Court under company court file 20902/2007, which specialises in trade with movable property and real estates. As of December 31, 2011 Petrol Properties EOOD was wholly owned by Petrol AD;

Elit Petrol AD is a joint-stock company incorporated and registered at the Registry Agency in November 2008. The company specialises in the management, running and renting of real estates. In 2011 finished a procedure for increasing the share capital of the company. As of December 31, 2011 Petrol AD owns 99.99% of its share capital;

BPI EAD was registered in Sofia District Court in 1997. As of December 31, 2011 the sole owner of the company's share capital is Petrol AD. The company is the owner of the administration building, situated on Cherni Vrah Blvd, 43 in Sofia;

Eurocapital Bulgaria EAD is a company owning a number of real estate properties. Among them are the hotel complex Interhotel Bulgaria in Burgas and the administration building in Varna. As of December 31, 2011 100% of the share capital of the company is owned by Naftex Petrol EOOD;

Naftex Security EAD was registered in Sofia in 2001 as a solely owned limited liability company and became a solely owned joint-stock company in 2003. As of December 31, 2011 the sole owner of Naftex Security EAD is Naftex Petrol AD as a result of the deal accomplished between Petrol Holding Ad and Nafex Petrol EOOD in 2010;

Jurex Consult AD is a joint-stock company registered in Sofia District Court in 2001. The company is specializes in providing legal services, management and consulting. As of December 31, 2011 Naftex Petrol EOOD owns 79.95% of the company's share capital;

Petrol Trade EOOD is a solely owned limited liability company incorporated under the law of Bulgaria and registered in Sofia in 2001, which specialises in wholesale trade with crude oil and petroleum products. As of December 31, 2011 the share capital of the company is solely owned by Petrol Holding AD. Since October 2009, Petrol Trade EOOD has operated as a special purpose entity, specialising in the import of fuels, and is controlled by Naftex Petrol EOOD. Therefore, in compliance with the applicable accounting standards, the company's financial statements are consolidated in the Group's consolidated financial statements (see also note 32 to the consolidated financial statements);

Naftex Trade EOOD is a solely owned limited liability company incorporated under the law of Bulgaria and registered in Sofia in 2009, which specialises in wholesale trade with crude oil and petroleum products. As of December 31, 2011 the share capital of the company is solely owned by Petrol Holding AD. Since its foundation, Naftex Trade EOOD has operated as a special purpose entity, specialising in the import of fuels, and is controlled by Naftex Petrol EOOD. Therefore, in compliance with the applicable accounting standards, the company's financial statements are consolidated in the Group's consolidated financial statements (see also note 32 to the consolidated financial statements).

Varna Storage EOOD was registered in Sofia District Court in 2011. The company specialises in processing and trading with petroleum products. As of December 31, 2011 sole owner of the company is Petrol AD.

Naftex Petrol Trade EOOD is solely owned limited liability company incorporated under the Bulgarian law and registered in Sofia in 2010. The company specialises in processing and trading with petroleum products. As of December 31, 2011 sole owner of the company is Naftex Petrol EOOD.

Management Bodies

The Parent company has two-tier board structure, which includes Management Board (MB) and Supervisory Board (SB). Below are presented the names and the functions of the members of the SB and MB of Petrol AD. For each member is presented short biographical information.

Supervisory Board

Mitko Sabev	Chairman
Stoyan Krastev	Member
Ivan Neykov	Member
Denis Jersov	Member
Nedelcho Yanakiev	Member

Management Board

Svetoslav Yordanov	Chairman of MB, Chief Executive Officer
Ivan Kostadinov	Deputy Chairman of MB, Sales and Marketing Director
Kaloyan Karshev	Member, Investments and Technical Support Director
Svetodar Yosifov	Member
Orlin Todorov	Member

Mitko Sabev was born on October 8, 1961. He graduated from the Naval Academy Nikola Vaptsarov in Varna and worked as a capitan's mate at Navigation Maritime Bulgare. He was the co-founder and Manager of Festa Holding AD. He has been Executive Director of Yukos Petroleum Bulgaria AD and a Chairman of the Supervisory Board of Naftex Bulgaria Holding AD. During the period 2003 – 2005, he was the Chairman of the Supervisory Board of Eurobank AD (currently known as Piraeus Bank Bulgaria AD).

Stoyan Krastev was born on August 8, 1956 in Sofia. He graduated from Law School at Sofia University St. Kliment Ohridski. He has been working for the biggest companies and banking institutions in Bulgaria. He is the Chairman of the Board of directors of Jurex Consult AD. He has been member of the Supervisory Board of United Bulgarian Bank and a member of the Management Board of Bulgarian Association of Licensed Investment Intermediaries.

Ivan Neykov was born on April 17, 1955 in Haskovo. He graduated from Law School at Sofia University St. Kliment Ohridski. He is an expert in labour law and insurance law, and has additional qualifications in industrial relations, collective labour disputes, and pension funds management. He is a Chairman of the Management Board of Balkan Institute for Labour and Social Policy. He was a Minister of Employment and Social Affairs, vice chairman of Confederation of independent trade unions in Bulgaria – CITUB. From 2007 till 2011 he is a municipal councillor of Sofia Municipality. He is the author of a number of publications in the national press and publications of the International Labour Organization about different aspects of social policy, labour law, collective labour bargaining and agreements, and labour disputes. He has a working level knowledge of Russian language.

Denis Jersov was born on April 12, 1966 in Cheliyabinsk, Russia. In 1988 he graduated from the Tumen Industrial University as a mine engineer – an expert in developing oil fields. In 1989 he started business activities and during the period 1990 – 1991 held the position Vice-president of foreign trade at Conex, where the majority share was held by a Russian state-owned oil trust, being one of the biggest Russian crude oil exporting companies in those days. At the end of 1991 he founded the Naftex Group.

Nedelcho Yanakiev was born on August 2, 1950. He graduated from the University of National and World Economic with a PhD degree in Economic Sciences. He was a Chairman of the Bulgarian Union for Physical Culture and Sport and Director of the Bulgarian Sport Totalizer.

Svetoslav Yordanov was born on May 28, 1960 in Burgas. He graduated from the University of Economics in Varna in Accounting and control. He worked in Neftochim Burgas AD as Deputy Chief Accountant, Financial Director and Commercial Director. He has been the Executive Director of Multigroup AD. From 1999 he has been the Chief Executive Officer of Petrol AD. He is fluent in Russian and English.

Orlin Todorov was born on January 18, 1962. He graduated the Institute of Economics in Sofia with a Master's degree in International economic relations. His career started in Intercommerce as expert on merchandise, then manager of department. He worked as a director in Tradicom OOD. Since 1995 he has taken several positions in ING Bank N.V. Sofia branch, the last one being Director corporate banking. In 2003 he became Chief Financial Officer of Petrol AD. Since 2005 he has been Chief Executive Officer of Petrol Holding AD.

Ivan Kostadinov was born on May 28, 1974. He has Master's degree in Insurance and Social Work at the University of National and World Economy in Sofia. For several years he held different positions in the Commercial Department. His previous position was as a Sales Supervisor.

Kaloyan Karshev was born on November 5, 1969. He has Master's degree in Oil Technology from the University of Chemical Technology and Metallurgy in Sofia and Master's degree in Ecology and Sustainable Development from Queen Mary University in London. He has held several different positions in Petrol AD. His current position is the Head of Technical Department. He is responsible for the fuel quality control.

Svetodar Yosifov was born on August 4, 1978. He has Bachelor's Degree in Industrial Engineering from the Technical University in Sofia and he has a Master's Degree in Business Administration with profile "Strategic Planning" from the University of Buckingham, in the United Kingdom. He has worked for Petrol AD since 2005 till May 2011 as a Director of Marketing and Advertising.

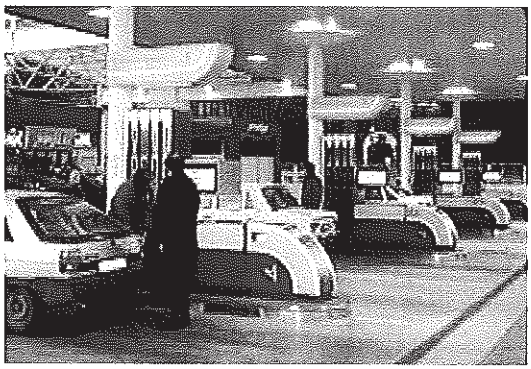
Mission

The mission of Petrol Group is to accomplish a stable growth on shareholders' return in a long term along with commitment to its clients, employees, partners and generally to the society.

To achieve its corporate goals, the Group's Management relies significantly on the professional behaviour, ethics and business integrity towards its partners. The Management of the Group is led by its striving to high quality. All projects in the investment program are being implemented on an innovative basis and in compliance with the highest international standards for business management and environmental protection.

Strategy

The Group's main strategic objective is to maintain and to develop its leading position in the Bulgarian retail and wholesale fuel distribution market. To achieve this strategic goal, a long-term strategy has been adopted, which includes several key elements:



- Increasing the efficiency of existing assets;
- Optimizing and expanding the retail distribution network;
- Expanding the product range;
- Strengthening and increasing the market presence;
- Developing the fuel storage business line.

Increasing the efficiency of existing assets

The Group will continue investing in modernisation and reconstruction of the existing trade sides included in the retail and wholesale distribution networks. The budgeted investment will be aimed not only at improving the technical condition and appearance of trade sites, but also on reducing technological losses from operation of equipment and compliance with environmental requirements.

Optimizing and expanding the retail distribution network

The Group intends to continue expansion of the retail distribution network. This will be achieved by opening new sites on new locations and also by consolidation of the Group's smaller independent competitors through franchise/ dealership arrangements. At the same time the process of optimising the distribution network will continue to be aimed at identifying unprofitable sites, suspending their operations and eventually selling them.

Expanding the product range

The Management of the Group places a high priority on being at the forefront of customer demand for cleaner and improved performance fuels to the task to respond as quickly. In that relation the Group plans to increase rapidly its sales of compressed natural gas (CNG). Since 2009 the Group offers a full range of branded Force Fuels – Blue Force Gas, 96 Extra Force and Pro Force Diesel.

The innovative fuels contain additives which accelerate power of automobiles, reduce expense by up to 10% by improving system efficiency, decrease carbon deposits in the fuel system and the discharge of harmful emissions (CO2, CO, NOX) by approximately 70%.

In addition the Group intends to expand its product range by offering non-petroleum products and services to attract new customers and generate additional profit for trade sites. The additional services include rental of a part of the commercial areas (for example car-washes and billboards), insurances etc.

Strengthening and increasing market presence

The Group plans to continue development of loyalty programs for retail customers. By increasing advertising of the newly offered products and services under the Petrol brand, the Group aims to strength the image of Petrol AD as an innovative company working to care for the customer, society and the environment.

Regarding the wholesale trade, the strategic goal is the increase of market share of the Group, by achieving a continuous growth in volume of sales by increasing the volume of fuels sold to existing and new customers. For this purpose the Group largely relies on the quality of offered fuel. Various facilities to provide convenience to the customer were worked out such as electronic ordering and information, transportation of the products to the customer's warehouse, a possibility to defer payment and cash payment at the fuel storage facilities immediately prior to dispatch. In addition the Group provides complex services such as fuel storage, tanker handling and laboratory analyses.

Developing the fuel storage business line

The Group is planning to capitalise on the opportunity provided to it by its dominant position in fuel storage capacity and the increased storage requirements imposed on Bulgarian producers and importers by the implementation of EU Stock Directives 68/414/EU and 98/93/EU through the MSCOPPA 2003 (see also *Analysis of the market environment*). The Group's strategy for exploiting this opportunity includes organising and conducting marketing campaigns among existing and potential customers to execute long-term storage contracts for storage of petroleum products, the gradual reconstruction and operation of old fuel tanks, investing in key centralised storage, licensing of additional fuel tanks and others.

Operating and financial review

1. Analysis of the market environment

The Group's results from operations are affected by a number of factors, including macroeconomic conditions in Bulgaria, competition, variation of gross margins, fluctuations in crude oil and petroleum product prices, product mix, relationships with suppliers, legislative changes, changes in currency exchange rates, weather conditions and seasonality.

Macroeconomic conditions in Bulgaria

The Group's operations are influenced by the overall economic situation in the country and in particular the degree of successful implementations by the government of market-driven economic reforms, Gross Domestic Product (GDP) growth and changes in purchasing power of Bulgarian consumers. In 2011, the real GDP of Bulgaria reported an annual increase for second consecutive year. After the GDP had risen by 0.4% in 2010, it increased its growing rate to 1.7% in 2011. Main contribution to the positive trend had the growth in export of goods by 12.8% in 2011.

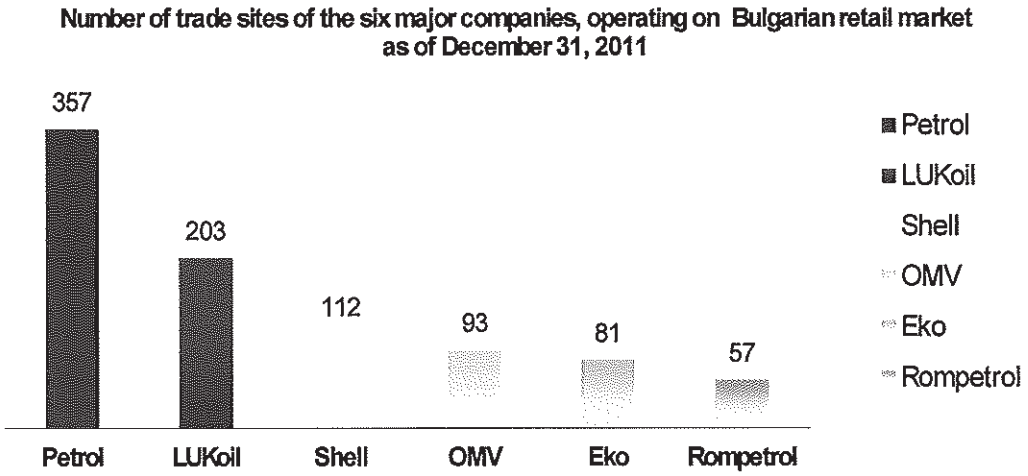
Despite the moderate stabilising of the consumer consumption in 2010, the household consumption decreased by 0.6% in 2011. The unfavourable international economic situation significantly worsened the expectations towards the Bulgarian economy, especially the recovery of the labour market. As a result of the worsening business climate in services, in particular trading, transport, hotel and restaurant management, the employment decreased by 4.2% in 2011 (2010:4.7%).

According to the National Statistical Institute (NSI) the unemployment reported an increase compared to 2010, and reached 11.2%. In 2011, as in 2010, the dynamics of the international energy and food prices continued to influence the growth in consumer prices in Bulgaria. The average annual inflation reached 3.4% (2010:3.0%) and the inflation rate at end of 2011 was 2.0% (2010:4.4%).

In 2011, the real gross value added of the Bulgarian economy increased by 1.8%. Main contribution for the growth in gross value added had the industry increase by 9.1% in 2011. The moderate domestic demand had a negative impact on the services which decreased by 0.1% in 2011 after growth of 4.4% in 2010. The expectations are that in 2012 Bulgarian economy will continue to recover, reflected the growing investment activity and better business climate.

Competition

In 2011, the retail fuel market in Bulgaria has continued to reflect the negative impact of the financial crisis. The moderate consumer demand and the worsening business climate led to decrease of fuels consumption by less than 1%. Shrinking consumption led to decline in sales of the leading players and small independent players, some of which were forced to drop out of business or to sign franchise/dealership arrangements with the major companies in the sector. The significant drop in sold volumes to corporate clients is due to both the narrowed economic activity and the higher criteria of the oil companies in signing contracts for commodity credit. As a result of the overall slowdown economic activity and the implementation of additional legislation control by the government, the market share of the small independent players dropped to 15%. The absence of strategic deals in the retail sector and significant investment programmes by the major players led to minimum change in the retail market shares of the companies. In 2011, six major companies dominated on the retail market –, LUKoil Bulgaria EOOD, Petrol AD, OMV Bulgaria EOOD, Shell Bulgaria EAD, Eko Bulgaria EAD and Rompetrol Bulgaria AD.



In 2011, the wholesale market followed the trend and volatility of crude oil prices on international markets. The dominating influence of the sole fuel producer in the country remained, despite the observed increase in the imported volumes by the other market players. The main companies operating on the wholesale fuel market in Bulgaria are Naftex Petrol EOOD, Rompetrol Bulgaria AD, OMV Bulgaria EOOD and LUKoil Bulgaria EOOD as an exclusive distributor of the product of Lukoil Neftochim Burgas AD.

Trade margins

The extreme volatile international crude oil prices, the insecure economic and political situation in Bulgaria and abroad and the low ability-to-pay Bulgarian customers led to unprecedented government intervention on the retail market fuel pricing. At the beginning of the second quarter of 2011, agreed with the sole producer of fuels in Bulgaria (Lukoil Bulgaria), the government imposed a moratorium on the increase of the retail fuel prices, continued more than a month. This led to a significant shrinkage of the gross margins of the retailers in the whole 2011. During the year, new environmental standards and additional means of control were gradually applied by the government. On one hand, the new legislation obligations raised the sales and distribution costs, but on the other hand reduced to a minimum the unfair competition, eliminating the market players, which were part of the grey economy. The steady international market prices of crude oil had additional influence on the market stabilization.

Fluctuation in the crude oil and petroleum product prices

Since the international quotations of crude oil are used as a base for purchase price and sales price calculation, fluctuations in prices of crude oil and oil products significantly affect the Group's sales and cost of sales. In the first half of 2011 the international prices continued their two-year upward trend and in July the price of the Brent crude oil reached 116 US dollars per barrel. In the second half of the year followed a price downtrend and at the end of 2011 the price varies around 105 US dollars per barrel.

Product mix

In 2011, the Bulgarian fuel market did not witness a significant change, as the last-years tendency of shifting from all types of gasoline to diesel oil and LPG remained. The extended diesel oil consumption is accounted for by modern diesel-engines entering the market, as well as increasing use of diesel in transport industry. The branded fuels and CNG came widely into the market. Due to their better quality, these fuels can offer acceleration of automobile power, expense reduction, increased engine life, etc.

Relationships with suppliers

After Naftex Petrol EOOD changed its logistic scheme and redirect to import of fuels under contracts with supplies from Greece, Romania, Turkey and Israel in 2009, the close relations with the suppliers and the gained experience, reasserted the position of Naftex Petrol EOOD as the leading fuel importer in the country in 2011.

According to concluded agreement, since March 2008, the subsidiary Naftex Petrol EOOD is the sole supplier for the retail network of fuels. From September 2008, the subsidiary took up the full logistics related to the supply process. After the commercial activities of the subsidiary Petrol Gas EOOD were discontinued in the beginning of 2011, LPG supplies to the retail network were sourced directly from end suppliers.

Legislation changes

The Group's results from operations reflected the amendments in the existing legislation in Bulgaria. The most important piece of legislation which will influence the Group's business is the voted in 2003 MSCOPPA, which requires all obliged persons (importers and producers) and the state to accumulate and maintain compulsory stock of products covering 90 days of their respective annual sales for the preceding year. According to the law this process is gradual and starts with 10 days in 2004 and has to reach 90 days by 2012. During 2011 the Group stored 94,541 m^3 of petroleum products (own and for external clients) in compliance with the law (2010: 92,280 m^3). The increase is entirely due to the increase in the imported fuels by the Group in 2010 compared to 2009.

The need for fulfilment of the legislation requirements as set out in the EDTWA, MSCOPPA and the new Renewable Energy Sources Act (RESA), as well as the influence of the international fuel prices continue to increase the end fuel prices. For example, in compliance with the assumed amendments in *Ordinance No 18 of 13 December 2006 on Registration and Reporting of Sales in Commercial Outlets with the Means of Fiscal Devices,* from the beginning of 2011 all entities engaged in sales of liquid fuels are obliged to submit electronically data from the daily reports from every fiscal memory to the Local Administration of the National Revenue Agency till the end of the following day. From March 31, 2012 the companies are also obliged to submit information about the sold fuels quantities. According to the requirements of the RESA, effective from May 2011 and replacing the *Law in the Renewable and Alternative Sources of Energy and the Biofuels*, the traders with liquid fuels from petroleum origin for transportation purposes, should supply fuels for diesel and gasoline motors blended with bio additive. With regard to the admission of Bulgaria as a member of European Union effective January 1, 2007, the requirements for the quality of the petroleum products and the ecological standards have been raised. According to the *Ordinance of Requirements for Liquid Fuel Quality, the Conditions, the Procedure and the Method of Control over Liquid Fuels* since January 1, 2009 the diesel motor fuel and the motor gasoline should be with a maximum sulfur content of 10 mg/kg (10ppm).

One of the conditions for Bulgaria's accession to the European Union was the implementation of a step-by-step increase of excise duties on petroleum products in order to reach the minimum levels permitted in existing EU member states. In January 2011, Bulgaria fulfilled the minimum requirement levels regarding the gasoline fuel, increasing the excise rate to 710 BGN for 1,000 liters. The excise rate of diesel fuel is still below the minimum excise rates for EU (645 BGN for 1,000 liters), but in January 2013 it should be fulfilled. The increase of the excise duties additionally led to further reductions in gross margins of the Group. Excise duties, tax base and methods of payments are set in EDTWA. The same law provides an opportunity for suspension of duty obligations. The excise duty suspension arrangement was introduced in compliance with the requirements of *Council Directive 92/12/EES dated February 25, 1992* and provides for an opportunity for temporary suspension of excise duty taxation in case the person, obligated to pay it, is a licensed warehouses keeper. In accordance with the last amendments in the EDTWA every licensed storage holder should by its own and at its expenses to provide an Internet access for the Customs authorities to its automated accounting system, aiming to provide control in real time over the stored excise goods and to ensure compliance of the regime for deferred payment of excise.

Weather conditions and seasonality

The Group's results of operations are affected by weather conditions and seasonal variations in demand for certain oil products. The fuel consumption is highest in the second and third quarters, which is due to the annual vacations during the summer months as well as to the agricultural producers, who increase their consumption during autumn months.

2. Results from operations

Revenue

The Group's consolidated revenue for 2011 increased to BGN 1,445.6 million (EUR 739.1 million) which is an increase of 18% compared to 2010. The growth in total revenue is entirely due to the greater sales revenue by 18% partly offset by the other income decrease by 12% to BGN 6.5 million (EUR 3.3 million). The increase in revenue of sales is mainly explained with the higher selling prices of fuels in 2011 compared to 2010. Despite the severe economic conditions in the country and weak domestic demand, the volumes of light fuels sold by the Group reported increase by 4%.

The table below presents the change of the amounts of revenue during the period 2009 - 2011 on a consolidate base and also by separate business segments.

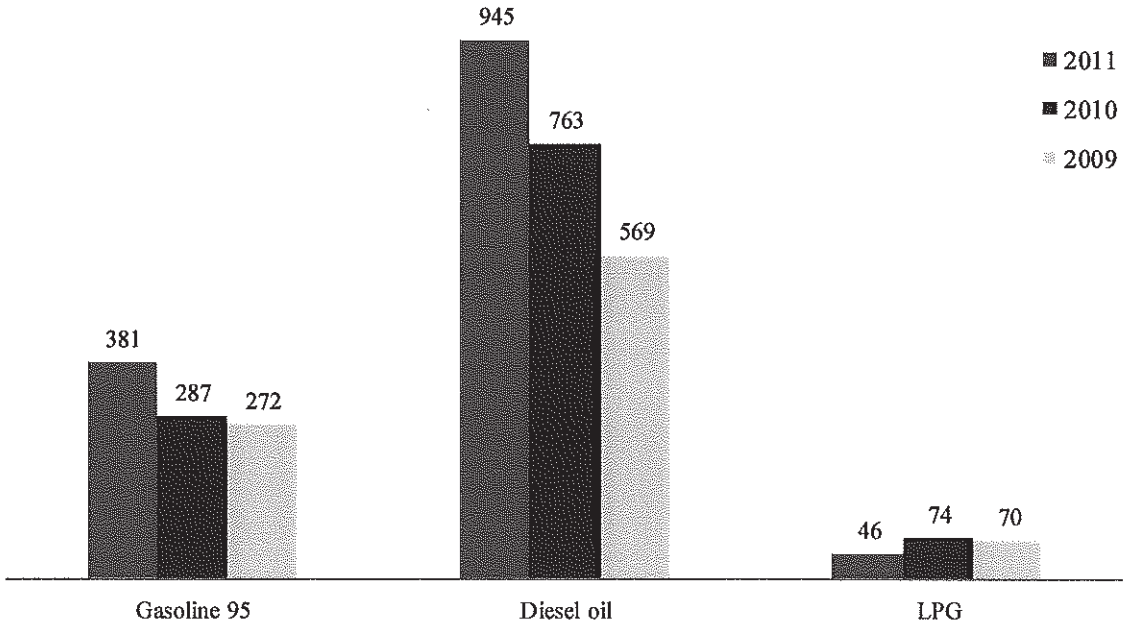
		2011	2010	2009
Sales revenue	BGN mln	1,439.1	1,218.3	1,015.2
	EUR mln	735.8	622.9	519.1
Other income	BGN mln	6.5	7.4	8.8
	EUR mln	3.3	3.8	4.5
Total revenue, including	**BGN mln**	**1,445.6**	**1,225.7**	**1,024.0**
	EUR mln	**739.1**	**626.7**	**523.6**
Retail	BGN mln	524.1	508.6	480.4
	EUR mln	268.0	260.0	245.6
Wholesales	BGN mln	916.9	715.1	541.8
	EUR mln	468.8	365.7	277.1
Other activities	BGN mln	4.6	2.0	1.8
	EUR mln	2.3	1.0	0.9

As in all former years, the major part of Group's sales revenue is generated by the sales of goods (99%). In 2011, the latter amounted to BGN 1,427.9 million (EUR 730.1 million), and compared to 2010 they have increased by 19%. Sales of goods comprise mainly of retail and wholesale sales of fuel (98%), which amounts, after excluding intra-Group sales are as follows:

		2011	2010	2009
Retail	BGN mln	492.4	475.4	441.8
	EUR mln	251.8	243.1	225.9
Wholesale	BGN mln	908.0	702.0	532.4
	EUR mln	464.2	358.9	272.2
Total sales of fuel	**BGN mln**	**1,400.4**	**1,177.4**	**974.2**
	EUR mln	**716.0**	**602.0**	**498.1**

The increase in sales of fuels is more considerable in the wholesale sales, which rose by 29%. The retail sales increased by 4% compared to the retail sales in 2010 (see also *Retail Sales* and *Wholesale Sales*). As a result, during the current year, the relative share of wholesale sales increased for second consecutive year at the expense of the decreased share of retail sales. While in 2010 the wholesale sales had amounted to 60%, in 2011 they rose to 65% of the consolidated Group's sales of fuels.

The dynamics of sales revenue of the major type of oil products, traded by the Group during the period 2009 - 2011 are presented on the following graph:



Retail market

The Group's retail sales are made through a network of retail stations owned and/or operated by Petrol AD. These retail stations are evenly spread throughout the country giving the Group comprehensive geographic coverage. As of December 31, 2011 the Group operated 357 working retail stations (2010: 371 retail stations).

The results for the period 2009 - 2011 are as it follows:

		2011	2010	2009
Volume of retail sales (million litres)		272	293	323
incl. corporate clients		*78*	*84*	*100*
Revenue from retail sales	BGN mln	492.4	475.4	441.8
	EUR mln	251.8	243.1	225.9
Market share[12]		14%	15%	15%

During the last few years a decreasing trend is observed in the realised volume of retail sales. This negative trend of volumes sold is due to both the reduced consumption of fuels, caused by the deepening economic crisis in the country and to the reduction of the sites, consequence of closing some of the sites, which do not participate in the long-term Group's strategy. Despite the decrease in the sales volumes, the growth in the average selling prices in 2011 entirely compensated for the negative impact of the drop in sales. In 2011 the Group reported an increase in revenue from retail sales of fuels of 4%.

[12] Source: Internal corporate information

The following table sets out the number of retail stations operated by the Group, the ownership of those sites and the volume of fuel sold in 2010 and 2011:

	2011		2010	
	number of sites	million litres	number of sites	million litres
Group owned and Group operated	181	177	188	192
Franchisee operated	70	32	70	33
Group owned and dealer operated	106	63	113	68
Total	**357**	**272**	**371**	**293**

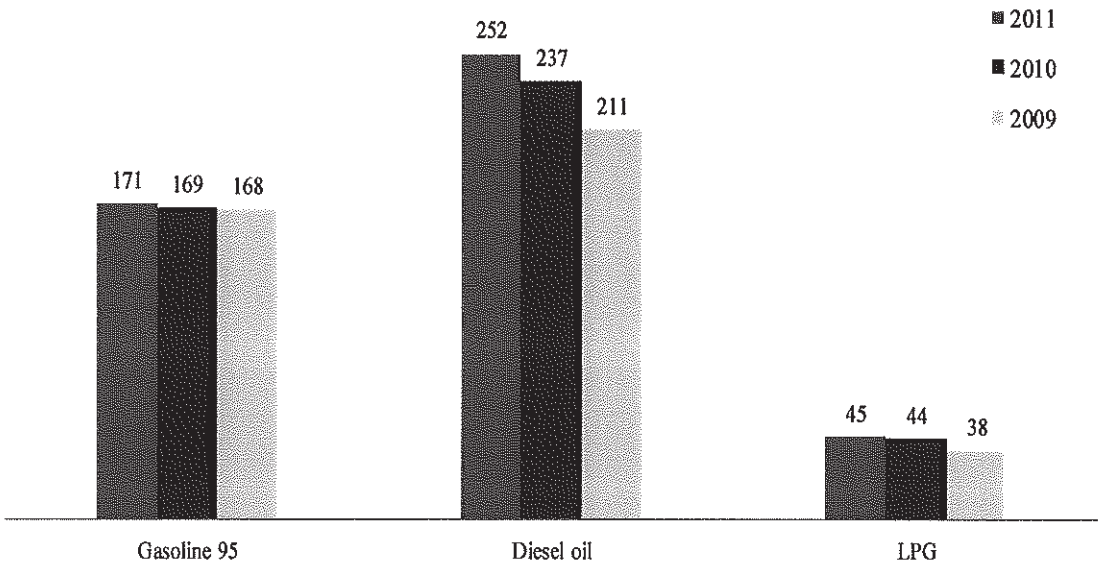
In 2011, the Group continued developing its franchise programmes (joining independent owners of single stations or small chain of stations under the Petrol trade mark) and also leased its own retail stations for operation by dealers. At the same time the Group takes measures aiming at reorganising of the retail network, including suspension of operations and sale of unprofitable sites, termination of franchise and dealership contracts with inappropriate partners and concluding agreements with new counterparties on the same franchise and dealership programmes, etc.

The following table sets out the Group's retail sales of fuel by major types of oil products for the period 2009 - 2011:

		2011	2010	2009
Gasoline A-95	BGN mln	170.8	169.3	167.7
	EUR mln	87.3	86.6	85.8
Gasoline 96 Extra Force	BGN mln	19.8	21.7	19.8
	EUR mln	10.1	11.1	10.1
Gasoline A-98	BGN mln	3.2	3.4	4.2
	EUR mln	1.6	1.7	2.1
Blue Force LPG	BGN mln	44.9	43.5	37.9
	EUR mln	23.0	22.2	19.4
Pro Force Diesel oil	BGN mln	252.3	236.6	211.3
	EUR mln	129.0	121.0	108.0
Other fuel	BGN mln	1.4	0.9	0.9
	EUR mln	0.8	0.5	0.5
Total retail sales of fuel	**BGN mln**	**492.4**	**475.4**	**441.8**
	EUR mln	**251.8**	**243.1**	**225.9**

As in all the previous years the sales of diesel oil generated approximately 51% of the total fuel sales. This is a result of the widespread use of diesel in the transportation industry and the follow-up growth in consumption. The revenue from sales of gasoline 95 Extra Force have also a considerable share of 35% in total sales. In 2011, the Group reported growth in revenue from sales of all fuels except gasoline 96 Extra Force and gasoline 98. The highest growth of 56% achieved the revenue from sales of other fuels, in particular CNG, which is explained with the growth of 42% in volume of sales, reflecting the increasing demand of the alternative fuel. Contribution to the significant growth in revenue from sales of CNG has the increase of 8% in average selling prices in 2011. The revenue from sales of Pro Force diesel grew by 7%, which is also due to the overall upward trend in fuel prices. After the introduction of gasoline 96 Extra Force on the Bulgarian market at the end of 2007, the revenue from sales of this branded fuel increased for two consecutive years. In 2011, for the first time the revenue from sales of gasoline 96 Extra Force decreased by 9% entirely due to the drop in volume of sales.

The movement in revenue from retail sales of the major types of oil products during the period 2011 – 2009 is presented on the following diagram:



Wholesale market

The Group's wholesale sales are made through a network of storage facilities operated by the subsidiary Naftex Petrol EOOD. During 2011 the Group used 12 of its storage facilities for own trade activities and 2 other facilities were leased out to third parties.

The table below sets out the result of the period 2009-2011:

		2011	2010	2009
Volume of wholesale sales (million litres)[13]		517	466	409
Volume of wholesale sales (thousand tonnes)[14]		1	33	58
Revenue from wholesale sales	BGN mln	908.0	702.0	532.4
	EUR mln	464.2	358.9	272.2
Market share[15]		22%	23%	20%

In 2011, the sales volumes of light fuels rose by 51 mln. litres compared to the previous year. The increase in sales is due entirely to the growth in sales of gasoline 95 (49%) and diesel fuel (7%), which compensates for the decline in sales volumes of gas oil (85%). The growth in sales of gasoline 95 is mainly due to the higher sales volumes to the key wholesale clients. Regarding the diesel fuel the Group reported increase in volume of sales to both key clients and to other clients. As a result, in 2011 the Group reported the highest sales over the last five years and the total light fuels volumes sold on the wholesale segment increased by 11% to 517 million litres. In 2011, the revenue from wholesale sales of fuels increased by 29% to BGN 908.0 million (EUR 464.2 million). The increase is due to both the higher average selling prices, set on first place by the higher average prices on the international markets, and to the growth in volume of sales of gasoline 95 and diesel fuel.

In 2011, the operating activities of subsidiary Petrol Gas EOOD were discontinued. As a result of this the volume of sales of LPG decreased by 96% to 787 tonnes in 2011.

[13] Wholesale volumes for all types of gasoline, diesel and gas oil are measured in litres

[14] Wholesale volumes for jet, LPG, heating oil and other heavy fuels are measured in tonnes

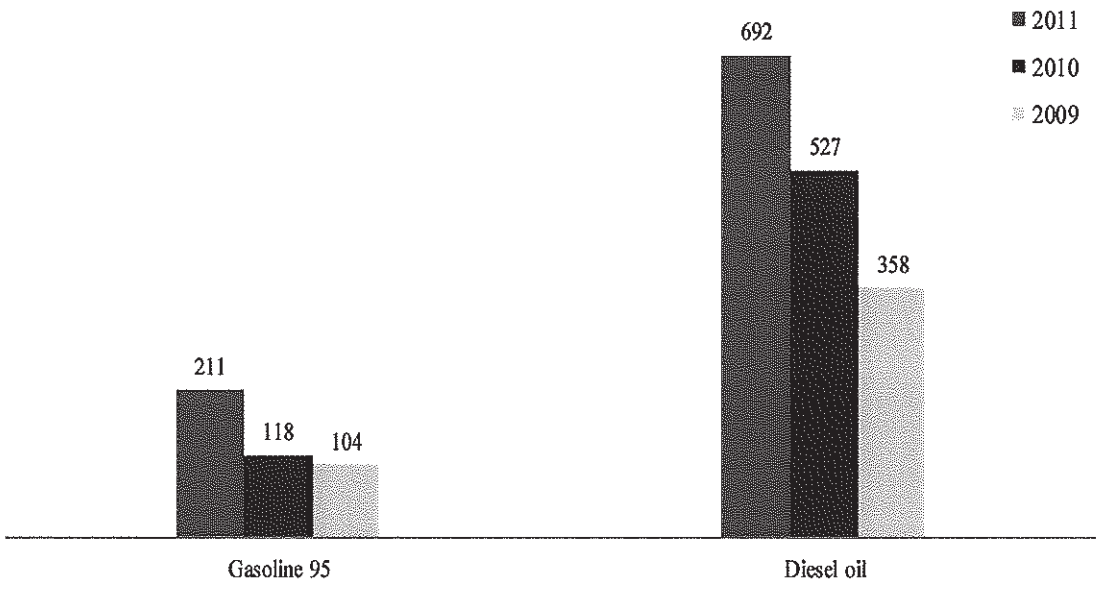
[15] Source: Internal corporate information

The following table sets out Group's wholesale sales revenue by major types of petroleum products for the period 2009 - 2011:

		2011	2010	2009
Gasoline A-95H	BGN mln	210.6	118.1	104.1
	EUR mln	107.7	60.4	53.2
Jet A1	BGN mln	0.1	0.1	3.1
	EUR mln	0.1	0.1	1.6
Diesel oil	BGN mln	692.3	526.7	358.2
	EUR mln	353.9	269.3	183.2
Gas oil	BGN mln	3.3	17.4	21.5
	EUR mln	1.7	8.8	11.0
Heating oil	BGN mln	0.2	5.0	4.2
	EUR mln	0.1	2.6	2.1
LPG	BGN mln	1.2	30.1	31.9
	EUR mln	0.6	15.4	16.3
Other fuel	BGN mln	0.3	4.6	9.4
	EUR mln	0.1	2.3	4.8
Total wholesale sales of fuel	**BGN mln**	**908.0**	**702.0**	**532.4**
	EUR mln	**464.2**	**358.9**	**272.2**

The highest growth of 78% in wholesale revenue came from gasoline 95. The increase to a great extent is due to the growth by 49% of volume of sales and to a lesser extent to the higher by 19% average selling prices in 2011. An increase of 31% in wholesale segment also reported the revenue from sales of diesel fuel, which is mainly due to the higher (23%) average selling prices. The sales volumes of diesel fuel increased by 7% in 2011. The Group reported decrease by 96% in revenue from sales of LPG in 2011. The decline of LPG sales is due to the above mentioned drop in sales volumes, despite the increase in the average selling price by 7%, compared to the previous year.

The movement in revenue from wholesale sales of the major types of petroleum products during the period 2009 – 2011 is presented on the following diagram:



Gross margin

The Group's total gross margin calculated as a percentage of consolidated net revenue from sales of goods decreased from 7.8% in 2010 to 4.6% in 2011. The decline in absolute amount is BGN 27.9 million (EUR 14.3 million) and is mainly due to the drop of consolidated gross margin from sales of fuels. The latter decreased by 31% to BGN 61.1 million (EUR 31.2 million) in 2011 compared to BGN 88.4 million (EUR 45.2 million) in 2010. On the retail market, the decline is BGN 17.0 million (EUR 8.7 million). The gross margin decreased to BGN 41.3 million (21.1 million), and as a percentage of revenue from sales decreased to 8.4% (2010: 12.3%). The latter is mainly due to the imposed by the government moratorium on the retail fuel prices, which led to gross margin freezing in the sector. On the wholesale market, the gross margin from sales of fuels decreased by 34% or BGN 10.3 million (EUR 5.3 million) to BGN 19.8 million (EUR 10.1 million) and as a percentage of revenue from sales decrease to 2.2% (2010: 4.2%). The latter is primarily due to the higher trade discounts granted to Group's key clients. (see also *Analysis of the market environment*)

Operating expenses

Hired services

In 2011, the hired services decreased by BGN 5.4 million (EUR 2.8 million) to BGN 27.2 million (EUR 13.9 million), as the decrease is observed in all expenses, except state and municipal fees, advertising costs, cash collection and other hired expenses. The most significant contribution to the overall reduction of hired services by 16%, have the Group's rent and security expenses, which dropped by BGN 3.2 million (EUR 1.6 million). The latter is a result of both the intragroup corrections in 2011 on account of the acquisition of the subsidiaries Naftex Security EAD, BPI EAD and Eurocapital - Bulgaria EAD by the Parent company in November 2010 and of the discontinuing of the commercial activities of the Petrol Gas EOOD in February 2011. In addition, the software licenses costs decreased by 69%, which is mainly due to the purchase of the corporate ERP system in 2010. Before that the software licenses were rented from the Parent company. During the current year, the Group reported a drop in insurance, consulting and training expenses by BGN 0.8 million (EUR 0.4 million). The decrease of 24% compared to the previous year is referred to the reduction of personnel expenses for accident health insurance and to the decrease of consulting expenses in 2011.

Employee benefits expenses

In 2011, staff expenses increased by 21% to BGN 26.2 million (EUR 13.4 million). The increase is due to the higher personnel expenses of BGN 3.2 million (EUR 1.6 million) and to the higher social expenses of BGN 1.3 million (EUR 0.66 million). The increase in personnel expenses is mainly due to the acquisition of the subsidiaries by the Parent company in November 2010.

Depreciation and amortization

Depreciation and amortization charges on fixed tangible and intangible assets are calculated on the basis of the useful life of assets by applying the straight-line method (see also *note 3.1. to the consolidated financial statements*). In 2011 the Group reported decrease in depreciation expenses by 10 % to BGN 14.8 million (EUR 7.6 million) compared to BGN 16.5 million (EUR 8.4 million) in 2010.

Materials and consumables

In 2011, these expenses decreased by BGN 0.4 million (EUR 0.2 million) to BGN 8.6 million (EUR 4.4 million). The decline of 4% is due to both the decrease by BGN 1.1 million (EUR 0.6 million) in advertising materials and low-cost assets and to the increase by BGN 0.7 (EUR 0.4 million) in fuels, lubricants, electricity and heating. The decline in advertising materials is mainly due to the absence of promotion in 2011 (free fuels with every civil liability insurance contracted in Group's sites). Impact on the overall decrease in the materials expenses has also the lower value of the written-off assets, which did not meet the recognition criteria for non-current assets at the amount of BGN 0.3 million (EUR 0.2 million). During the year, decline is reported in spare parts (6%), office consumables (5%) and advertising materials (17%). The increase in fuels costs by BGN 0.4 million (EUR 0.2 million) is mainly due to the increase of the average purchase price of the diesel fuel in 2011

Impairment of assets

In 2011, the Group reported increase in expenses for impairment of assets to BGN 9.5 million (EUR 4.9 million). The increase is mainly due to the recognized impairment losses of trade and other receivables and interest-bearing loans granted, based on conducted intragroup analysis, as a result of which serious indications for inability to collect these receivables were determined.

Other operating expenses

In 2011, the other operating expenses amounted to BGN 10.4 million (EUR 5.3 million), which is an increase of 36% compared to 2010. The increase is due mainly to the greater amount of the expenses for local taxes and taxes on expenses, business trips and sponsorship, and written-off receivables by BGN 1.3 million (EUR 0.7 million) and to the reported by the Group expenses for assets expropriation from Parent company on behalf of the country with carrying amount of BGN 1.5 million (EUR 0.8 million).

Profit from operations

The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) decreased from BGN 40.5 million (EUR 20.7 million) in 2010 to BGN 1.9 million (EUR 1 million) in 2011. The decline of EBITDA by BGN 38.6 million (EUR 19.7 million) is due to the decrease of the gross margin from sales of goods by BGN 27.8 million (EUR 14.2 million), and to the increase of the Group's operating expenses (without the depreciation expenses) by BGN 7.2 million (EUR 3.7 million). The decrease of the Group's gross margin in 2011 is a result of the retail and wholesale segments (see also *Gross margin*). The increase of the operating expenses is mainly due to the increase in impairment of assets (see also *Operating expenses*).

The higher EBITDA has a negative effect on Group's earnings before interest and taxes (EBIT).The latter decreased by BGN 37.0 million (EUR 18.9 million) in 2011 to loss of BGN 12.9 million (EUR 6.6 million), compared to profit of BGN 24.0 million (EUR 12.3 million) in 2010. Positive influence on this indicator has the decrease of depreciation and amortization expenses by 10%.

Net finance costs

In 2011, the Group reported net finance costs of BGN 28.1 million (EUR 14.4 million), compared to BGN 23.6 million (EUR 12.1 million) in 2010. The increase of BGN 4.5 million (EUR 2.3 million) is due mainly to the increase in interest expenses by BGN 10.7 (EUR 5.5 million). During the year, the Group reported increase of BGN 2.1 million (EUR 1.1 million) in interest income and profit from repurchased notes issued by the Parent company of BGN 5.8 million (EUR 3.0 million).

In 2011, the Group's consolidated interest expenses rose by 49% to BGN 32.8 million (EUR 16.8 million). The increase is due to the arising bank and trade loans from third parties during the year resulting in a higher interest expenses and to the higher interest expenses on overdue trade payables. The contracted margins on bank loans granted to the Group varied in the range between 4% and 10%. After the extension of the maturity of the Parent company's debenture loan to 2017 the annual coupon rate remained unchanged at a rate of 8.375%.

In 2011, the Group's interest income increased by 26% to BGN 9.9 million (EUR 5.1 million), compared to BGN 7.8 million (EUR 4 million) in 2010. The growth is due to the increase in interest income on bank deposits by BGN 2.7 million (EUR 1.4 million).

3. Liquidity and capital resources

In 2011, accounts receivable collection period increased to 16 days compared to 13 days in 2010. The latter reflected both, the worsening business climate in the country and the inability of many companies to pay their liabilities in time. As a result of this the end balance of trade receivables from non-related parties increased by higher pace (42%), compared to the increase of the revenue from non-related parties (18%) for the same period. However, as a result of the optimization of the commercial activities the Group managed to improve the inventories turnover period to 17 days in 2011 (2010: 20 days).

In 2011, the current liquidity ratio increased to 0.68. The improvement of the index is completely due, to the decrease in current liabilities by BGN 103.1 million (EUR 52.7 million), and in particular to the decrease in Group's liabilities on debenture loans. The decrease of the latter is due to the successful restructuring of the guaranteed Eurobonds issued by the Parent company and the extension of the maturity to January 2017. Trade payables increased by BGN 53.1 million (EUR 27.2 million), primarily driven by the larger import of fuels in the end of 2011. The decrease in the amount of the current assets is a result of the decrease of the inventories, cash and cash equivalents and short-term receivables on interest bearing loans granted by BGN 29.27 million (EUR 14.97 million) as well as of the increase in end balance of trade and other receivables by BGN 25.4 million (EUR 12.97 million), and end balance of trade receivables by BGN 19.4 million (EUR 9.9 million).

In 2011, the consolidated indebtedness of the Group increased by BGN 7.9 million (EUR 4.0 million) to BGN 296.1 million (EUR 151.4 million). The growth is completely due to the increase in obligations under bank loans. In December 2011 the Group has fully utilized a long-term loan of USD 80,250 thousand under a syndicated loan contract with two Bulgarian banks. The proceeds from the loan were used for purchasing guaranteed notes from Petrol AD's Eurobond issue due 2017. As a result of this the Group's obligations under debenture loans decreased by BGN 142.0 million (EUR 72.6 million). In addition, during the year the Group utilised a credit limit up to USD 50,000 thousand for financing of the Group's operating activities. As a result of paying off a part of trade loans from related parties in 2011 these liabilities decreased by BGN 5.1 million (EUR 2.6 million). In 2011, the debt to assets ratio reported a minimum increase to 53%, which is due to the increase of the total amount of the Group's assets by BGN 8.0 million (EUR 4.1 million).

Disclosure of additional information in compliance with regulatory requirements

In compliance with the requirements of *Appendix 10 to the Regulation No 2* of the Financial Supervision Commission, as presented below the Group discloses information about received or granted by the issuer, its subsidiary or the Parent company (the ultimate controlling party), loans contracts, including their terms maturity and purpose, as well as information about guarantees received and provided and liabilities assumed, including such to related parties. When analyzing the disclosed information it should be taken into account that the below-presented balance-sheet and contingent receivables and payables were not eliminated between the entities belonging to Petrol Group, whose financial statements were consolidated in the financial statements of the Parent company.

Loans granted by the issuer

Type of borrower	Annual interest rate	Maturity	Principal December 31, 2011 BGN'000
Ultimate controlling company	3-month SOFIBOR plus 2%	21.10.2017	23,152
Subsidiary	9.50%	26.01.2017	51,850
Subsidiary	9.50%	26.01.2017	55,000
Subsidiary	9.50%	17.02.2013	1,568
Subsidiary	9.50%	29.04.2013	63
Total loans granted			**131,633**

Loans received by the issuer

Type of lender/depositor	Annual interest rate	Maturity	Principal December 31, 2011 BGN'000
Subsidiary	9.60%	25.11.2018	121,531
Corporate bond holders	8.375%	26.01.2017	62,336
Total loans received			**183,867**

Guarantees provided by and received by the issuer

	December 31, 2011 BGN'000	Up to 1 year BGN'000	From 1 to 2 years BGN'000	From 3 to 5 years BGN'000	Over 5 years and without defined term BGN'000
Avalized promissory notes issued in favour of financing institutions under finance lease agreements of subsidiary	24,175	5,546	-	18,629	-
Guarantees granted in favour of financing institutions under bank loans and finance lease agreements of subsidiaries and other related parties	204,758	3,000	-	75,579	126,179
Total guarantees provided	**228,933**	**8,546**	**0**	**94,208**	**126,179**
Guarantee received from the ultimate controlling company in favour of financing institutions under bank loan agreements	3,000	-	-	-	3,000
Total guarantees received	**3,000**	**0**	**0**	**0**	**3,000**

Loans granted by companies controlled by the issuer

Type of borrower	Annual interest rate	Maturity	Principal December 31, 2011 BGN'000
Ultimate controlling company	9.00%	17.08.2012	8,935
Ultimate controlling company	9.50%	31.12.2012	6,842
Ultimate controlling company	3-month SOFIBOR plus 1%	31.12.2012	34,622
Ultimate controlling company	3-month SOFIBOR plus 1%	31.12.2012	5,542
Ultimate controlling company	3-month SOFIBOR plus 1%	31.12.2012	15,415
Ultimate controlling company	3-month SOFIBOR plus 1%	31.12.2012	14,579
Ultimate controlling company	3-month SOFIBOR plus 1%	31.12.2012	170
Parent company	9.60%	25.11.2018	121,531
Trade company	9.50%	23.01.2012	2,025
Trade company	3-month SOFIBOR plus 1%	19.08.2011	40
Individuals	8.00%	31.12.2011	19
Total loans granted			**209,720**

Loans received by companies controlled by the issuer

Type of lender	Annual interest rate	Maturity	Principal December 31, 2011 BGN'000
Commercial bank	3-month. EURIBOR plus 3.1%	28.02.2018	3,441
Commercial bank	3-month. EURIBOR plus 7.5%	26.12.2014	14,669
Commercial bank	9.00%	01.07.2014	49,429
Commercial bank	8.50%	25.11.2018	121,289
Leasing company	BIR plus 1.75%	31.12.2020	4,578
Leasing company	1-month. EURIBOR (min. 3%) plus 2.25%	01.04.2023	5,642
Leasing company	1-month. EURIBOR (min. 3%) plus 2.25%	01.04.2023	9,247
Leasing company	1-month. EURIBOR (min. 3%) plus 2.25%	01.07.2023	21,905
Ultimate controlling company	3-month SOFIBOR plus 1%	31.12.2012	1,472
Parent company	9.50%	26.01.2017	51,850
Parent company	9.50%	26.01.2017	55,000
Parent company	9.50%	04.10.2012	5,506
Parent company	9.50%	29.04.2013	63
Individuals	9.10%	07.03.2012	8,900
Total loans received			**352,991**

Guarantees provided and received by companies controlled by the issuer

	December 31, 2011	Up to 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years and without defined term
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Guarantees granted in favour of financing institutions under bank loan agreements of company under common control	121,289	-	-	-	121,289
Total guarantees provided	**121,289**	**0**	**0**	**0**	**121,289**
Promissory notes avalized by ultimate controlling company and Parent company issued in favour of financing institutions under finance lease agreements	112,235	11,092	-	23,061	78,082
Guarantees granted in favour of financing institutions under bank loan and finance lease agreements of ultimate controlling company and companies under common control	452,226	3,000	-	75,579	373,647
Total guarantees received	**564,461**	**14,092**	**0**	**98,640**	**451,729**

Loans granted by the ultimate controlling company

Type of borrower	Annual interest rate	Maturity	Principal December 31, 2011 BGN'000
Individuals	9%	28.08.2018	49
Individuals	3-month SOFIBOR plus 5%	31.12.2010	38
Companies under common control	3-month SOFIBOR plus 1%	31.12.2011	18,659
Companies under common control	9%	30.06.2011	5,580
Companies under common control	BIR plus 3.5%	31.12.2012	678
Companies under common control	3-month SOFIBOR plus 1%	30.06.2011	7,089
Companies under common control	BIR plus 4.8%	28.07.2009	1,178
Associate of the ultimate controlling company	3-month SOFIBOR plus 5%, BIR plus 6%	31.03.2010	365
Trade company	3-month SOFIBOR plus 4%	31.12.2011	11,675
Trade company	3-month SOFIBOR plus 6%	31.07.2011	1,822
Total loans granted			**47,133**

Loans and deposits received by the ultimate controlling company

Type of lender/depositor	Annual interest rate	Maturity	Principal December 31, 2011 BGN'000
Individuals	3-month SOFIBOR plus 1%	Not agreed	1,893
Company under common control	9.50%	21.01.2017	23,152
Company under common control	3-month SOFIBOR plus 1%	Not agreed	95,230
Company under common control	1-month EURIBOR plus 2.85%	18.10.2019	19,787
Company under common control	9%	17.08.2012	8,935
Company under common control	9.50%	31.12.2012	6,842
Commercial bank	9%	20.07.2012	4,850
Commercial bank	3-month EURIBOR plus 9.914%	26.09.2012	4,694
Trade company	3-month SOFIBOR plus 1%	Not agreed	2
Total loans and deposits received			**165,385**

Guarantees provided by the ultimate controlling company

	December 31, 2011 BGN'000	Up to 1 year BGN'000	From 1 to 2 years BGN'000	From 3 to 5 years BGN'000	Over 5 years and without defined term BGN'000
Avalized promissory notes issued in favour of financing institutions under bank loan and finance lease agreements of related parties	437,811	5,546	31,742	48,677	351,846
Issued corporate guarantees, including, in favour of suppliers of subsidiaries	1,135	-	-	-	1,135
Other guarantees granted, including, in favour of:	-	-	-	-	-
A trustee bank under a debenture loan emission of a related party	*7,823*	*7,823*	-	-	-
Related party under option contract for sale of receivables	*8,250*	*8,250*	-	-	-
Total guarantees provided	**455,019**	**21,619**	**31,742**	**48,677**	**352,981**

The financial risks which the Group is exposed to are discussed in detail in note 34 to the consolidated financial statements as of December 31, 2011.

4. Share capital

The registered and fully paid-in share capital of Petrol AD as of December 31, 2011 amounts to BGN 109.25 million (EUR 55.86 million) and is distributed into 109,249,612 personal dematerialized ordinary registered shares, with a par value of BGN 1 each. Each share provides a voting right in the GMS, right to dividend and right to liquidation share. The shares, issued by the Company are transferable with no limitations or conditions, by its owner's free will, in accordance with the Bulgarian legislation, and according to the rules of Central Depository AD concerning the acquiring and ordering with registered shares, as well as in compliance with the regulations of the market they are traded on. Detailed information about the rules and procedures for trading Petrol's shares is available in the published prospectuses of the Company.

The following table sets out information about the changes in the structure of share capital:

In percentage	2011	2010	2009
Petrol Holding AD	55.48	55.48	55.47
Naftex Petrol EOOD	41.89	41.82	41.82
Ministry of Economics	0.66	0.66	0.70
Other minor shareholders	1.97	2.04	2.01
Total	**100.00**	**100.00**	**100.00**

In 2008 and 2009 Naftex Petrol EOOD, a subsidiary, made deals on Bulgarian Stock Exchange and hence acquiring and subsequently selling shares of the Parent company. As of December 31, 2011 the share capital of the Parent company, reduced by the shares purchased by the Group, amounted BGN 63.5 million (EUR 32.5 million).

Shares owned by other minor shareholders are held by investors, which have acquired them through trading at the regulated stock market and there is none of them who owns more than 5% of Company's shares. Petrol AD does not have shareholders with special controlling rights.

Petrol AD did not grant any options over the shares in favour of the members of the MB and the SB. There are no agreements about participation of employees in the share capital of Petrol AD, including through issuing stocks, options or other financial instruments.

On February 18, 2011, pursuant to a share repo agreement signed on December 14, 2010, Central Cooperative Bank AD transfers back to Mitko Vasilev Sabev 7,700,000 shares (7.05% of the issued capital) of Petrol AD.

Pursuant to a share repo agreement signed on April 14, 2011, Mitko Vasilev Sabev transfers to Central Cooperative Bank AD 9,000,000 shares (8.24% of the issued capital) of Petrol AD, the agreed buyback date being June 17, 2011.

Persons or entities directly or indirectly controlling Petrol AD

By the meaning of paragraph 1, point 13 of the Public Offering of Securities Act (POSA), one person or entity exercises directly or indirectly control over the company, when that person or entity holds over 50% of the votes of the GMS or may appoint directly or indirectly more than half of the members of the company's bodies, or may otherwise exercise a decisive influence on decision-making in relation to the business of the legal entity. Petrol Holding AD, with address of registered office 22A Bratya Miladinovi Street Varna, registered under company file No. 3320/1995 in the Varna District Court, holds directly voting shares equal to 55.48% of the votes of the GMS of the Company.

Stock market information

In 1998 the issue of shares of Petrol AD in the amount of registered capital of the Company is registered for trading on the Bulgarian Stock Exchange as since January 15, 2007 the shares are traded on the "B" segment of the Official market of the Bulgarian stock exchange - Sofia. In 2009 the shares of Petrol AD are included in the Bulgarian stock exchange index BG-40.

The following table sets out summarized market information about the trading of Parent company's shares on the Bulgarian Stock Exchange – Sofia:

		2011	2010	2009
Share capital as at December, 31	BGN mln	109.3	109.3	109.3
	EUR mln	55.9	55.9	55.9
Share price as at December, 31	BGN	7.97	7.96	6.99
	EUR	4.07	4.07	3.57
Market capitalization as at December, 31	BGN mln	871	870	764
	EUR mln	445	445	391
Average daily volume of traded shares	number	1,535	1,277	3,016
Highest price throughout the year	BGN	8.15	8.20	10.59
	EUR	4.17	4.19	5.41
Lowest price throughout the year	BGN	3.21	2.50	3.24
	EUR	1.64	1.28	1.66

In 2011, the shares of the Parent company did not change significantly. In the end of 2011 the shares were traded at BGN 7.97 (EUR 4.07) compared to the previous year BGN 7.96 (EUR 4.07), which accounts for an increase in the market capitalization of the Parent company by BGN 1 million (EUR 0.5 million).

5. Human resources

Human resources management

The Management believes that the employees of the Group play key role in the development of the business and the achievement of common corporate goals and pays a special attention to elaboration and development of general strategy and policies regarding human resources management. The policies in this field are oriented towards achieving of responsibility and commitment of the personnel during its performance of assigned tasks and goals. Simultaneously the senior executive staff makes efforts to support the mid-level management and the employees in order to fulfil the Group's Management priorities.

The goals of the human resources development strategy and policies are:

- Keeping the employees with a high potential and assisting their professional growth by planning their careers and introducing bonus package systems;
- Selection of new employees with significant potential and result-oriented personality;
- Broadening the scope of the traineeship programmes;
- Improvement of communications between the separate organizational bodies;
- Development and introducing of new systems for career management of the key employees;
- Development of programme for introducing training for newly employed personnel.

The Group applies adequate criteria for selection of personnel and has a professional and motivated team, which is capable for pursuing the defined strategic and operational goals. An organization network has been created for fair evaluation of the personnel's individual and collective contribution, as well as for evaluation of its content grade. The Group invests in its employees by offering them adequate programmes for training and development of the necessary professional and management skills. The Group's policy is oriented towards providing of safe and healthy work conditions, adequate remuneration and motivation system, and opportunities for professional growth.

The number of payroll staff has decreased significant during the last few years. While in 2006 and 2007 the decrease is mainly due to fact that the Parent company sold its shares in a number of subsidiaries, in 2008 and 2009 the drop is explained to a great extent by the sale of a part of the operated trade sites.

In 2011 the personnel decreased by 31 employees (1%) to 2,223 employees. Most of the employees worked in the Parent company (1,490 employees). Among the other companies in the Group, the one with the largest number of staff by the end of 2011 was Naftex Petrol EOOD (304 employees) and Naftex Security EAD (251 employees).

Information about the Group's senior executive staff

In compliance with the requirements of Art. 187d and Art. 247 from the Commercial Act, Petrol AD presents the following information about its management bodies' members:

- The total amounts of remuneration to the members of the Management Board and the Supervisory Board through the year amount to BGN 1.2 million (EUR 0.6 million) and BGN 0.4 million (EUR 0.2 million), respectively;
- Mitko Sabev owns 121,147 shares of Petrol AD.
- Kaloyan Karshev owns 3,480 shares of Petrol AD. None of other members of management bodies own shares of Petrol AD;

- The statute of Petrol AD makes no provisions for specific rights of the members of The Management Board and Supervisory Board to gain shares and bonds of the Parent company;
- The MB and SB members unlimited liability partnership in other companies, their ownership of more than 25 % of the capital of other companies, as well as their participation in the management of other companies and cooperatives as procurators, managers or board members are, as follows:

  Mitko Sabev – Chairman of the Board of Directors (BD) of Petrol Holding AD, Trans Operator AD, Trasncard Payment Services EAD, Elit Petrol AD and PSFC Chernomorets Burgas AD, member of BD Federal Bulgaria Management AD, Sportelit AD, Chairman of BD and representing of Real Estate Pomorie ADSIC, Chairman of the BD and representing of Bottling Company Izvor AD, Manager of Ros Oil EOOD, Manager of Civil Partnership, under the Obligations and Contracts Act, Balkan Petrol Consortium, representing Petrol Holding AD as a Chairman of the BD of Transinvestment ADSIC and Trans Operator AD. Mitko Sabev owns 100% of the capital of Sportelit, 99.99% of the Real Estate – Pomorie ADSIC, 47.5% of the capital of Petrol Holding AD;

  Stoyan Krastev – chairman of the BD of Jurex Consult AD and Eurocapital - Bulgaria EAD, member of BD of Petrol Holding AD and Elit Petrol AD, member of the MB of "Family" National Association, chairman of "Union of Private Petrol Companies" Association, Manager of the Law company Tony Krastev. He owns 50% of the capital of Pas Consult OOD, 50% from the capital of the Law company Tony Krastev;

  Ivan Neykov – chairman of MB of "Balkan Labor and Social Policy Institute" Association, member of MB of "Institute for Regional Economic Research" Association and "Social Politics" Foundation, member of BD of Human Power AD, Manager of National Working Conditions Survey in Bulgaria. He does not own more than 25% of other company capital;

  Denis Jersov – member of BD of Petrol Holding AD.

  Svetoslav Yordanov –member of the MB of "St. Nikola" Foundation, "Panteleymon" Foundation and "Bulgarian Oil and Gas" Association, representing Petrol AD as a chairman of the Board of Directors of BPI EAD, member of the BD of Jurex Consult AD. He owns 50% of the capital of Albatros Tours OOD, 50% of the capital of "St. Panteleymon" Specialized Surgery Clinic and 25% from the capital of S.M.M. AD;

  Orlin Todorov - CEO and representing Petrol Holding AD member of the BD of Petrol Holding AD and Eurocapital - Bulgaria EAD, CEO and member of the Board of Directors of Elit Petrol AD, Manager of Naftex Storage EOOD, Naftex Trade EOOD, Naftex Petrol Trade EOOD.

  Kaloyan Karshev – he is not a member of management or supervisory bodies of any other company and he is not a procurator of other legal entity. Mr. Karshev does not own more than 25% of other company capital;

  Ivan Kostadinov – Manager of the Econotech Engineering OOD and Econotech Development OOD. Mr. Ivan Kostadinov does not own more than 25% of other company capital;

  Svetodar Yosifov – chairman of the MB of "Society of Bulgarian students in Great Britain" Association, member of the Board of Directors of Devin AD, Manager of Case Study Lab EOOD, CEO and member of the Board of Directors of Devin Royal EAD. He owns 33.2% of the capital of Sondazhi OOD, 34% of the capital of TSM Sondazhi OOD and 100% of the capital of Case Study Lab EOOD;

  Nedelcho Yanakiev – chairman of the Pro Pro Art Association, member of MB of the "St. Panteleimon" Foundation, Manager of AnBM EOOD. He own 100% from the capital of AnBM EOOD.

Transactions with members of the management bodies

Except for the aforementioned, no other transactions have been contracted during the current year with any members of the boards that are out of the scope of the ordinary activities of the Parent company or materially deviate from the normal market conditions.

6. Events after the reporting period

All other events after the reporting period and prior to the date of issuance of the annual report are disclosed in note 34 and note 39, respectively to the separate and consolidated financial statements as of December 31, 2011.

Outlook

The expectations of the Group's Management are that during the following years the trend of consolidation on the retail market will intensify as a result of the economic crisis and the amendments in legislation requirements. The weak domestic demand and the complicated market environment will force some of the smaller independent traders to abandon their business or to join the networks of the big players. In the meantime, the expectations concerning the trade margin levels, especially the ones on the retail market, are that they shall continue stabilizing showing the tendency of reaching the mean EU levels.

The need for fulfilment of the legislation requirements as set out in the EDTWA, MSCOPPA and the new Renewable Energy Sources Act (RESA) from May 2011, as well as the influence of the international fuel prices continue to increase the end fuel prices. For example, in compliance with the assumed amendments in *Ordinance No 18 of 13 December 2006 on Registration and Reporting of Sales in Commercial Outlets with the Means of Fiscal Devices,* from March 31, 2012 all entities engaged in sales of liquid fuels are obliged to install volume measuring systems of liquid fuels for monitoring of the actual fuels quantities by the Local Administration of the National Revenue Agency In accordance with the requirements of the RESA effective from May 2011, the traders with liquid fuels from petroleum origin for transportation purposes, should supply fuels for diesel and gasoline motors combined with bio additive in line with the following relative proportions: effective from January 1, 2012 – diesel fuel with minimum 5% vol. biodiesel, effective from June 1, 2012 – diesel fuel with minimum 6% vol. biodiesel and gasoline with minimum 2% vol. bioethanol or ethers produced by bioethanol. The law provides for gradual increasing of the requirements regarding the relative share of the bio additive in the gasoline up to 9% vol., effective from March 1, 2016.

Following the strategy for expansion of its retail market share, the Group plans to attract 15 new fuel stations under the Petrol brand within the franchising program. With regard to the implementation of corporate quality management and environment standards, the Group will continue the installation of energy-saving systems on the existing sites. The plans for reconstruction and modernization of the own retail network include additional capital expenditure in the amount of BGN 7.7 million (EUR 3.9 million).

Regarding the wholesale trading, the Group will continue to expand its strategy for further expansion of its market presence and development of its fuel storage business. In pursuance of the goals set, the Group intends to continue investments in modernization and reconstruction of the fuel storage facilities. The planned budget for capital expenditures for the period 2012 totals BGN 1.4 million (EUR 0.7 million). Premises for the expanding of the fuel storage facility business are the Group's competitive advantage arising due to the significant storage capacity in relation to the legislation requirements under MSCOPPA. The budgeted investment will result not only in adherence to the environmental and anti-fire requirements but also in reduction of technological losses and increase of efficiency from operation of equipment.

Corporate governance

In its activity the Management of the Petrol AD follows and fulfils the approved Program for Good Corporate Governance (the Program). The Management believes that such standards are essential to business integrity and performance.

The Program is developed in accordance with the Bulgarian commercial law, the principles for corporate governance of the Organization for Economic Co-operation and Development, the International standards for good corporate governance adopted by the Financial Supervision Commission, The Code for Corporative Governance adopted by the Board of Directors of the Bulgarian Stock Exchange – Sofia, the By-laws of Petrol AD and the rules and procedures for functioning of the management bodies of the Parent company.

The Program is updated in 2012[16], and its implementation is monitored and controlled by the Supervisory Board (SB) of Petrol AD. The Program sets out the main principles and policies of the Company that the management bodies should comply with in order to achieve the goals set in the Program, namely:

- Protection of the shareholders' rights and guaranteeing equity amongst them (including minor and foreign shareholders);
- Timely and accurate disclosure of information about all issues relevant to Petrol AD in compliance with the POSA, Law on Measures against Market Abuse with Financial Instruments and the other acts;
- Providing strategic management of the Company, efficient control over the work of the MB and the accountancy of the MB and the SB to the GMS;
- Creating interactive connection between the Management of Petrol AD and its shareholders and potential investors.

The main principles of the Program are set below.

Shareholders' rights

The Program sets clearly the rights of the shareholders of Petrol AD and the main goal of the managers' team is to ensure their observation. The shareholders have the right to:

- Participate and vote in the GMS;
- Be equally treated in the GMS;
- Request convocation of regular or extraordinary GMS;
- Access the materials in writing, relevant to the agenda of the GMS;
- Access to the records of the previous sessions of the GMS;
- Make proposals for election of members of the SB and to vote for their electing;
- Take part in the distribution of the Company's profit commensurably to their participation of the share capital;
- Receive regularly and timely information about corporate events related to the activities and condition of Petrol AD;
- Participate in the increase of the capital of Petrol AD and in tender offers.
- Receive timely information in respect of notifications about tender offers.

[16] The Program is approved by a decision of the MB dated April 10, 2003

Board Structure

Petrol AD has two-tier board structure, which includes Management Board (MB) and Supervisory Board (SB).

Management Board

The Company is managed and represented by a MB, whose 5 members are elected by the SB for a 5-year period.

The MB has the authority to prepare the annual report and financial statements of the Company and submit them for approval by the GMS; to adopt projects and programs for the activity of the Company; to make proposals for increase or decrease of the Company's capital to the GMS; to elect and dismiss the executive directors; to elect and dismiss the chairman and the deputy chairman of the MB; to appoint on a labour agreement the Investor Relationship Manager and to assist him in exercising his functions, and to control their implementation; to approve the organizational and management structure of the Company and other internal regulations; to open and close down branches and to make decisions to acquire or terminate participations in the capital of other domestic or foreign companies; to make decisions for concluding deals under art. 114, paragraph 1 from the POSA, in cases when it is authorized for that by the GMS, etc.

For all MB resolutions is needed qualified majority of ¾ of all members, unless consensus is needed. MB holds its sessions at least once a month and reports for its activity to the SB at least on a quarterly basis.

The MB authorises the rules for its activities, which strictly determine all the rights, obligations and functions of the members of the MB.

Supervisory Board

The SB administrates and controls the activities of the MB in view of the conformity of its actions with the legislation, the By-laws of the Petrol AD and the decisions of the GMS. The SB is a collective body, elected by and directly reporting to the GMS.

SB's mandate is 5 years; at least 1/3 of its members should be independent persons under the definition of the POSA.

The SB controls generally and continuously the activities of the Company, revises the annual reports and financial statements of the Company, submits written annual reports for the final results from the audits and analyses of the business to the GMS, elects and dismisses the members of the MB, approves the financial plans and investment programs of the Company, approves the empowerment of ECOs to represent the Company authorized by MB, defines the number of the ECOs, approves the financial plans and investment programs of the Company, etc.

The SB holds its sessions at least on a quarterly basis and reports for its activity to the GMS. The SB takes its decisions in accordance with the authorities given to it by the GMS, the By-laws and the current legislation.

Members of the MB and SB can be re-elected without any limitations.

GMS determines the remuneration of the members of the SB and the MB, taking into consideration the responsibility, the engagement and the involvement of each board member with the Management of the Company.

Disclosure of information

Being a public company Petrol AD submits to the Financial Supervision Commission and the Bulgarian Stock Exchange – Sofia periodical reports and notifications about insider information under the Law on Measures against Market Abuse with Financial Instruments. At the same time, the Company reveals regular information to the public in way that ensures it to reach the widest possible number of people simultaneously and in a way that does not discriminate them. For that purpose the Company uses the services of the Service Finance Markets EOOD, which ensures effective spreading of regular information to the public in all EU member states. The Company submits individual and consolidated quarterly financial statements, annual report and individual and consolidated annual financial statements as the MB present the latter for verification and audit to the SB and to the elected by the GMS certified auditor. The elected by the GMS auditor should be independent of the MB and in particular of the executive director of the Company and it should act independently of the shareholders who have elected him.

According to the requirements of the published prospectus for the Euro notes issue made at the end of October 2006, the Company prepares and submits to the Trustee (The Bank of New York Mellon) and to the Noteholders consolidated quarterly and annual financial statements and annual report.

The management bodies of the Parent company and the Investor Relations Director should provide easy and timely access of the shareholders and investors to the information, to which they are legally entitled being shareholders and/or investors in order to take informed and adequate investment decisions.

The information reported by the Company to the Finance Supervising Commission and to the public should be included on the web site of the Company for consideration by the shareholders and those who are interested to invest in the shares of the Company.

Control over the fulfilment of the Program

The control over the Program is exercised by the MB. The effectiveness and efficiency of the Program is assessed annually by the MB. The results of this assessment and further measures proposed should be noticed in the annual report provided to Financial Supervision Commission and to the Bulgarian Stock Exchange – Sofia.

With a view to improving and extending the Program, the MB follows the trends in the theory, practice and legislation in the field of corporate governance, which guarantees the timely informing of the Company on the matters in the fields and updating of the Program.

Environmental commitments

Following its privatisation in 1999, Petrol AD started the implementation of an investment programme aimed to bring the Group's facilities in line with the requirements of the best environmental practices in European Union. The Group's operations include a number of activities which are governed by environmental or health and safety laws in Bulgaria, which also cover historic environmental liabilities associated with past environmental damage, storage and handling of petroleum products, soil and groundwater contamination, waste management, water supply, waste water management, atmospheric emissions, use and disposal of hazardous materials and land use and planning requirements, including community issues, associated with the development of new green field retail stations.

The principal legislation acts in Bulgaria which set out the framework for environmental protection and sustainable development are the Law on Environment Protection, the Law on Waste Management and sector-specific legislation, including the Law on Ambient Air Purity, the Law on Water, the Law on Soil Protection, the Law on Underground Resources, RESA and various regulations on their implementation. As part of Bulgaria's preparation for accession to the European Union, each of these laws has been brought into line with European Union standards, with the new standards being phased in over time. Any failure by the Group to comply with such laws may be a ground for civil and/or administrative liability.

With regard to the Group's retail stations, Bulgarian law requires that a number of air, water, land and noise emissions are monitored and recorded and processes established for minimising such emissions and rendering them harmless. The following are monitored pursuant to these obligations:

- Air emissions are monitored for dust, hydrogen sulphide, sulphurous dioxide, nitrogen dioxide, lead aerosols, ammonia, carbolic acid and hydrocarbon;
- Water emissions are monitored for temperature, pH, dissolved oxygen, conductance, turbidity, phosphates, copper, zinc, lead and oil products;
- Surrounding soil is monitored for pH, nitrate nitrogen, copper, chlorides, phosphates, zinc, lead and oil products; and
- Noise levels are monitored.

The Group is in compliance in all material respects with environmental requirements currently applicable to its operations and, with the planned additional investment, believes it will be able to maintain compliance with known forthcoming requirements. The Group's intention is to continue to ensure environmental compliance and pollution prevention in advance of regulatory requirements.

Vapour recovery systems

One of the major areas in which the Group has invested, and will continue to invest, is the meeting of the Bulgarian and European Union requirements for the control of volatile organic compounds (known as VOCs). VOCs are compounds containing carbon that evaporate into the air, such as vapour arising from certain petroleum products. European Union Directive 94/63/EC Directive on VOCs emissions resulting from storage and distribution of petrol set limits on the permitted levels of such emissions. The Directive has been implemented in Bulgarian legislation in the form of *Ordinance No16* dated August 12, 1999, which limits the emissions of VOCs connected with the storage, loading or unloading and transportation of petrol.

The legal acts set up very strict requirements to fuel stations, fuel storage terminals, and fuel tank trucks. Pursuant to these standards the tanks of fuel stations are made with double walls willed with inert liquid. The Group installed level measuring systems reacting to the slightest changes in the level of fuel, as well as systems for sending vapours back into the fuel tank truck during unloading of the fuel. Thus all dangers of fuel leaks and pollution with carbon oxides are minimized.

In order for the Group to be in line with the environmental criteria, the loading and storage terminals are currently being reconstructed. Floating roofs limiting the vapours to a minimum are installed, new mounting platforms for down filling of fuel trucks and vapour recovery system are built.

European Directive 94/63/EC also requires that fuel tanker trucks used to transport fuels must meet certain ecological criteria which aim to keep VOC emissions into the atmosphere at a minimum level during loading and unloading. In order to comply with these requirements, the Group operates 36 new fuel tank trucks from IVECO Spa and Mercedes, which meet the requirements of the Directive and Euro 3 emission standards. This standard requires compliance with significant restrictions on noise and nitrogen, carbon oxides and hydrocarbon emissions.

With a view to promote the consumption of biofuels and other renewable fuels in transport sector and in compliance with the adopted amendments to the RESA, since the beginning of 2012 the Group offers fuel for diesel engines with a minimum biodiesel content of 5% vol (see also *Outlook*)

ISO Certification

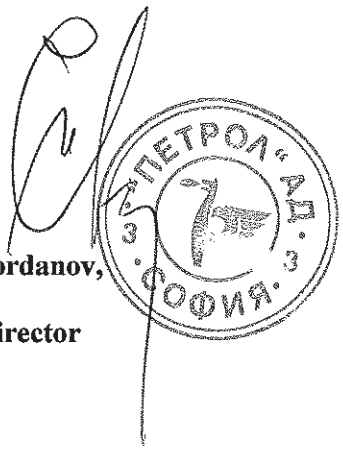
In December 2004, the Management of the Group decided to obtain certifications for quality management standards under ISO 9001:2000 and environmental management system under ISO 14001:1996 for the Parent company and the subsidiary Naftex Petrol EOOD. This intention confirms the commitment of the Management to implement the best European practices in process management. This process includes the preparation, documentation and implementation of written rules and procedures and an audit of the procedures by an independent third party. In October 2007 the both companies obtained an ISO 9001:2000 certification. In September 2010 the Group is recertified under ISO 9001:2008.

Responsibility of the Management

According to the Bulgarian Law, the Management must prepare annual report on the activity, as well as financial statements for each financial year, which present in true and fair view the Company`s financial position as of the end of the year, its financial performance and cash flows, in compliance with the applicable accounting framework. For reporting purpose under Bulgarian accounting legislation the Company applies the International Financial Reporting Standards (IFRS), as approved by the European Union.

This responsibility includes: design, implementation and maintenance of internal control system, related to the preparation and truthful presentation of the financial statements, which do not contain material errors, deviations and discrepancies, whether due to fraud or error; selection and application of relevant accounting policies; and preparation of accounting estimates, which are reasonable in the particular circumstances.

The Management confirms that has acted according to its responsibilities and that the Financial statements have been prepared in full compliance with the International Financial Reporting Standards (IFRS), as approved by the European Union. The Management also confirms, that in the preparation of the report on the activity has presented in true and fair view the development and performance of the Company for the past period, as well as its position and the risks which it is exposed to. The Managements have been approved for issue the report on the activity and the financial statements for 2011.



Svetoslav Yordanov,

Executive Director

May 2012

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail

INDEPENDENT AUDITOR'S REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
Petrol AD

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Petrol AD and its subsidiaries ("the Group", "Petrol Group") as set out on pages 49 to 118, which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

KPMG Bulgaria OOD, a Bulgarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered with the Commercial Register at the Bulgarian Registry Agency Identity Code 040595851

IBAN BG06 RZBB 9155 1060 2664 18
BIC RZBBBGSF
RaiffeisenBank (Bulgaria) EAD

Basis for Qualified Opinion

1 As disclosed in note 2.6 and note 32 to the consolidated financial statements, Petrol Group considers that by substance it controls two companies, which are entirely owned by a company outside the Group (by the controlling company Petrol Holding AD) and therefore Petrol Group consolidates these two companies as special purpose entities (SPE) since 1 January 2009. The definition of control allows that only a single company controls another company and IAS 27 *Consolidated and separate financial statements* suggests that control exists when the company owns, directly or indirectly, more than half of the voting power of an entity unless, in exceptional circumstances it can be clearly demonstrated that such ownership does not constitute control. Lack of formal limitations on the activities of the two companies as well as the power of Petrol Holding AD to solely amend each aspect of these activities and to make decisions, including changing the articles of association or termination of the companies, complicates to a great extent the possibility to reject the presumption of IAS 27, that control exists when more than half of the voting power of the entity is owned. Additionally, due to the fact that Petrol Holding AD issues separate guarantees to secure the financial obligations of the two companies considered as SPE of Petrol Group, it can be concluded that Petrol Holding is exposed to a great extent to the basic risk related to the operations of the two companies – namely credit risk. In view of the above, we were unable to obtain such evidence that would convince us to a sufficient extent that Petrol Group controls the two special purpose entities and that their inclusion in consolidation is appropriate.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphases of Matter

Without further qualifying our opinion, we draw attention to the following:

1 As disclosed in Note 36 to the accompanying consolidated financial statements, the Group restated the corresponding information for 2010 and for prior periods presented in relation to errors, including impairment of trade and other receivables and interest-bearing loan receivables. As part of our audit we audited the adjustments described in Note 36 that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.

2 Notes 2.1.2 and 34 to the consolidated financial statements disclose various types of risks, including liquidity risk and credit risk, to which the Company is exposed in its normal course of commercial activities. Multiple assumptions are included in the analysis of these risks, including access to bank loans, certain price and time ranges, the realisation of which, due to the dynamic and unpredictable market environment and relationships between the shareholders of the controlling company may significantly differ and may have a negative impact on the Group's business including its ability to operate as a going concern.

3 As disclosed in Note 23 to the accompanying consolidated financial statements, Petrol AD reports a receivable from the tax administration in the amount of BGN 5,972 thousand including additional expenses. The tax assessment act regarding this receivable has been appealed by the company and rejected by the court of first instance but confirmed at the court of second instance. As at the reporting date the decision of the Bulgarian court has been appealed in front of the European Court of Human Rights in Strasbourg. Uncertainty exists regarding the timing and the outcome of the legal case and when the receivable will be recovered.

4 Note 39 *Subsequent events* discloses a study of the wholesale trade of fuels in the country undertaken by the Commission for protection of competition (CPC). As a result of the research the CPC concluded that four basic market participants, including one of the subsidiaries of Petrol AD, Naftex Petrol EOOD, restrict or distort free competition. If the CPC concludes that there has been a breach of the rules than it may impose a penalty up to the amount of 10% of the revenue of Naftex Petrol EOOD of the previous year.

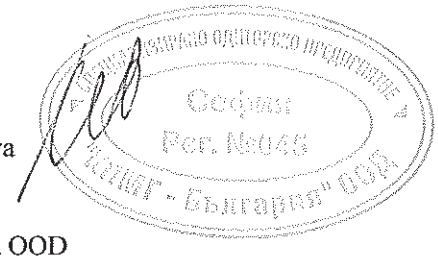
Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2010, prepared prior to the restatements disclosed in Note 36 to the accompanying consolidated financial statements, were audited by another auditor who expressed a modified opinion on those statements on 9 May 2011.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Company prepared in accordance with the requirements of article 33 of the Accountancy Act

As required under the Accountancy Act, we report that the historical financial information disclosed in the consolidated annual report of the activities of Petrol AD, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the consolidated financial information disclosed in the audited consolidated financial statements of the Group as of and for the year ended 31 December 2011. Management of Petrol AD is responsible for the preparation of the consolidated annual report of the activities of the Group which was approved by the Management Board of Petrol AD on 17 May 2012.



Margarita Goleva
Manager

Tzvetelina Koleva
Registered auditor

KPMG Bulgaria OOD

Sofia, 18 May 2012

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2011

	Note	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Revenue	*6*	1,439,052	1,218,291
Other income	*7*	6,501	7,428
Cost of goods sold	*8*	(1,361,739)	(1,110,412)
Materials and consumables	*9*	(8,652)	(9,013)
Hired services	*10*	(27,249)	(32,617)
Employee benefits expenses	*11*	(26,182)	(21,716)
Depreciation and amortization expenses	*16, 17*	(14,802)	(16,510)
Impairment of assets	*12*	(9,517)	(3,792)
Other expenses	*13*	(10,355)	(7,637)
Finance income	*14*	15,731	7,828
Finance costs	*14*	(43,862)	(31,404)
Share of profit of associates	*18*	-	53
Profit (loss) before taxes		**(41,074)**	**499**
Income tax expense	*15*	(3,661)	(979)
Net loss for the year		**(44,735)**	**(480)**
Owned by:			
Owners of the Parent company		***(44,744)***	***(281)***
Non-controlling interest		***9***	***(199)***
Total comprehensive income for the year		**(44,735)**	**(480)**
Loss per share (BGN)	*25*	**(0.70)**	**(0.01)**

These consolidated financial statements were approved on behalf of Petrol AD by:

Svetoslav Yordanov
Executive Director

Daniela Taskova-Stoykova
Chief Accountant

May 17, 2012

In accordance with an independent Auditors' Report:

Margarita Goleva
Manager
KPMG Bulgaria OOD

Tzvetelina Koleva
Registered Auditor
KPMG Bulgaria OOD

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2011

	Note	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Non-current assets				
Property, plant and equipment and intangible assets	*16*	162,890	172,051	168,173
Investment properties	*17*	33,467	30,703	-
Investments in associates	*18*	-	-	15,299
Goodwill	*20*	18,332	18,332	18,297
Deferred tax assets	*15*	668	2,495	1,034
Interest-bearing loans granted	*21*	21,034	34,902	21,034
Compulsory inventory	*22*	69,081	34,939	13,398
Total non-current assets		305,472	293,422	237,235
Current assets				
Inventories	*22*	53,178	77,095	47,668
Interest-bearing loans granted	*21*	104,437	107,545	44,917
Trade and other receivables	*23*	85,681	60,313	68,248
Cash and cash equivalents	*24*	9,075	11,321	19,363
Total current assets		252,371	256,274	180,196
Total assets		**557,843**	**549,696**	**417,431**
Shareholder's equity				
Share capital	*25*	76,321	76,401	76,401
Legal reserves		18,864	18,914	18,914
Accumulated loss		(115,264)	(69,881)	(69,834)
Total equity, attributable to the owners of the Parent company		(20,079)	25,434	25,481
Non-controlling interest	*33.3*	52	4,301	(101)
Total equity and reserves		(20,027)	29,735	25,380
Non-current liabilities				
Interest-bearing loans	*26*	205,028	43,485	195,505
Obligations under finance lease	*27*	1,705	2,379	3,935
Retirement benefits obligations	*28*	328	190	205
Total non-current liabilities		207,061	46,054	199,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2011 (continued)

	Note	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Current liabilities				
Trade and other payables	*29*	281,318	227,913	174,703
Interest-bearing loans	*26*	88,466	240,894	15,290
Obligations under finance lease	*27*	949	1,517	1,746
Retirement benefits obligations	*28*	22	21	35
Current income tax payable	*30*	54	3,562	632
Total current liabilities		370,809	473,907	192,406
Total liabilities		577,870	519,961	392,051
Total equity and liabilities		**557,843**	**549,696**	**417,431**

These consolidated financial statements were approved on behalf of Petrol AD by:

Svetoslav Yordanov
Executive Director

Daniela Taskova-Stoykova
Chief Accountant

May 17, 2012

In accordance with an independent Auditors' Report:

Margarita Goleva
Manager
KPMG Bulgaria OOD

Tzvetelina Koleva
Registered Auditor
KPMG Bulgaria OOD

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2011

	Equity attributable to the owners of the Parent company						
	Share capital	Other reserves	Legal reserves	Retained earnings (accumulated loss)	Total	Non-controlling interest	Total equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000.	BGN'000
Balance at January 1, 2010	76,401	20,657	18,914	(83,918)	32,054	(101)	31,953
Prior year error	-	(20,657)	-	14,084	(6,573)	-	(6,573)
Balance at January 1, 2010, restated	76,401	-	18,914	(69,834)	25,481	(101)	25,380
Comprehensive income							
Loss for the year, restated	-	-	-	(281)	(281)	(199)	(480)
Total comprehensive income	-	-	-	(281)	(281)	(199)	(480)
Transactions with shareholders in equity							
Dividends payable written off	-	-	-	234	234	-	234
Acquisition of non-controlling interest in acquired subsidiaries	-	-	-	-	-	4,601	4,601
Total transactions with shareholders in equity	-	-	-	234	234	4,601	4,835
Balance at December 31, 2010, restated	76,401	-	18,914	(69,881)	25,434	4,301	29,735

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2011 (continued)

	Equity attributable to the owners of the Parent company						
	Share capital	Other reserves	Legal reserves	Retained earnings (accumulated loss)	Total	Non-controlling interest	Total equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at December 31, 2010, restated	**76,401**	**-**	**18,914**	**(69,881)**	**25,434**	**4,301**	**29,735**
Comprehensive income							
Loss for the year	-	-	-	(44,744)	(44,744)	9	(44,735)
Total comprehensive income	**-**	**-**	**-**	**(44,744)**	**(44,744)**	**9**	**(44,735)**
Transactions with shareholders in equity							
Redemption of own shares	(80)	-	-	(385)	(465)	-	(465)
Dividends paid	-	-	-	(64)	(64)	-	(64)
Dividends payable written off	-	-	-	45	45	-	45
Acquisition of non-controlling interest without change in control	-	-	-	(285)	(285)	(4,258)	(4,543)
Total transactions with shareholders in equity	**(80)**	**-**	**-**	**(689)**	**(769)**	**(4,258)**	**(5,027)**
Other changes							
Loss covered	-	-	(50)	50	-	-	-
Total other changes	**-**	**-**	**(50)**	**50**	**-**	**-**	**-**
Balance at December 31, 2011	**76,321**		**18,864**	**(115,264)**	**(20,079)**	**52**	**(20,027)**

These consolidated financial statements were approved on behalf of Petrol AD by:

Svetoslav Yordanov
Executive Director

Daniela Taskova-Stoykova
Chief Accountant

May 17, 2012

In accordance with an independent Auditors' Report:

Margarita Goleva
Manager
KPMG Bulgaria OOD

Tzvetelina Koleva
Registered Auditor
KPMG Bulgaria OOD

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Cash flows from operating activities		
Net profit (loss) before taxes	(41,074)	499
Adjustments for:		
Depreciation/amortization of property, plant and equipment and intangible assets	14,802	16,510
Interest expense, bank fees and commissions, net	26,438	17,762
Shortages and normal loss, net of excess assets	486	1,503
Provisions for unused paid leave and retirement benefits	515	310
Impairment of assets	9,517	3,792
Provisions	79	-
Assets with low value written-off	149	441
Receivables written-off	758	441
Loss on liquidation of assets	1,667	150
Net effect from applying the equity method	-	(53)
Loss on transactions with derivatives	-	121
Remeasurement to fair value of investment in associate	-	(1,650)
Gain on acquisition of subsidiary	-	(26)
Gain on sale of property, plant and equipment	(563)	(1,051)
Gain on transactions with own bonds	(5,795)	-
Unrealized foreign exchange differences	3,249	1,266
	10,228	**40,015**
Change in trade payables	78,196	54,255
Change in inventories	(10,645)	(52,013)
Change in trade receivables	(17,230)	3,051
Cash flows provided by operating activities	**60,549**	**45,308**
Interest and bank fees and commissions paid	(30,688)	(23,066)
Income taxes paid	(5,260)	(1,137)
Net cash provided by operating activities	**24,601**	**21,105**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2011 (continued)

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(7,611)	(10,997)
Proceeds from sale of property, plant and equipment	998	1,352
Interest received on loans and deposits granted	5,367	1,972
Net payments for transactions with derivatives	-	(121)
Dividends received	-	260
Payments for loans and deposits granted, net	(26,772)	(48,812)
Net cash used in investing activities	**(28,018)**	**(56,346)**
Cash flows from financing activities		
Proceeds from bank and trade loans	157,492	39,659
Repayment of bank, trade and debenture loans	(153,318)	(10,285)
Proceeds from leaseback agreements	411	-
Payments under leaseback agreements	(1,245)	(106)
Payments for redemption of own shares	(465)	-
Dividends paid	(2)	(2)
Lease payments	(1,553)	(1,785)
Net cash provided by financing activities	**1,320**	**27,481**
Net increase (decrease) in cash for the year	**(2,097)**	**(7,760)**
Cash at the beginning of the year (restated)	**11,172**	**18,932**
Cash at the end of year (see also note 24)	**9,075**	**11,172**

These consolidated financial statements were approved on behalf of Petrol AD by:

Svetoslav Yordanov
Executive Director

Daniela Taskova-Stoykova
Chief Accountant

May 17, 2012

In accordance with an independent Auditors' Report:

Margarita Goleva
Manager
KPMG Bulgaria OOD

Tzvetelina Koleva
Registered Auditor
KPMG Bulgaria OOD

The notes on pages 57 to 118 are an integral part of these consolidated financial statements.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

1. Legal status and main activity

Petrol AD (the Parent company) was registered in Sofia, Bulgaria. The address of registration of the Company is 43 Cherni Vrah Blvd., Sofia. As at the end of the reporting period the majority shareholder of the Company is Petrol Holding AD (Controlling company) with 55.48% ownership of the share capital (see also note 25).

Since July 1, 1998 Petrol AD has been registered as a public company in the public register of the Commission for Financial Supervision.

The main activity of the Company and its subsidiaries (the Group) is retail trade with petroleum products and non-petroleum goods, transport and other services. The Parent company is one of the biggest trade companies in the Republic of Bulgaria which owns the largest network of fuel stations in the country.

These consolidated financial statements were approved for issue by the Management board on May 17, 2012.

2. Basis of preparation of the financial statements and accounting principles

2.1. General

2.1.1. Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

These consolidated financial statements have been prepared on a historical cost basis, except for the provisions and the defined benefit liability recognised at present value of expected future payments.

2.1.2. Going concern assumption

These consolidated financial statements have been prepared on a going concern basis. This assumes that the Group will be able to repay regularly its bond liabilities, commercial loans and interest due in accordance with the contractual agreements.

The trade activities of the Group are performed in highly dynamic environment in economic and political aspect, leading to a steady increase in oil prices in international markets. At the same time, the Group has an obligation to store certain volumes of inventory in compliance with Mandatory Stocks of Crude Oil and Petroleum Products Act (MSCOPPA), as well as repaying its current liabilities in the ordinary course of business. The last depends on the Group's access to finance including bank loans. In 2011 the worrying economic conditions led to the realisation of loss amounted to BGN 44,735 thousand and negative figure of net assets of BGN 20,027 thousand. In the analysis of liquidity and credit risk, the Group has used numerous assumptions, including access to bank loans, certain price and time ranges, which realisation may differ materially and may have an adverse effect on the business because of the dynamic and unpredictable market environment and relationship between the shareholders of the Controlling company, including on its ability to continue to operate on a going concern basis.

2.1.2. Going concern assumption (continued)

As disclosed in note 26, a decision to prolong the term of the bond issue up to January 26, 2017 was taken at general bond holders meetings conducted in October and December, 2011. Risks and uncertainties in relation with financial instruments are disclosed in note 34 to the consolidated financial statements.

There are legal proceedings initiated between Petrol Holding AD (Controlling company) and its shareholders in relation with publicly announced disputes about the control over the management of Petrol Holding AD. This might become a reason for the impeded fulfilment of planned actions of strategic and operating nature.

2.2. Application of new and revised IFRS

2.2.1. Standards and interpretations effective and applied during the current reporting period

Some new standards, amendments and interpretations have been effective for reporting periods beginning on or after January 1, 2011, and have been applied in the preparation of these financial statements. The adoption of these amendments to existing standards has not led to changes in the accounting policy of the Company.

2.2.2. Standards and interpretations, issued by the International Accounting Standards Board (IASB) not yet applied

The following IFRSs, amendments to IFRSs and interpretations are endorsed for adoption by the European Commission (EC) as at the date of approval of these financial statements, but are not yet effective:

- Amendments to IFRS 7 *Financial Instruments: Disclosure* - Transfer of Financial Assets (effective for reporting periods beginning on or after July 1, 2011).

The Group has chosen not to apply this standard before its effective date. The Management expects that the application of the standard in the period of initial application would not have material effect on the financial statements of the Company.

Standards and interpretations issued by IASB and not yet endorsed by the European Commission

The following new and revised standards, interpretations and amendments to existing standards were not endorsed by the EC as of the reporting date and have not been taken into consideration by the Company in the preparation of these financial statements. Their effective dates will depend on the endorsement decision of the EC.

- IFRS 9 *Financial Instruments (issued in November, 2009) and Additions to IFRS 9 issued in October, 2010* (effective for annual periods beginning on or after January 1, 2015;
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Agreements*, IFRS 12 *Disclosure of Interest in Other Enterprises* and IFRS 13 *Fair Value Measurement*, issued in May 2011 (effective for annual periods beginning on or after, January 1, 2013);
- IAS 27 *Separate Financial Statements* (2011) amending IAS 27 (2008) and IAS 28 *Investments in associates and joint ventures* (2011) amending IAS 28(2008), issued in May 2011 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 *First-time adoption of IFRS* – severe hyperinflation and removal of fixed dates for first-time adopters, issued in December 2010 (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 1 *Presentation of Financial Statements* – Presentation of items in Other Comprehensive Income, issued in June 2011 (effective for annual periods beginning on or after July 1, 2012);

2.2.2. *Standards and interpretations, issued by the International Accounting Standards Board (IASB) not yet applied (continued)*

- Amendments to IAS 12 *Income taxes* – Recovery of Underlying Assets, issued in December 2010 (effective for annual periods beginning on or after January 1, 2012);
- Amendments to IAS 19 *Employee benefits* – Improvements in accounting for employee benefits, issued in June 2011 (effective for annual periods beginning on or after January 1, 2013);
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, issued in December 2011 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 32 *Financial Instruments: Presentation* – compensation of financial assets and liabilities, issued in December, 2011 (effective for annual periods beginning on or after, January 1, 2014);
- Amendments to IFRS 7 *Financial Instruments: Disclosure* – offsetting financial assets and liabilities, issued in December, 2011 (effective for annual periods beginning on or after January 1, 2013).

2.3. Functional and presentation currency of the consolidated financial statements

Functional currency is the currency of the primary economic environment, in which the Group operates and primarily generates and disburses cash. It reflects the main transactions, events and conditions considered significant for the Group.

The Group's companies keep its records and prepare its financial statements in the national currency of the Republic of Bulgaria – Bulgarian Lev (BGN), which is adopted by the Company as a functional currency.

These consolidated financial statements are presented in thousands of BGN.

2.4. Foreign currency

Transactions in foreign currency are initially recorded at amounts denominated in BGN at the official exchange rate of the Bulgarian National Bank as of the date of the transaction. Foreign exchange rate differences arising from settlement of foreign exchange positions or from reporting these positions at rates different from those of the initial recording, are reported in profit and loss for the respective period.

Since January 1, 1999 the Bulgarian Lev has been fixed against the Euro at rate 1.95583 BGN for 1 Euro.

The monetary positions denominated in foreign currency as at December 31, 2011, 2010 and January 1, 2010 are stated in the present consolidated financial statements at the closing exchange rate of the Bulgarian National Bank. The closing exchange rates of the BGN against USD as at the end of current and prior reporting periods are as follows:

December 31, 2011:	1 USD = 1.51158 BGN
December 31, 2010:	1 USD = 1.47276 BGN
January 1, 2010:	1 USD = 1.36409 BGN

2.5. Accounting assumptions and estimates

The application of IFRS requires that the Management makes certain reasonable assumptions and accounting estimates in the preparation of these consolidated financial statements, in order to determine the value of some assets, liabilities, revenue and expenses. These estimates and assumptions are based on the best estimate of the Management, taking into consideration the historical experience and analysis of all factors impacting the circumstances as of the date of preparation of the consolidated financial statements. The actual results could differ from the estimates presented in these consolidated financial statements.

Information about the uncertainties of assumptions and estimates, that have a significant risk of resulting in material adjustments in the consolidated financial statements, includes the following note:

- Note 27 – leases

Information about the uncertainties of assumptions and estimates, that have a significant risk of resulting in material adjustments within the next financial year are included in the following notes:

- Note 15 – recoverability of deferred tax assets
- Note 20 – measuring the recoverable amount of the recognised goodwill acquired in business combinations
- Note 23 – regarding the period of recovering a receivable from the tax administration
- Note 34 – regarding the credit risk assessment and management.

2.6. Subsidiaries and consolidation

The consolidated financial statements incorporate the financial statements of the Parent company and the companies which are controlled by the Parent Company (subsidiaries and special purpose entities). Control is the power to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities.

In compliance with SIC 12 *Consolidation - Special Purpose Entities*, the financial statements of two entities are consolidated in their capacity of special purpose entities as of January 1, 2009 (see also note 32).

For consolidation purposes, the separate financial statements of the Parent company, its subsidiaries and the controlled special purpose entities have been combined on a line-by-line basis by adding together items of assets, liabilities, equity, income and expenses.

All intragroup balances as of December 31, 2011 and 2010 and January 1, 2010 and intragroup transactions as of December 31, 2011 and 2010, as well as all intragroup profits and losses, including unrealised profits and losses are eliminated in full.

The carrying amount of the investments in each subsidiary, hold by the Parent company or any of the subsidiaries and the Parent company's portion of equity of each subsidiary are eliminated.

The results of subsidiaries, which have been acquired or disposed by the Group during the reporting period, are included in the consolidated statement of comprehensive income from the date of the acquisition, till the date at which control ceases.

2.7. Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly to the Parent company. Non-controlling interest is represented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent company.

2.7. Non-controlling interest (continued)

In each business combination the Group measure any non-controlling interest in the acquiree either at fair value or by the proportional share of the non-controlling interest in the identifiable net assets of the acquiree.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

2.8. Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.9. Associates

An associate is an enterprise over which the Group has significant influence. Significant influence is the right of participation in, but not control over, the financial and operating policy decisions of the investee.

Investments in associates are presented in the statement of financial position in accordance with IAS 28 *Investments in Associates*, using the equity method of accounting, according to which the investment is recorded initially at cost and adjusted by post-acquisition changes in the investor's share in the net assets of the associate.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2.10. Goodwill

Goodwill, arisen in business combination, is recognised as an asset at the date when control over the company, subject to business combination, is acquired. Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the net acquisition date amounts of the identifiable assets acquired and the liabilities assumed. When the acquisition cost is lower than the fair value of the net assets acquired by the Group, the acquirer should reassess the identification and measurement of the acquiree's identifiable assets, liabilities and the cost of the business combination and any excess remaining after that reassessment should be recognised immediately in profit or loss.

Subsequent to its initial recognition goodwill is not amortised, in compliance with IFRS 3 *Business combinations*, applicable for reporting periods after March 31, 2004. At the end of each reporting period a test for impairment is performed (see also note 4).

2.11. Prior period errors

Prior period errors are omissions from and misstatements in a Group's financial statements for prior periods arising from a failure to use or misuse of reliable information. This is information, which was available when the financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of these financial statements. Prior period errors may occur at recognition, measurement, presentation or disclosure of items in the financial statements. They are corrected by retrospective restatement of comparative data or the opening balances of assets, liabilities and equity (in case of errors arisen in prior periods, which have not been presented in the financial statements). Corrections are recognised in the first set of financial statements authorised for issue after their discovery including a statements of financial position at the beginning of the earliest comparative period.

2.12. Changes in accounting policies

The Group changes its accounting policies only if the change is required by an IFRS or an interpretation, results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. Change in accounting policies arising from initial application of an IFRS or an interpretation, is applied in compliance with the transitional requirements in that IFRS or an interpretation.

When specific transitional provisions applying to that change are not available or changes in accounting policy are voluntarily, such changes are applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. When applying an accounting policy retrospectively, in its consolidated financial statements, the Group presents an additional statement of financial position at the beginning of the earliest comparative period.

2.13. Reclassifications

Reclassifications are changes in the presentation of certain items in the financial statements, in order to improve the true and fair presentation of information. These reclassifications are made retrospectively with restatement in the opening balances of each affected item in the financial statements. Additional statement of financial position as of the earliest comparative period is prepared and presented.

3. Definition and valuation of the statement of financial position and the statement of comprehensive income items

3.1. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are measured initially at acquisition cost comprising purchase price, import duties and non-refundable taxes, as well as any costs which are directly attributable to bringing the asset to the location and condition necessary for operating in the manner intended by Management. Assets acquired through a business combination are measured at fair value. After initial recognition property, plant and equipment and intangible assets are carried at cost less depreciation and amortisation and any impairment losses (see also note 3.3).

3.1. Property, plant and equipment and intangible assets (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

Subsequent costs including replacement of asset's components are capitalised in the cost of the asset, only if they meet the criteria for recognition of property, plant and equipment. The carrying amount of the replaced items is derecognised in accordance with the requirements of *IAS 16 Property, Plant and Equipment*. All other subsequent costs are expensed in the period when incurred.

Gains or losses on disposal of property, plant and equipment (determined as a difference between the proceeds from disposal with the carrying amount of the asset) are recognised net within other income/ expenses in profit or loss for the period. When the use of a property changes from owner-occupied to investment property, it is reclassified as investment property.

Depreciation and amortisation are recognised over the estimated useful lives applying the straight-line method. Depreciation and amortisation are recognised in profit or loss of the current period.

As at the end of each reporting period, the Group's Management reviews useful lives and the depreciation/amortisation method of property, plant and equipment and intangible assets. In case the Management identifies differences between expectations and previous accounting estimates, changes are made in accordance with the requirements of *IAS 8 Accounting policies, Changes in Accounting estimates and Errors.*

The estimated useful lives for the current and comparative periods are as follows:

Useful life	**2011**	**2010**
Administrative and trade buildings	25 years	25 years
Machinery, plant and equipment	2 - 25 years	2 - 25 years
Vehicles	4 - 10 years	4 - 10 years
Office equipment	7 years	7 years
Intangible assets	2 - 7 years	2 - 7 years

Depreciation/amortisation commences from the beginning of the month following the month when the asset is available for use, and ceases at the earlier of the date when the asset is classified as held for sale in accordance with *IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations* and the date of its derecognition.

Land, assets under construction and fully depreciated assets are not depreciated/ amortised.

3.2. Investment properties

Investment property is a property held by the Group to accumulate rent income or to increase the equity value, or both (including property under construction for future use as investment property).

Investment properties are carried at cost less depreciation and amortisation and any impairment losses (see also note 3.3).

3.2. Investment properties (continued)

Depreciation and amortisation of investment properties are recognised in profit or loss of the current period over the estimated useful lives applying the straight-line method.

The estimated useful lives for the current and comparative periods are as follows:

Useful life	2011	2010
Administrative and trade buildings	25 years	25 years
Machinery, plant and equipment	2, 3 and 25 years	2, 3 and 25 years
Office equipment	7 years	7 years

As at the end of each reporting period, the Group's Management reviews useful lives and the depreciation/amortisation method of investment property. In case the Management identifies differences between expectations and previous accounting estimates, changes are made in accordance with the requirements of *IAS 8 Accounting policies, Changes in Accounting estimates and Errors.*

Gains or losses on disposal of investment property (determined as a difference between the proceeds from disposal with the carrying amount of the property) are recognised in profit or loss for the period.

3.3. Impairment of property, plant and equipment, intangible assets and goodwill

As of the end of the reporting period, the Group's management estimates if there are any indications of impairment of property, plant and equipment, intangible assets and goodwill. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount of a certain asset (or a cash-generating unit) is lower than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. Impairment loss is immediately recognised as expense in the profit or loss.

If the impairment loss subsequently reverses, the carrying amount of the assets (or the cash-generating unit) is increased to the revised recoverable amount. This increase cannot exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately as income in the profit or loss.

Impairment loss is recognised for a cash-generating unit to which goodwill was allocated only if the recoverable amount is lower than its carrying amount. The impairment loss reduces the carrying amount of the assets in the cash-generating unit, first the carrying amount of goodwill is reduced and then, the carrying amount of other assets in the unit, pro rata on the basis of the carrying amount of each asset to the total amount of the unit. The impairment loss of goodwill could not be reversed.

3.4. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price, transportation costs, customs duties, excise duties and other similar costs. Net realisable value represents the estimated selling price less estimated selling expenses.

Upon consumption, the cost of inventories is calculated using the following methods:

Retail of fuels	weighted average cost
Wholesale of fuels	first in, first out
Materials and other goods	weighted average cost

3.5. Financial instruments

A financial instrument is any contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual agreements of the instrument. Financial assets are derecognised from the statement of financial position when, and only when, the contractual rights to the cash flows from the asset expire or the asset is transferred and the transfer meets the derecognition criteria under *IAS 39 Financial instruments: Recognition and Measurement*. Financial liabilities are derecognised from the statement of financial position only when they are extinguished, i.e. the liability as per contractual agreement has been discharged, cancelled or expires.

Upon initial recognition financial assets (liabilities) are measured at fair value and all transaction costs directly attributable to the acquisition or issue of the financial assets (liabilities) except for financial assets (liabilities) at fair value through profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

For the purpose of subsequent measurement in accordance with the requirements of *IAS 39: Financial Instruments: Recognition and Measurement*, the Company classifies its financial assets and liabilities in the following categories: loans granted and receivables, financial liabilities at amortised cost. The Group does not apply this classification of financial assets and liabilities in their presentation in the statement of financial position. Information about the respective categories of financial instruments is included in note 34.

3.5.1. Loans granted and receivables

Loans granted and receivables are non-derivative financial assets with fixed or determinable terms of settlement, which are not quoted at an active market. In the statement of financial position of the Group assets of this category are presented as receivables on interest-bearing loans, trade and other receivables and cash.

Interest-bearing loans, trade and other receivables

Subsequent to initial recognition, trade receivables and receivables on interest-bearing loans are measured at amortised cost using the effective interest rate method less any impairment loss. Current receivables are not amortised. Impairment loss is recognised, if any objective evidence exists that the asset is impaired, for instance significant financial difficulties of the debtor, probability that the debtor is entered into liquidation, etc. (see also note 3.5.2).

3.5.1. Loans granted and receivables (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash comprises cash in hand, cash at banks and cash in transit, except for restricted cash, which the Group temporary has no right to use.

3.5.2. Impairment of financial assets

As at the end of the reporting period the Management of the Group reviews whether there are any objective indications of impairment of all financial assets. A financial asset is considered impaired, only when there is objective evidence that as a result of one or more events occurred after its initial recognition expected cash flows have decreased.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default (usually overdue over a year), the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

When such indications are identified, an impairment loss in respect of the financial asset measured at acquisition cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market interest rate for similar assets.

Impairment loss for loans granted and receivables carried at amortised cost is calculated as difference between carrying amount and present value of future cash flows discounted with the initial effective interest rate. Impairment loss is recognised in profit or loss. It is recovered if the subsequent increase of the recoverable amount can be objectively related to an event after the date on which the impairment loss was recognised.

3.5.3. Financial liabilities carried at amortised cost

Subsequent to initial recognition, the Group measures all financial liabilities at amortised costs, except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not meet the derecognition requirements, financial guarantee contracts, commitments to provide a loan at a below-market interest rate. In the statement of financial position these liabilities are presented as trade and other payables and interest-bearing loans.

Trade and other payables

Trade and other payables arise as a result of purchase of goods and services. Current liabilities are not amortised.

3.5.3. Financial liabilities carried at amortised cost (continued)

Interest-bearing loans

Interest-bearing loans are initially recognised at fair value determined by the cash proceeds less transaction costs. Subsequent to initial recognition, interest-bearing loans are measured at amortised cost and any difference between initial and maturity value is recognised in profit or loss over the loan period using the effective interest rate method.

Finance costs including direct costs for obtaining the loan are recognised using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocation interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash flows or proceeds to net carrying amount of the asset and of the liability throughout the life of the financial instrument, or where appropriate throughout a shorter period. In calculation the effective interest rate the Group estimates cash flows considering all contractual terms of the financial instrument except for expected potential credit impairment losses. The calculation takes into account taxes, transaction costs, premiums and discounts paid or received between parties to the contract, which are an integral part of the effective interest rate.

Interest-bearing loans are classified as current when they are expected to be settled within a twelve-month period from the reporting period.

3.5.4. Share capital and redemption of own shares

The share capital is the capital of the Parent company, presented at historical cost as of the date of its registration. The share capital also comprises the equity of the special purpose entities presented at historical cost as of the date of its registration.

When at the end of the reporting period the Group - through Parent company or subsidiary - has reacquired shares of the Parent company, their par value is presented as decrease of share capital, and the difference below or above the par value – in retained earnings, according to *IAS 32 Financial Instruments: Disclosure and Presentation.*

3.6. Deferred income and deferred expenses

Deferred income and deferred expenses in the statement of financial position comprises revenue and expenses prepaid in the current period but relating to future periods, such as guarantees, insurance, subscriptions, rent, etc.

3.7. Retirement benefits obligations

The Government of the Republic of Bulgaria is responsible for providing pensions under a defined benefit pension plan. Costs related to payment of contributions under these schemes are recognised in the profit or loss in the period they are incurred.

In accordance with the Labour Code, the Group has an obligation to pay retirement benefits to its employees upon retirement, based on the length of service, age and labour category. Since these benefits qualify for defined benefits plan in accordance with *IAS 19 Employee benefits,* in accordance with the requirements of this standard the Group recognises the present amount of the benefits calculated by an actuary expert as a liability. All actuary gains and losses and past service costs are recognised immediately in profit or loss.

3.8. Income tax

Income tax comprises current income tax and deferred tax.

The current income tax is based on taxable profit for the year by totalling of the current tax of each company within the Group specified in the individual tax returns of the Parent company and its subsidiaries by applying the effective tax rate according to the tax legislation as of the date of the consolidated financial statements.

Deferred tax is the income tax expected to be payable (recoverable) on taxable (deductible) temporary differences. Temporary differences are the differences between the carrying amount of an asset and a liability in the statement of financial position, and the corresponding tax basis. Deferred tax is calculated using the balance sheet liability method.

Deferred tax liabilities are recognised in respect of all taxable temporary differences, whereas deferred tax assets for deductible temporary differences and tax loss are recognised only if there is a probability for their reversal and if the Group will be able to generate enough profit, from which they can be deducted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit is realised.

As at each reporting date the Group reviews its unrecognised deferred tax assets. The Group recognises deferred tax assets not recognised in prior periods to the extent to which a probability has occurred the future taxable profit to allow the recovery of the deferred tax asset.

Deferred tax assets and liabilities are calculated using the tax rates that are expected in the period when the asset will be realised or the liability settled, based on the information the Group is provided for as at the date of financial statements preparation. Deferred tax is recognised in profit or loss except when it relates to a transaction or an event recognised in the same or other period outside profit or loss in other comprehensive income or directly in equity. In such cases the deferred tax is also recognised in other comprehensive income or in equity without reflecting it in profit or loss.

Although the taxation in Bulgaria is not performed on a consolidation basis, the Group has adopted a policy to recognise deferred tax assets (liabilities) on all temporary differences arising from the elimination of intra-group unrealised profits from sales of property, plant and equipment treated as temporary differences. The reversal of these temporary differences reflects in subsequent adjustments of depreciation costs in the acquirer or when the Group derecognises these assets and relevant margins are realised.

Deferred tax assets and liabilities are presented on a net basis if they are related to taxes on profit imposed by the same tax authorities.

In accordance with the tax legislation enforceable for the years ended 2011 and 2010 the tax rate applied in calculation of the tax payables of the Group is 10%. For the calculation of the deferred tax assets and liabilities as at December 31, 2011 and 2010 a tax rate of 10% has been used.

In determining the current and deferred tax the Group takes into account the effect of uncertain tax positions and whether additional taxes or interests may be due. The Group believes that the accruals for tax payables are adequate for all open tax periods for a number of factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.9. Revenue and expenses recognition

3.9.1. Revenue from sales of goods, services and other income

Revenue and expenses are accounted for on an accrual basis, regardless of the date of cash receipts and payments.

Revenue is recognised at the fair value of the consideration received or receivable net of any granted discounts and including the gross economic benefits received by or due to the Group. The amounts gathered on behalf of third parties such as sales taxes (value added tax) are excluded from revenue. Revenue generated from sale of fuel is reported at its gross amount with the excise due, which is considered an integral part of the price of the goods.

Revenue from sales of goods is recognised when:

- The significant risks and rewards of ownership of the goods are transferred to the buyer;
- The Company has not retained continual participation and effective control over the management of the goods;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The amount of revenue and expenses incurred in respect of the transaction can be reliably measured.

When the result of a transaction for services rendering can be estimated reliably, revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. When the outcome of a transaction cannot be reliably estimated, the revenue is recognised to the extent that the expenses recognised are recoverable.

Gain or loss from sales of property, plant and equipment, intangible assets and materials is reported as other income or other expense.

When economic benefits are expected to arise during few reporting periods and their relation with the revenue can be determined generally or indirectly, expenses are recognised in profit or loss on the basis of procedures for systematic and rational distribution.

In exchange of assets, revenue (expense) is reported as a result of the exchange transaction to the amount of the difference between the fair value of the received asset and the carrying amount of the exchanged asset.

3.9.2. Finance income and finance costs

Borrowing costs, which may be directly attributable to the acquisition, construction or production of a qualifying asset, shall be capitalised in the cost of the asset. All other finance income and costs are accrued through profit or loss for all instruments measured at amortised cost using the effective interest rate method.

Gains and losses from exchange rate differences are reported net.

3.10. Lease

3.10.1. Finance lease

Finance lease is a lease agreement which substantially transfers all risks and rewards incidental to the ownership of an asset.

Assets acquired under finance lease are recognised at the lower of their fair value as of the date of acquisition or the present value of the minimum lease payments. The initial direct expenses incurred by the lessee are included in the cost of the asset. The corresponding liability to the lessor is included in the Group's statements of financial position as obligations under finance leases.

Lease payments are divided in interest payments and payments on principal so that a constant interest rate of the residual lease liability is obtained.

Finance lease causes depreciation expense for depreciable assets as well as finance expense for each reporting period. The depreciation policy for depreciable leased assets is consistent with the same for owned depreciable assets.

For the purpose of presenting the financial instruments in categories, defined in accordance with IAS 39 *Financial Instruments: Recognition and measurement*, liabilities under finance lease are classified as financial liabilities at amortised cost.

3.10.2. Operating lease

Costs incurred for assets leased under operating lease contracts are recognised in profit or loss on a straight-line basis for the contract term.

Revenue realised from assets under operating lease contracts is recognised in profit or loss on a straight-line basis for the contract term. Initial costs directly related to agreement conclusion are capitalised in the cost of the asset and are recognised as expenses on a straight-line basis for the operating lease contract term.

3.10.3. Leaseback agreements

A leaseback transaction is related to the sale of an asset and the hiring back the same asset. The accounting treatment of the leaseback depends on the type of the respective lease contract and the nature of the transaction.

If the leaseback is a finance lease, the transaction is a mean of granting financing to the lessee by the lessor and the asset serves as collateral. If according to the provisions of the finance lease contract there are no changes in the right of use of the asset by the seller/lessee before and after the transaction, then the transaction is not within the scope of *IAS 17 Leases* and is, in fact, financing. In this case, the proceeds received from the transaction are presented as Borrowings in the statement of financial position, while the direct costs incurred by the lessee during the transaction are deferred for the period of the lease contract.

3.11. Segments reporting

The information about operational segments in these consolidated financial statements is presented likewise the operating reports submitted to Group's management. Based on these reports decisions are taken in respect of the resources to be allocated to the segment and the results of its activity are evaluated.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1. Investment property

The fair value of the investment properties is determined by using services of a licensed expert valuer with required professional qualification and experience in the location and category of property to be valued. The fair value is based on a market price, which is the estimated price at which a property could be exchanged on the date of valuation between knowledgeable, willing parties in normal market conditions after appropriate marketing, in which the counterparties have acted consciously.

The fair value of land is determined based on the comparative method and real estate agencies database. Buildings are valued at more than one method as the market value is defined as the weighted value of the results obtained by different methods and expert weights according to the reliability of the information used and the valuation experience. The valuation of other assets - machines, equipment, fixtures and other, comes from the information available and its reliability and faithfulness. The new recoverable amount is taken from manufacturers or brokers, exchanges, and foreign trade organisations, adjusted by coefficients reflecting the condition of valued assets. For assets with developed secondary market, the method of market analogues is used.

4.2. Trade and other receivables

Determining the fair value of trade and other receivables includes the following:

- analysis of analytical trail balances and reporting of internal transformations;
- differentiation between receivables and payables, excluding the presumption of future offsetting of receivables from different customers;
- valuation of receivables based on their collectability;
- revaluation of receivables in foreign currencies at the respective rates as at the date of the financial statements.

4.3. Debenture loan

The fair value of the bond liability is determined on the basis of a quotable price as at the date of the financial statement, in case the instrument is quoted at an active market. In case it is not actively traded, the fair value is determined on the basis of alternative valuation techniques. The valuation techniques used include analysis of discounted cash flows through expected future cash flows and discount level in relation with the market, the credit rating of the issuer, etc. The fair value is determined only for disclosure purposes.

4.4. Trade and other payables

Determining the fair value of trade and other payables includes the following:

- complete review of payables as at the date of valuation;
- identification of overdue payables and determination of interests and penalties due;
- revaluation of payables in foreign currencies at rates as at the date of the financial statements.

4.5. Receivables and payables in relation with interest-bearing loans

Fair values of received and granted trade loans are determined for the purposes of disclosure and are calculated on the basis of the present value of future cash flows of principals and interest discounted at a market interest rate as at the date of the financial statements.

5. Segments reporting

The Group has identified the following operating segments based on the reports presented to the Group's management which are used in the process of strategic decision making:

- ***Wholesale of fuels*** – wholesale of oil products in Bulgaria in own storage facilities of the Group; fuel bunkering abroad;
- ***Retail of fuels*** – retail of oil and other products in network of own petrol stations; servicing of petrol stations and the belonging commercial objects;
- ***Other activities*** – transportation of fuel with own and hired vehicles; rental income and other activities.

Segment information, presented to the Group's management for the years ended as of December 31, 2011 and 2010 is as follows:

December 31, 2011	**Wholesale of fuels BGN'000**	**Retail of fuels BGN'000**	**All other segments BGN'000**	**Total for the Group BGN'000**
Total segment revenue	1,570,677	550,998	14,763	2,136,438
Intra-group revenue	653,743	26,926	10,216	690,885
Revenue from external customers	**916,934**	**524,072**	**4,547**	**1,445,553**
Adjusted EBITDA	**7,052**	**2,596**	**1,728**	**11,376**
Depreciation/amortization	2,399	10,726	1,677	14,802
Impairment	5,487	2,680	1,350	9,517

December 31, 2010, restated	**Wholesale of fuels BGN'000**	**Retail of fuels BGN'000**	**All other segments BGN'000**	**Total for the Group BGN'000**
Total segment revenue	1,412,641	539,009	4,577	1,956,227
Intra-group revenue	697,506	30,452	2,550	730,508
Revenue from external customers	**715,135**	**508,557**	**2,027**	**1,225,719**
Adjusted EBITDA	**21,998**	**20,763**	**1,563**	**44,324**
Depreciation/amortization	2,511	13,269	730	16,510
Impairment	1,231	1,908	653	3,792

The policies for recognition of revenue from intra-group sales and sales to external clients for the purposes of the reporting by segments are not differing from these applied by the Group for revenue recognition in the consolidated statement of comprehensive income.

The Management of the Group evaluates the results from the performance of the segments on the basis of the adjusted EBITDA[17]. In the calculation of the adjusted EBITDA the effect of impairment of assets is not taken into account.

The reconciliation of the adjusted EBITDA and the profit (loss) before tax is presented below:

[17] EBITDA (earnings before interest, tax, depreciation and amortization)

5. Segments reporting (continued)

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Adjusted EBITDA reporting segments	9,648	42,761
Adjusted EBITDA all other segments	1,728	1,563
Depreciation/amortization	(14,802)	(16,510)
Impairment of assets	(9,517)	(3,792)
Finance expense, net	(28,131)	(23,576)
Share of profit of associates	-	53
Profit (loss) before tax	**(41,074)**	**499**

The revenue from sales to external customers in segment Wholesale of fuels in 2011 includes sales to the largest customer of the segment amounting to BGN 197,638 thousand (2010: BGN 289,941 thousand).

6. Revenue

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Goods	1,427,868	1,204,369
Services	11,184	13,922
	1,439,052	**1,218,291**

The revenue from sale of goods by type is presented in the table below:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Fuels	1,400,413	1,177,421
Lubricants and other goods	27,455	26,948
	1,427,868	**1,204,369**

7. Other income

	Note	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Surplus of assets		3,294	2,463
Gain from remeasurement to fair value of investment in associate	*33*	-	1,650
Gain from sales of property, plant and equipment, incl.		563	1,051
Income from sales		*1,173*	*1,370*
Carrying amount		*(610)*	*(319)*
Insurance claims		537	287
Income from penalties		221	353
Gain on acquisition of controlling interest in subsidiary	*33*	-	26
Other		1,886	1,598
		6,501	**7,428**

8. Cost of goods sold

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Fuels	1,339,273	1,089,042
Lubricants and other goods	22,466	21,370
	1,361,739	**1,110,412**

9. Materials and consumables

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Fuels and lubricants	3,581	3,159
Electricity and heating	3,121	2,841
Office consumables	565	597
Spare parts	550	586
Working clothes	204	205
Low-cost assets	149	441
Water supply	146	142
Advertising materials	98	856
Other	238	186
	8,652	**9,013**

10. Hired services

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Fees and commissions	6,429	6,603
Transportation	2,964	3,154
Rents	2,754	4,392
Maintenance and repairs	2,550	2,809
Holding fee	2,367	2,419
State and municipal fees	1,773	1,448
Advertising costs	1,498	1,249
Consulting and training	1,351	1,876
Cash collection expenses	1,318	1,287
Insurances	1,311	1,626
Communications	1,058	1,320
Security	563	2,173
Software licences	438	1,435
Other	875	826
	27,249	**32,617**

11. Employee benefits expenses

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Wages and salaries	21,376	18,174
Social security contributions and benefits	4,806	3,542
	26,182	**21,716**

12. Impairment

	Note	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Impairment loss on goodwill	*20*	-	1,243
Impairment loss on financial assets, incl.:		9,541	2,564
Impairment loss on trade receivables		*4,290*	*2,564*
Impairment loss on interest-bearing loans granted		*5,251*	-
Reversal of impairment loss on financial assets, incl.:		(24)	-
Reversal of impairment loss on trade receivables		*(24)*	-
Reversal of impairment loss on inventories		-	(15)
		9,517	**3,792**

As at the end of the reporting period the Group made a detailed analysis of the collectability of trade and other receivables and interest-bearing loan granted. As a result of this it has been identified that there were indications for impairment of a loan to related party and trade and other receivables at the amount of BGN 5,251 thousand and BGN 4,290 thousand respectively. As a result of a prior period error impairment loss at the amount of BGN 2,382 thousand is recorded retrospectively in 2010 (see also note 36.3).

13. Other expenses

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Shortages and assets written-off	3,780	3,966
Local taxes and taxes on expenses	1,680	1,155
Expropriated assets	1,473	-
Penalties and indemnities	727	869
Business trips	389	403
Written off receivables	758	441
Entertainment expenses and sponsorship	646	212
Loss from liquidation of property, plant and equipment	194	150
Income from sale	*(36)*	*(112)*
Carrying amount	*230*	*262*
Other	708	441
	10,355	**7,637**

In 2011, assets with a carrying amount of BGN 1,473 thousand were expropriated by the state.

14. Finance income and costs

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Finance income		
Interest income, including:	9,878	7,814
Interest income on loans granted	*6,452*	*6,568*
Interest income on trade receivables	*705*	*1,123*
Interest income on deposits	*2,693*	*14*
Other interest income	*28*	*109*
Gain on transactions with own bonds	5,795	-
Other finance income	58	14
	15,731	***7,828***
Finance costs		
Interest expenses, including:	(32,772)	(22,062)
Interest expenses on debenture loans	*(13,805)*	*(17,798)*
Interest expenses on trade and other payables	*(3,806)*	*(1,190)*
Interest expenses on bank loans	*(4,221)*	*(983)*
Interest expenses on trade loans	*(6,262)*	*(457)*
Interest expenses on obligations under finance lease	*(129)*	*(173)*
Interest expenses on leasebacks	*(2,373)*	*(172)*
Interest expenses to the state budget	*(2,176)*	*(1,289)*
Loss from dealings with derivatives, including:	-	(121)
Loss on transactions	-	*(121)*
Foreign exchange rate losses, net	(7,488)	(5,693)
Bank fees, commissions and other financial expenses	(3,602)	(3,528)
	(43,862)	***(31,404)***
Finance costs, net	**(28,131)**	**(23,576)**

15. Taxation

15.1. Tax expenses

Tax expense recognised in profit or loss includes the amount of current and deferred income tax expenses in accordance with IAS 12 *Income taxes*.

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Current tax expense	1,834	4,059
Change in deferred taxes, incl.:	1,827	(3,080)
Temporary differences recognized during the year	*283*	*363*
Temporary differences originated during the year	*(3,816)*	*(3,720)*
Prior year adjustments	*5,360*	*277*
Total tax expense	**3,661**	**979**

15.2. Effective tax rate

The reconciliation between accounting profit (loss) and tax expense, and the calculation of the effective tax rate as of December 31, 2011 and 2010 is presented in the table below:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Accounting profit (loss)	(41,074)	499
Applicable tax rate	10%	10%
Tax expense (benefit) at the applicable tax rate	(4,107)	50
Aggregate tax effect from permanent differences	(3,394)	339
Tax effect from unrecognized during the current year temporary difference originated during the current period	3,290	7
Tax effect on tax assets/liabilities adjustments recognized in the current reporting period but originated in prior reporting periods	5,382	277
Tax effect from consolidation adjustments	2,490	306
Tax expense	**3,661**	**979**
Effective tax rate	**8.91%**	**196.19%**

Tax authorities may inspect the companies in the Group within a five-year period following the reported tax year and may impose additional taxes or penalties in accordance with the interpretation of the tax legislation. The Management of the Group is not aware of any circumstances which may give rise to a contingent additional liability in this respect.

15.3. Recognised deferred tax assets and liabilities

The deferred tax asset (liability) presented in the consolidated statement of financial position arises as a result of income tax charges on deductible(taxable) temporary differences, the effect of which is as follows:

	December 31, 2011		December 31, 2010	
	Temporary difference BGN'000	Tax effect BGN'000	Temporary difference BGN'000 restated	Tax effect BGN'000 restated
Balance at the beginning of the period				
Property, plant and equipment	(27,401)	(2,740)	(22,594)	(2,261)
Tax loss carry forward	33,270	3,328	1,944	195
Unused paid leave and other provision	1,238	125	2,087	210
Excess of interest payments in accordance with CITA	18,807	1,879	30,990	3,098
Investments in associates	(16,869)	(1,687)	(16,869)	(1,687)
Impairment of assets	15,354	1,535	13,730	1,373
Other, incl. unpaid benefits to individuals	550	55	1,052	106
	24,949	**2,495**	**10,340**	**1,034**
Acquired through business combination				
Property, plant and equipment	-	-	(16,497)	(1,649)
Unused paid leave and other provisions	-	-	111	10
Excess of interest payments in accordance with CITA	-	-	19	2
Impairment of assets	-	-	162	17
Other, incl. unpaid benefits to individuals	-	-	6	1
	-	-	**(16,199)**	**(1,619)**

15.3. Recognised deferred tax assets and liabilities (continued)

	December 31, 2011		December 31, 2010	
	Temporary difference BGN'000	Tax effect BGN'000	Temporary difference BGN'000 restated	Tax effect BGN'000 restated
Originated during the period				
Property, plant and equipment	379	39	825	82
Tax loss carry forward	15,099	1,510	33,270	3,327
Unused paid leave and other provisions	449	42	256	25
Excess of interest payments in accordance with CITA	-	-	25	2
Subsequent measurement of assets	2,366	237	-	-
Impairment of assets	11,819	1,181	2,341	234
Other, incl. unpaid benefits to individuals	8,066	807	501	50
	38,178	**3,816**	**37,218**	**3,720**
Recognized during the period				
Property, plant and equipment	1,912	191	10,865	1,088
Tax loss carry forward	-	-	(713)	(71)
Unused paid leave and other provisions	(369)	(37)	(1,216)	(120)
Excess of interest payments in accordance with CITA	(261)	(26)	(10,690)	(1,069)
Subsequent measurement of assets	-	-	-	-
Impairment of assets	(3,735)	(373)	(879)	(89)
Other, incl. unpaid benefits to individuals	(382)	(38)	(1,009)	(102)
	(2,835)	**(283)**	**(3,642)**	**(363)**
Adjustments				
Tax loss carry forward	(33,270)	(3,328)	(1,231)	(123)
Excess of interest payments in accordance with CITA	(18,546)	(1,853)	(1,537)	(154)
Impairment of assets	(1,793)	(179)	-	-
	(53,609)	**(5,360)**	**(2,768)**	**(277)**
Balance at the end of the period				
Property, plant and equipment	(25,110)	(2,510)	(27,401)	(2,740)
Tax loss carry forward	15,099	1,510	33,270	3,328
Unused paid leave and other provisions	1,318	130	1,238	125
Excess of interest payments in accordance with CITA	-	-	18,807	1,879
Investments in associates	(16,869)	(1,687)	(16,869)	(1,687)
Subsequent measurement of assets	2,366	237	-	-
Impairment of assets	21,645	2,164	15,354	1,535
Other, incl. unpaid benefits to individuals	8,234	824	550	55
	6,683	**668**	**24,949**	**2,495**

The Group has the right to carry forward tax loss arisen in 2011 at the amount of BGN 15,099 thousand in the next reporting periods from 2012 to 2016 inclusive.

15.4. Unrecognised deferred tax assets

As of December 31, 2011 the Group reviews the recoverability of deductible temporary differences, forming tax assets. As a result of this review, the Group estimates that there might be no sufficient taxable profits in the near future against which the assets will be utilised. As a result, the Group does not recognize tax assets on the following deductible temporary differences and tax loss incurred during the current and previous periods.

The effects of unrecognized tax assets are as follows:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000
Tax loss carry forward	5,020	201
Excess of interest payments in accordance with CITA	3,920	262
Impairment of receivables	-	820
	8,940	**1,283**

The Group is allowed to carry forward its tax loss and to recognise for tax purposes unrecognised interests expenses resulting from application of the thin capitalisation regime in accordance with Corporate Income Tax Act, as follows:

Reporting periods	Tax loss to be carried forward	Unrecognised for tax purposes interest expenses
Up to 2012	50,198	39,198
Up to 2013	50,119	39,100
Up to 2014	49,457	38,216
Up to 2015	48,963	37,472
Up to 2016	14,966	17,885

16. Property, plant and equipment and intangible assets

	Land	Buildings	Plant and equip-ment	Vehicles	Other assets	Assets under construc-tion	Intan-gible assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cost								
Balance at January 1, 2010	**38,855**	**50,634**	**147,361**	**24,752**	**13,528**	**9,781**	**2,415**	**287,326**
Additions	298	633	1,711	56	378	5,636	2,740	11,452
Acquisitions through business combinations	5,936	3,836	129	-	156	109	10	10,176
Transfers	(15)	2,925	5,199	-	648	(8,803)	46	-
Disposals	(462)	(172)	(1,677)	(5,987)	(302)	(2)	-	(8,602)
Balance at December 31, 2010 (restated)	**44,612**	**57,856**	**152,723**	**18,821**	**14,408**	**6,721**	**5,211**	**300,352**
Additions	93	56	1,265	442	133	8,651	394	11,034
Transfers	(1,801)	(508)	9,509	39	238	(12,855)	60	(5,318)
Disposals	(272)	(348)	(5,887)	(3,711)	(526)	(388)	(158)	(11,290)
Balance at December 31, 2011	**42,632**	**57,056**	**157,610**	**15,591**	**14,253**	**2,129**	**5,507**	**294,778**
Accumulated Depreciation								
Balance at January 1, 2010	-	**19,888**	**70,715**	**18,116**	**8,748**	-	**1,686**	**119,153**
Charged for the period	-	1,616	11,193	2,139	1,289	-	224	16,461
Transfers	-	309	(311)	-	2	-	-	-
Disposals for the period	-	(99)	(1,297)	(5,852)	(64)	-	(1)	(7,313)
Balance at December 31, 2010 (restated)	-	**21,714**	**80,300**	**14,403**	**9,975**	-	**1,909**	**128,301**
Charged for the period	-	1,828	8,483	1,681	1,091	-	1,069	14,152
Transfers	-	(179)	(1,751)	-	(20)	-	-	(1,950)
Disposals for the period	-	(250)	(4,214)	(3,521)	(473)	-	(157)	(8,615)
Balance at December 31, 2011	-	**23,113**	**82,818**	**12,563**	**10,573**	-	**2,821**	**131,888**
Carrying amount at January 1, 2010	**38,855**	**30,746**	**76,646**	**6,636**	**4,780**	**9,781**	**729**	**168,173**
Carrying amount at December 31, 2010 (restated)	**44,612**	**36,142**	**72,423**	**4,418**	**4,433**	**6,721**	**3,302**	**172,051**
Carrying amount at December 31, 2011	**42,632**	**33,943**	**74,792**	**3,028**	**3,680**	**2,129**	**2,686**	**162,890**

According to judgment of the Group's management as of December 31, 2011, property, plant and equipment with a carrying amount of BGN 3,368 thousand, which were not used in core business, were reclassified as investment property.

Vehicles with carrying amount of BGN 2,585 thousand (2010: 3,877 thousand) were acquired under finance lease contracts.

As of December 31, 2011 property, plant and equipment with carrying amount of BGN 41,165 thousand serve as collaterals under bank and trade loans extended to the Group and related parties (see also note 26).

17. Investment properties

	2011 BGN '000	2010 BGN '000 restated
Cost		
Balance at the beginning of the year	**30,752**	**-**
Acquisitions through business combinations	-	30,839
Additions	47	-
Transfers	5,318	-
Disposals	(23)	(87)
Balance at the end of the year	**36,094**	**30,752**
Accumulated Depreciation		
Balance at the beginning of the year	**49**	**-**
Charged for the period	650	49
Transfers	1,950	-
Disposals	(22)	-
Balance at the end of the year	**2,627**	**49**
Carrying amount at the beginning of the year	**30,703**	**-**
Carrying amount at the end of the year	**33,467**	**30,703**

Investment properties amounting to BGN 30,839 thousand were acquired in 2010 through business combinations. The properties were measured at fair value determined by licensed valuation expert.

As a result of a prior period error, property, plant and equipment with a carrying amount of BGN 2,233 thousand are reclassified in investment properties (see also note 36.6).

The management of the Group make periodic estimation of the investment properties fair value. Part of the investment properties were last appraised as at December 31, 2010 and the other part as at December 31, 2011. As there was no significant increase or decrease of the price levels on the real estate market in 2011, the management believes that the valuation as at December 31, 2010 still can be used as of the date of these consolidated financial statements. Estimates of the fair value are made using the methods of comparable amounts and capital expenditure method for land and buildings and net asset value and discounted net cash flows for the petrol storage facilities. For disclosure purposes, fair value of investment properties of the Group as of December 31, 2011 is around BGN 45,110 thousand.

As of December 31, 2011, investment properties with carrying amount of BGN 24,658 thousand serve as collaterals under interest-bearing loans and related party loan received by the Group (see also note 26).

18. Investments in associates

As of January 1, 2010 the Group reports as investment in associates the ownership of 36.92% from the equity of Eurocapital Bulgaria EAD. In November 2010 the Group acquires additional 53.05% and as of December 31, 2010 its share in the equity is 89.97% (see also note 33).

	November 30, 2010 BGN'000	January 1, 2010 BGN '000
Investment at the beginning of the period	**15,299**	**15,776**
Group's share in the profit of the associate	53	289
Share of distributed dividends from associate	(260)	(766)
Investment at the end of the period	**15,092**	**15,299**

The total amount of assets, liabilities, income and financial results of associates as of November 30, 2010 and January 1, 2010 are as follows:

	November 30, 2010 BGN'000	January 1, 2010 BGN '000
Assets	91,218	92,829
Liabilities	(29,590)	(30,641)
Net assets	61,628	62,188
Income	1,546	5,779
Profit for the period	144	782
Group's share in the profit of the associate	53	289

19. Investments in other companies

As of December 31, 2011, 2010 and January 1, 2010 the Group owns 6.92% of the equity of Capital 3000 AD. The investment in Capital 3000 AD has been fully impaired in prior reporting periods.

20. Goodwill

	December 31, 2011 BGN '000	December 31, 2010 BGN '000	January 1, 2010 BGN '000
Cost			
Cost at the beginning of the year	19,575	18,297	18,297
Goodwill recognised during the year through business combinations	-	1,278	-
Cost at the end of the year	**19,575**	**19,575**	**18,297**
Impairment loss			
Impairment loss at the beginning of the year	(1,243)	-	-
Recognised during the year	-	(1,243)	-
Impairment loss at the end of the year	**(1,243)**	**(1,243)**	**-**
	18,332	**18,332**	**18,297**

As of December 31, 2011 goodwill with carrying amount of BGN 18,332 thousand (2010: BGN 18,332 thousand and January 1, 2010: BGN 18,297 thousand) has arisen as a result of the acquisition of the subsidiary Naftex Petrol EOOD and BPI EAD.

In November 2010 the Group acquired control in BPI EAD and Naftex Security EAD and as a result goodwill at the amount of BGN 35 thousand and BGN 1,243 thousand respectively was recognised (see also note 33.4.). Goodwill arising from the acquisition of Naftex Security EAD was completely impaired as at the date of the acquisition.

A review for impairment of the carrying amount of goodwill originated as a result of the acquisition of Naftex Petrol EOOD is performed as of December 31, 2011 and the method of discounted net cash flows is used. The method is based on the cash flows forecasts prepared by the subsidiary's management for four-year period after December 31, 2011. The assumption that the net cash flows after the last forecast period will be constant is used. The used discount rate of 9.5% is calculated as subsidiary's weighted average cost of capital of the subsidiary. The result of the applied method shows that the recoverable amount of the cash flows generated by Naftex Petrol EOOD exceeds the carrying amount of the goodwill as of December 31, 2011 and therefore no impairment loss on goodwill is recognized.

21. Interest-bearing loans granted

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Long-term loans granted			
Interest-bearing loans to related parties	21,034	34,902	21,034
Initial cost	*25,262*	-	-
Impairment loss	*(4,228)*	-	-
	21,034	**34,902**	**21,034**
Short-term loans granted			
Interest-bearing loans and deposits to related parties	102,299	107,428	44,866
Initial cost	*103,322*	-	-
Impairment loss	*(1,023)*	-	-
Interest-bearing loans to non-related parties	2,138	117	51
	104,437	**107,545**	**44,917**
	125,471	**142,447**	**65,951**

In 2011 the Group granted to non-related party interest-bearing loan to the amount of BGN 2,500 thousand and annual interest rate 9.5% with maturity date October 31, 2012. As of December 31, 2011 the utilized amount of the loan is BGN 2,025 thousand and BGN 48 thousand interest payables due.

As of the end of the reporting period the management of the Group has made a review for impairment of loans granted to related parties. As a result of this review, impairment loss at the amount of BGN 5,251 thousand has been recognized (see also note 12).

Receivables on interest-bearing loans granted to related parties are disclosed in note 35.

The Group consider that the carrying amount of interest-bearing loans granted does not differ substantially from their fair value as of December 31, 2011, 2010 and January 1, 2010.

22. Inventory

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Non-current assets			
Compulsory stock of fuel	69,081	34,939	13,398
	69,081	**34,939**	**13,398**
Current assets			
Goods, including:	50,705	74,709	44,903
Fuels	*43,510*	*63,852*	*37,383*
Lubricants and other goods	*7,195*	*10,857*	*7,520*
Materials	2,473	2,386	2,765
	53,178	**77,095**	**47,668**
	122,259	**112,034**	**61,066**

22. Inventory (continued)

As of December 31, 2011 the Group stores compulsory stock of fuel in compliance with the Mandatory Stock of Crude Oil and Oil Products Act. As of December 31, 2011 such inventory is presented as non-current assets amounting to BGN 69,081 thousand (2010: BGN 34,939 thousand; January 1, 2010: BGN 13,398 thousand).

As of December 31, 2011 fuels at the amount of BGN 98,643 thousand are pledged as collateral for bank loans received by the Group (see also note 26).

23. Trade and other receivables

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Receivables from customers, incl.	61,172	42,955	53,808
Initial cost	*67,181*	*51,810*	*61,331*
Allowance for doubtful debts	*(6,009)*	*(8,855)*	*(7,523)*
Litigations and writs	8,964	8,395	2,649
Initial cost	*3,563*	*3,037*	*2,904*
Allowance for doubtful debts	*(571)*	*(430)*	*(255)*
Tax audit act	*5,972*	*5,788*	-
Receivables from related parties	3,359	3,668	4,543
Initial cost	*7,197*	*5,522*	*5,630*
Allowance for doubtful debts	*(3,838)*	*(1,854)*	*(1,087)*
Guarantees for tender participation	2,217	2,284	3,844
Refundable taxes, incl.	1,560	1,118	547
VAT	*1,512*	*922*	*356*
Other taxes	*48*	*196*	*191*
Advances granted	686	810	994
Initial cost	*1,735*	-	-
Allowance for doubtful debts	*(1,049)*	-	-
Other	7,723	1,083	1,863
Initial cost	*8,634*	*1,912*	*2,668*
Allowance for doubtful debts	*(911)*	*(829)*	*(805)*
	85,681	**60,313**	**68,248**

23. Trade and other receivables (continued)

Receivables from related parties are disclosed in note 35.

Litigations and writs include collected amount in 2010 by the tax authorities and related additional expenses of BGN 5,972 thousand. The tax audit report regarding the court receivable was appealed by the Group and was rejected by the court at first instance but approved at the second one. As at the reporting date, the decision of the Bulgarian Court is appealed in front of the European Court of Human Rights in Strasbourg. Based on experts' opinion, the Management of the Group considers that it is highly probable that the incorrectly collected amount will be recovered in favour of the Group together with the interest set by law. Despite that, due to the complexity of the claim, uncertainty exists regarding the time of the outcome of the legal case and time of the recovery of the amount.

In accordance with the adopted policy, the Group grants to its customers a credit period after the expiry of which penalty interest for overdue payment is accrued on the unsettled balance to the amount set in each individual contract.

As at the end of each reporting period the Group performs a detailed review and analysis of overdue trade receivables, as a result of which receivables evaluated as uncollectable are impaired. Other trade receivables usually overdue by more than 360 days are completely impaired, since the historical experience indicates they are not recoverable.

Overdue receivables as of the date of these consolidated financial statements at the amount of BGN 23,742 thousand (December 31, 2010: BGN 20,045 thousand; January 1, 2010: BGN 20,536 thousand) are included in the balance of the trade and other receivables as of December 31, 2011.

The Group has no collateral for these receivables since there is no significant change in the quality of the creditworthiness of the counterparties and they are still considered recoverable.

Ageing analysis of overdue, but not impaired receivables is presented in the table below:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Up to 30 days	12,358	6,337	8,141
31 - 120 days	3,784	4,106	4,384
121 - 210 days	880	2,235	1,787
Over 211 days	6,719	7,367	6,224
	23,741	**20,045**	**20,536**

As of December 31, 2011 receivables at the amount of BGN 36,271 thousand serve as collateral under utilized bank loans (see also note 26).

The Group considers that the carrying amount of trade and other receivables does not significantly differ from their fair value as of December 31, 2011, 2010 and January 1, 2010.

24. Cash and cash equivalents

	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Cash at banks	5,826	7,628	14,704
Cash in transit	3,126	3,410	4,085
Cash on hand	123	134	143
Cash as per cash flow statement	**9,075**	**11,172**	**18,932**
Restricted cash	-	149	431
Cash as per statement of financial position	**9,075**	**11,321**	**19,363**

As of December 31, 2010 cash at the amount of BGN 149 thousand is presented as restricted cash which serves as collateral for the excise duty payable. As at January 1, 2010 the amount of restricted cash mainly includes an excise liability and bank guarantees.

Cash in transit consists of cash collected from the petrol stations as of the end of the reporting period which is to be received on the Group's accounts in the beginning of the next reporting period

As of December 31, 2011 cash at the amount of BGN 5,206 thousand serve as collateral under utilized bank loans (see also note 26).

25. Share capital

The share capital of the Group is presented at its nominal value, according to the court decision for registration.

As of December 31, 2011, 2010 and January 1, 2010 the shareholders of the Parent company are as follows:

Shareholder	December 31, 2011 % of share capital	December 31, 2010 % of share capital	January 1, 2010 % of share capital
Petrol Holding AD	55.48%	55.48%	55.47%
Naftex Petrol EOOD	41.89%	41.82%	41.82%
Ministry of Economics	0.65%	0.66%	0.70%
Other minority shareholders	1.98%	2.04%	2.01%
	100.00%	**100.00%**	**100.00%**

Loss per share are calculated by dividing the net loss for the period by the weighted average number of ordinary shares held during the reporting period. The Parent company has not issued any potential ordinary shares.

25. Share capital (continued)

	December 31, 2011	December 31, 2010 restated
Weighted average number of shares	63,559	63,566
Loss (BGN'000)	(44,735)	(480)
Loss per share (BGN)	**(0.70)**	**(0.01)**

Weighted average number of shares in circulation in 2011, 2010 and 2009 is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Number of shares at the beginning of the year	63,566	63,566	63,471
Effect from redeemed own shares	(7)	-	57
Weighted average number of shares	**63,559**	**63,566**	**63,528**

26. Interest-bearing loans received

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Non-current liabilities			
Loans from financial institutions	118,663	3,442	3,822
Debenture loans	47,379	-	191,683
Liabilities under leaseback agreements	38,986	40,043	-
	205,028	**43,485**	**195,505**
Current liabilities			
Loans from financial institutions	69,265	27,326	10,895
Debenture loans	6,165	195,505	3,100
Liabilities under leaseback agreements	1,561	1,512	-
Trade loans from related parties	11,475	16,551	1,295
	88,466	**240,894**	**15,290**
	293,494	**284,379**	**210,795**

The liabilities to related parties are disclosed in note 35.

Additional information about interest, currency and liquidity risk, to which the Group is exposed as a result of the loans received, is disclosed in note 34.

26.1. Debenture loans

In October, 2006 the Parent company issued 2,000 registered transferable bonds with fixed annual interest rate of 8.375% and issue value 99.507% of the face value, which is determined at EUR 50,000 per bond. The bond term is 5 years and the maturity date is in October 2011. The principal is due in one payment at the maturity date. At the general meetings of the bondholders conducted in October and December 2011, it was decided to extend the term of the issue until January 26, 2017.

26.1. Debenture loans (continued)

The issue is secured by the Group's receivables on granted loans to related parties and a corporate guarantee issued by a subsidiary. The bond issuance costs amount to BGN 3,049 thousand. Interest is paid once a year. The annual effective interest rate after the extension is 8.7%. The purpose of issue is providing of working capital, financing in investment projects and restructuring of a previous Group's debt.

In 2011 the Group repurchased bonds with face value EUR 73,772 thousand. As at December 31, 2011 the remainder of the issued bonds is with nominal value EUR 87,038 thousand. For presentation purposes in these consolidated financial statements they are reduced by the repurchased principal at nominal value EUR 61,993 thousand, of which EUR 55,166 thousand will be cancelled legally in December 2012, as it serves as a collateral of a loan of a related party. As a result of the repurchase of issued bonds the Group realised net gain to the amount of BGN 5,795 thousand.

The debenture loans are presented in the financial statements at amortised cost.

The fair value of the debenture loans liability is BGN 45,145 thousand as at December 31, 2011.

26.2. Leaseback agreements

In prior reporting periods, the Group has signed several contracts for sale of property in which the seller agrees to repurchase the assets under finance lease. That scheme, also known as leaseback, in fact is a mean of granting financing and the asset serves as collateral. Proceeds from leaseback agreements are presented as liabilities on received interest-bearing loans (see also note 3.10.3).

	Nominal interest	Maturity	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Hotel complex in Burgas	1m Euribor + 2.25% (min 0.25%)	07.2023	21,515	21,939
Administrative building in Varna	1m Euribor + 2.25% (min 5.25%)	04.2023	5,513	5,598
Administrative building in Sofia	1m Euribor + 2.25% (min 5.25%)	04.2023	9,047	9,249
Fuel storage depot in Svilengrad	BIR + 1.75%	12.2020	4,472	4,769
			40,547	**41,555**

The effective interest rate on leaseback agreements is within the range of 5.57% to 5.71%.

The obligations under leaseback agreements are secured by the Controlling company.

26.3. Bank loans

	Nominal interest	Maturity	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000
Investment loan	8.5%	11.2018	120,279	-	-
Investment loan	3m Euribor + 3.1% (min 7%)	2.2018	3,441	4,069	4,355
Working capital loan	9%	7.2014	49,528	-	-
Working capital loan	3m Euribor + 7.6% (min 9%)	12.2014	14,680	-	-
Revolving working capital loan	9%	12.2011	-	16,200	-
Bank overdraft	9%	2.2011	-	10,002	-
Bank overdraft	1m Libor/Euribor / Sofibor + 3.75%	12.2011	-	-	9,998
Advances received on factoring agreement	3m Libor+5%		-	497	364
			187,928	**30,768**	**14,717**

The average effective interest rate on loans from financial institutions is within the range of 4% to 10% (2010: from 4% to 10%; 2009: from 3.5% to 7%).

In December 2011 long-term bank loan is utilized at the amount of USD 80,240 thousand, with maturity in November 2018 and interest of 8.5%. The loan is secured with a pledge of the commercial enterprise of the subsidiary to the amount of BGN 163,937 thousand, pledge on receivables of the Group in bank accounts at the amount of minimum 150% of the credit commitment, pledge of all current and future receivables from the Parent company, arising from the fuel stations lease contract. The loan is secured also with a pledge of the shares of the subsidiary, owned by the Parent company, total 70,915,161 shares, BGN 1 each, as well as by the Controlling company and related party.

In 2011 the Group signed an agreement for short-term bank loan – overdraft. As of December 31, 2011 the amount of USD 32,700 thousand (BGN 49,429 thousand) has been utilized. Interest due as of December 31, 2011 is BGN 99 thousand. A mortgage on an immovable property, pledge on receivables and a guarantee were concluded in favour of the bank as collateral.

In December 2011 the Group signed an agreement for long-term bank loan-overdraft, with maturity in 2 years under the conditions of decreasing ceiling at the amount of EUR 7,500 thousand (BGN 14,669 thousand). Interest due as of December 31, 2011 is BGN 11 thousand. As collateral the Group has made a mortgage of immovable property, pledge on plant and equipment in favour of the bank and promissory note, availed by the Parent company.

The received in 2010 short-term bank loans at the amount of USD 11,000 thousand (BGN 16,200 thousand) and BGN 10,002 thousand are fully repaid by the end of June 2011.

Except the above mentioned collaterals, liabilities of the Group on loans received from financial institutions are secured with property, plant and equipment, inventory, cash and receivables of the Group, as well as guarantees, promissory notes and assets of related parties.

27. Obligations under finance lease

	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Amounts payable under finance leases						
Within one year	1,051	1,634	1,916	949	1,517	1,746
From one to two years	791	986	1,669	723	920	1,560
From three to five years	1,026	1,515	2,488	982	1,459	2,375
Less: Interest payable						
Within one year	(102)	(117)	(170)	-	-	-
From one to two years	(68)	(66)	(109)	-	-	-
From three to five years	(44)	(56)	(113)	-	-	-
Present value of finance lease obligations	**2,654**	**3,896**	**5,681**	**2,654**	**3,896**	**5,681**
Less: Present value of finance lease obligations with maturity less than 1 year				**(949)**	**(1,517)**	**(1,746)**
Present value of finance lease obligations with maturity over 1 year				**1,705**	**2,379**	**3,935**

Assets acquired by the Group under finance leases comprise of vehicles. The lease term of the contracts is between 3 to 6 years. As of December 31, 2011 the average effective interest rate under finance lease agreements is 4.04% (2010: 3.57%; 2009: 4.76%).

Management of the Group believes that the fair value of the obligations under finance leases does not differ significantly from their carrying amount.

Liabilities under finance lease agreements are secured by promissory notes issued by the Group in favour of the lessors and expire at the termination date of the respective agreements. The promissory notes issued by the Group are avalled by the Parent company and Controlling company.

28. Retirement benefits obligations

In the current period the Group has accrued liabilities for retirement benefits at the amount of BGN 350 thousand (BGN 22 thousand as short-term portion and BGN 328 thousand as long-term portion). The amount of the liabilities is based on an actuary valuation, taking into consideration assumptions for mortality, disability, employment turnover, salaries' growth, etc. The present value of the liability is calculated by applying a discount factor of 4%.

The amount of liabilities for retirement benefits consists of as follows:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Balance in the beginning of the period	**211**	**240**	**371**
Interest accrued for the period	9	10	15
Retirement benefits paid for the period	(67)	(83)	(51)
Current service cost	50	33	42
Actuarial loss (gain)	147	11	(137)
Balance at the end of the period	**350**	**211**	**240**

The effect of accrued compensation upon retirement in the statement of comprehensive income, included in employee benefits expenses, is as follows:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Interest accrued for the period	9	10	15
Current service cost	50	33	42
Actuarial loss (gain)	147	11	(137)
	206	**54**	**(80)**

29. Trade and other payables

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Payables to suppliers	204,339	151,218	116,606
Tax payables, incl.:	53,907	49,888	43,481
VAT	*14,330*	*18,278*	*17,056*
Excise duties and other taxes	*39,577*	*31,610*	*26,425*
Advances received	15,538	18,161	2,032
Payables to personnel and social security funds	3,145	2,932	4,186
Related party payables	1,805	2,239	2,195
Deferred income	295	174	209
Other	2,289	3,301	5,994
	281,318	**227,913**	**174,703**

29. Trade and other payables (continued)

Related party payables are disclosed in note 35.

Liabilities for excise duties and part of the payables to suppliers are secured by bank and corporate guarantees.

The Group accrues liabilities for unused annual paid leave of employees in compliance with IAS 19 *Employee Benefits*. The movement of these liabilities for the reported periods is as follows:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Balance at the beginning of the period	747	1,568	1,798
Acquisitions through business combinations	-	111	-
Accrued during the period	309	256	906
Utilized during the period	(368)	(1,188)	(1,135)
Other changes	-	-	(1)
Balance at the end of the period, including:	**688**	**747**	**1,568**
Paid leave	*588*	*605*	*1,297*
Social security contributions	*100*	*142*	*271*

The balance at the end of the period is presented in the consolidated statement of financial position together with the current liabilities for employee benefits.

The management believes that the carrying amount of the current liabilities, presented in the consolidated statement of financial position, approximates their fair value.

30. Current income tax payable

Current income tax includes corporate income tax accruals for the current period and prior periods up to the amount, which is not settled at the end of the reporting period.

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated	January 1, 2010 BGN'000 restated
Income tax payable (recoverable) as of January 1	3,562	632	1,193
Accrued corporate income tax	1,834	4,059	1,337
Corporate income tax paid	(5,260)	(1,137)	(7,472)
Acquisitions through business combinations	-	8	-
Income tax receivable used for settlement of other tax payables	(82)	-	5,574
Income tax payable as of December 31	**54**	**3,562**	**632**

31. Subsidiaries

The subsidiaries, included in the consolidation, over which the Group has control as of December 31, 2011 and 2010 are as follows:

Subsidiary	Main activity	Investment as of December 31, 2011	Investment as of December 31, 2010
Naftex Petrol EOOD	Wholesale with fuels	100%	100%
Petrol Trans Express EOOD	Transport services	100%	100%
Petrol Technika EOOD	Service and maintenance of fuel stations	100%	100%
Petrol Gas EOOD	Wholesale with fuels	100%	90%
Petrol Properties EOOD	Real estate and moveable property trade	100%	100%
Elite Petrol AD	Management, rent and sale of properties	99.99%	99.99%
Eurocapital-Bulgaria EAD	Management, rent and sale of properties and construction works through sub-contractors	100%	89.97%
BPI EAD	Rent of property	100%	100%
Naftex Security EAD	Security services – personal and properties	100%	100%
Jurex Consult AD	Legal advises, management and consulting services	79.95%	79.95%
Varna Storage EOOD	Trade with oil and oil products	100%	-
Naftex Petrol Trade EOOD	Processing and trade with oil and oil products	100%	-

At the extraordinary General Meeting in November, 2010, the shareholders of Petrol AD took a decision for a contribution in-kind to increase the capital of the subsidiary Naftex Petrol EOOD. The contribution in-kind was a part of a receivable on a loan contract - principal and interest to the amount of BGN 200,000 thousand and is against BGN 20,000 thousand of the shares at nominal value of BGN 10 each. As at the date of the financial statements the increase in the capital of Naftex Petrol EOOD was registered in the Trade Register and the Parent company recognised increase in the amount of investments in subsidiaries.

In January 2011, the Management Board took a decision to tender purchase of the shares of the minority equity owner of Petrol Gas EOOD for BGN 1. The offer was accepted by the counter-part, the transaction was fulfilled and as a result, the legal form of the subsidiary was changed to sole limited liability company.

In May 2011 Petrol AD registered a single limited liability company Varna Storage EOOD with a capital of BGN 5 thousand. As at the reporting date Petrol AD is the sole owner of the capital of the company.

31. Subsidiaries (continued)

In December 2011 the Management Board of the Parent company passed a resolution to increase the capital of its subsidiary Varna Storage EOOD by BGN 18,732 thousand through in-kind contribution of property, plant and equipment with carrying amount of BGN 3,055 thousand, located in Varna fuel storage depot. As at the date of these financial statements, the increase in the capital is in process of registration.

The fair value of the investments in subsidiaries is not disclosed due to lack of a quoted price at an active market.

32. Special purpose entities

In compliance with SIC 12 *Consolidation – Special Purpose Entities (SPE)* and the approved accounting policy, the Group of Petrol AD consolidates such entities because the substance of the relationship between the Group and the SPEs indicates that they are controlled by the Group, as follows:

- The activities of the SPEs are being conducted on behalf of Naftex Petrol EOOD according to its specific business needs so that Naftex Petrol obtains benefits from the SPEs' operations,
- Naftex Petrol EOOD has the decision-making powers to obtain the majority of the benefits of the activities of the SPEs,
- Naftex Petrol has rights to obtain the majority of the benefits of the SPEs and is therefore exposed to risks incident to their activities.

The consolidated SPEs controlled by the Group as at December 31, 2011, 2010 and January 1, 2010 are as follows:

Name of SPE	Main activity
Petrol Trade EOOD	Domestic and foreign trade with petroleum products
Naftex Trade EOOD	Domestic and foreign trade with petroleum products

Summarised and integrated separate financial statements of the consolidated SPEs as of December 31, 2011, 2010 and January 1, 2010 are as follows:

Statement of Financial Position	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Non-current assets	784	751	117
Current assets	58,740	107,174	54,355
Total assets	**59,524**	**107,925**	**54,472**
Equity			
Share capital	12,835	12,835	12,835
General reserves	-	50	50
Retained earnings	(1,022)	(1,983)	(2,248)
Total equity and reserves	11,813	10,902	10,637
Non-current liabilities	1,831	2,317	-
Current liabilities	45,880	94,706	43,835
Total liabilities	47,711	97,023	43,835
Total equity and liabilities	**59,524**	**107,925**	**54,472**

32. Special purpose entities (continued)

Statement of Comprehensive Income	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Profit before taxes	1,596	307	431
Income tax benefit (expense)	(621)	(42)	109
Net profit for the year	**975**	**265**	**540**
Total comprehensive income	**975**	**265**	**540**

Statement of Cash Flows	December 31, 2011 BGN'000	December 31, 2010 BGN'000	January 1, 2010 BGN'000
Cash generated from operations	10,471	13,982	(2,182)
Income tax paid	(498)	(105)	-
Net cash provided by (used in) operating activities	9,973	13,877	(2,182)
Net cash used in investing activities	(12,349)	(29,049)	(6,878)
Net cash provided by financing activities	2,673	14,778	9,902
Net increase (decrease) in cash for the year	**297**	**(394)**	**842**
Cash at the beginning of the year	**42**	**814**	**1**
Effect of foreign exchange rate fluctuations	(291)	(378)	(29)
Cash at the end of the year	**48**	**42**	**814**

33. Acquisition of subsidiaries and non-controlling interest

33.1. Subsidiaries acquired

Subsidiaries	Main activity	Investment as of December 31, 2010	Increase during the period	Consideration transferred BGN'000
BPI EAD	Rent of property	100%	100%	5,364
Naftex Security EAD	Security services – personal and properties	100%	100%	50
Eurocapital-Bulgaria EAD	Management, rent and sale of properties and construction works through sub-contractors	89.97%	53.05%	24,055
Jurex Consult AD	Legal advices, management and consulting services	79.95%	79.95%	205
				29,674

33.2. Acquired assets and recognised liabilities at the date of acquisition

	BPI EAD	Naftex Security EAD	Eurocapital-Bulgaria EAD	Jurex Consult AD	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Non-current assets					
Property, plant and equipment and intangible assets	-	22	459	1	482
Investment property	7,901	-	32,627	-	40,528
Deferred tax assets	12	10	-	6	28
Total non-current assets	**7,913**	**32**	**33,086**	**7**	**41,038**
Current assets					
Inventories	-	1	1	-	2
Interest-bearing loans granted	5,641	-	35,639	170	41,450
Trade and other receivables	1,292	1,175	6,193	262	8,922
Income tax receivable	21	-	-	-	21
Cash	9	9	11	40	69
Total current assets	6,963	1,185	41,844	472	50,464
Total assets	**14,876**	**1,217**	**74,930**	**479**	**91,502**
Non-current liabilities					
Liabilities on interest-bearing loans	9,010	-	26,666	-	35,676
Deferred tax liabilities	-	-	1,647	-	1,647
Total non-current liabilities	9,010	-	28,313	-	37,323
Current liabilities					
Trade and other payables	272	938	419	189	1,818
Liabilities on interest-bearing loans	265	1,472	830	-	2,567
Income tax payable	-	-	28	1	29
Total current liabilities	537	2,410	1,277	190	4,414
Total liabilities	**9,547**	**2,410**	**29,590**	**190**	**41,737**
Net assets	**5,329**	**(1,193)**	**45,340**	**289**	**49,765**

As at the acquisition date the assets and liabilities of the companies are presented at fair value based on a valuation made by a licensed expert. According to the valuation report, difference between carrying and fair values was identified only in respect of the property, plant and equipment, intangible assets and investment properties in BPI EAD and Eurocapital-Bulgaria EAD.

33.3. Non-controlling interest

As a result of the acquisition of the subsidiaries, the Group recognises non-controlling interests as of December 31, 2010 as follows:

	Fair value of net assets BGN'000	Non-controlling interest %	Non-controlling interest BGN'000
Eurocapital-Bulgaria EAD	45,340	10.03	4,543
Jurex Consult AD	289	20.05	58
Increase of non-controlling interest as at November 30, 2010			**4,601**

In April 2011 the Group acquired from the Ultimate controlling company 10.03% from the share capital of Eurocapital Bulgaria EAD, increasing its share from 89.97% to 100%. The carrying amount of the net assets of Eurocapital Bulgaria EAD in the consolidated financial statements at the date of the acquisition is BGN 4,532 thousand.

In January 2011, the Management Board took a decision to tender purchase of the shares of the minority equity owner of Petrol Gas EOOD for BGN 1. The offer was accepted by the counter-part, the transaction was fulfilled and as a result, the legal form of the subsidiary was changed to sole limited liability company.

As a result of the acquired shares, the non-controlling interest decreased with BGN 4,258 thousand and retained earnings decreased with BGN 285 thousand.

Changes in the non-controlling interest in 2011 and 2010 are summarized in the following table:

	Financial result for the period BGN'000	Non-controlling interest %	Non-controlling interest BGN'000
Non-controlling interest as of January 1, 2010			**(101)**
Effect of acquisition of controlling interest			**4,601**
Share of comprehensive income			
Petrol Gas EOOD	(1,688)	10.00	(169)
Eurocapital-Bulgaria EAD	(149)	10.03	(15)
Jurex Consult AD	(74)	20.05	(15)
Loss attributable to the non-controlling interest			**(199)**
Non-controlling interest as of December 31, 2010			**4,301**
Effect from increase in controlling interest of the Group			**(4,258)**
Share of comprehensive income			
Jurex Consult AD	47	20.05	9
Loss attributable to the non-controlling interest			**9**
Non-controlling interest as of December 31, 2011			**52**

33.4. Goodwill arising on acquisition

	BPI EAD BGN'000	Naftex Security EAD BGN'000	Eurocapital-Bulgaria EAD BGN'000	Jurex Consult AD BGN'000
Consideration transferred	5,364	50	24,055	205
(+) Fair value of the investment before acquisition	-	-	16,742	-
(+) Non-controlling interest at November 30, 2010	-	-	4,543	58
(-) Fair value of the identifiable net assets as of November 30, 2010	5,329	(1,193)	45,340	289
Goodwill (Income)	**35**	**1,243**	**-**	**(26)**

As of November 30, 2010 the Group owned an investment of 36.92% of the capital of Eurocapital-Bulgaria EAD amounted to BGN 15,092 thousand. As a result of remeasurement to fair value of pre-existing interest in acquiree the Group recognises gain of BGN 1,650 thousand (see also note 7).

The difference between the consideration transferred on acquisition of a controlling interest in Jurex Consult AD and the fair value of net assets is a negative amount of BGN 26 thousand which the Group recognised as other income in the consolidated statement of comprehensive income (see also note 7).

33.5. Net cash inflow on acquisition of subsidiaries

	BPI EAD BGN'000	Naftex Security EAD BGN'000	Eurocapital-Bulgaria EAD BGN'000	Jurex Consult AD BGN'000	Total BGN'000
Consideration paid in cash	-	-	-	-	-
Cash balance acquired	(9)	(9)	(11)	(40)	(69)
	(9)	**(9)**	**(11)**	**(40)**	**(69)**

In relation with the acquisition of 10.03% of Eurocapital-Bulgaria EAD, the Group set off receivable on loan granted to the Controlling company at the amount of BGN 4,543 thousand and as a result cash outflow is not reported.

In relation with the acquisition of the four companies in 2010, the Group has set off the considerations against receivables on interest-bearing loans from related parties amounting to BGN 29,265 thousand and also receivables on trade loans amounting to BGN 409 thousand.

34. Financial instruments and risk management

The carrying amounts of assets and liabilities as of December 31, 2011 and 2010 by categories are set in accordance with IAS 39 *Financial instruments: Recognition and Measurement* and are presented in the following tables:

Loans granted and receivable	*Note*	**December 31, 2011 BGN'000**	**December 31, 2010 BGN'000 restated**
Interest-bearing loans granted	*21*	125,471	142,447
Trade and other receivables	*23*	76,216	57,985
Cash and cash equivalents	*24*	9,075	11,321
		210,762	**211,753**

At amortized cost	*Note*	**December 31, 2011 BGN'000**	**December 31, 2010 BGN'000 restated**
Trade and other payables	*29*	208,139	156,329
Liabilities on interest-bearing loans	*26*	293,494	284,379
Finance lease liabilities	*27*	2,654	3,896
		504,287	**444,604**

The use of financial instruments exposes the Group to market, credit and liquidity risk. The current note represents information about risk management goals, politics and processes as well as equity management.

The Group is a part of a complex structure of companies with complex financial and legal relationship between the Parent company (Controlling company) and the companies under common control. The strategic management of financial risks is directed by the Board of Directors of the Controlling company. The operating implementation of adopted policies and realisation of risk management processes is managed by the Cash Flows and Global Markets Departments of Petrol Holding AD. Due to the complexity of these mutual relationships and their possible developments, the existing risks in respect to financial instruments cannot be completely estimated and reliably measured.

As a result of global financial crisis, a decrease in economic development of Bulgarian economy is perceived which affects wide range of industrial sectors. This leads to noticeable aggravation of cash flows, decline in income and as a result to substantial worsening of economic environment in which the Group operates. In addition the Group is exposed to significantly higher price, market, credit, liquidity, interest, operative and other risks.

As a result, uncertainty for ability of clients to pay their liabilities in compliance with contracted terms increases. In this way the scale of impairment losses on granted interest-bearing loans, receivables on sales, financial assets available for sale, other financial instruments and the value of other accounting estimates in subsequent periods could substantially vary compared to these determined and recorded in these consolidated financial statements. The management of the Group applies all necessary procedures to control these risks.

34. Financial instruments and risk management (continued)

Market risk

Market risk is the risk of changes in the fair value of financial instruments or their future cash flows due to fluctuations in market prices and could result in currency, interest and other price risk. Because of the nature of its activity, the Group is exposed to price, currency and interest rate risk.

Price risk

The Group is exposed to risk of frequent and sharp changes in the prices of fuels and other goods that are traded. In order to decrease the sensitivity of the Group to the volatility of the fuel prices, management constantly updates the selling prices on a daily basis and in accordance with the geographical region and the selling prices of the main competitors.

The Group has very high turnover of its inventory - for approximately 17 days whole inventory changes, which limits the price risk.

Foreign currency risk

The Group performs transactions in currency different than its functional currency and therefore it is exposed to foreign currency risk related to possible foreign currency fluctuations. Such risk arises mainly from the fluctuations in the exchange rate of USD, because the Group performs purchases and sales transactions and has liabilities on received interest-bearing loans and derivative instruments, denominated in USD. The transactions, denominated in EUR, do not expose the Group to foreign currency risk, as the Bulgarian Lev is fixed to the EUR since January 1, 1999.

The financial assets and liabilities, denominated in USD are presented in the following table:

	December 31, 2011		December 31, 2010	
	USD'000	BGN'000	USD'000 restated	BGN'000 restated
Financial assets				
Trade and other receivables	42	63	1,141	1,680
Cash and cash equivalents	175	265	1,065	1,568
	217	**328**	**2,206**	**3,248**
Financial liabilities				
Trade and other payables	(68,733)	(103,895)	(60,486)	(89,081)
Liabilities on interest-bearing loans	(112,336)	(169,805)	(11,086)	(16,327)
	(181,069)	**(273,700)**	**(71,572)**	**(105,408)**

The sensitivity analysis of the foreign currency risk is calculated based on an 11% difference in the exchange rate of the USD to the BGN. The management believes that this is a reasonable possible difference calculated on the basis of the statistical data for the dynamics of the fluctuations in the currency rate for the past year, on basis of the daily deviation, calculated for 250 days. If the exchange rate of the USD to BGN as of December 31, 2011 was 11% lower/higher on the condition that all other risk variables were constant, the net loss after taxes would decrease/increase by BGN 27,066 thousand, mainly as a result of exchange rate differences from revaluations of trade payables and liabilities on loans received in USD.

34. Financial instruments and risk management (continued)

Interest rate risk

The Group is exposed to interest rate risk because part of its loans have floating interest rate, agreed as a base interest rate and increased by a certain margin.

The Group performs continuous monitoring and analysis of the significant interest-bearing exposures by developing different scenarios for optimization, for example – refinancing, renewing of existing loans, alternative financing (contracts for sale and lease-back agreements) and also the Group calculates the impact of the interest rate change on the financial result within a certain range. In 2011 and 2010 loans with variable interest rates are denominated in euro.

As of the date of the present consolidated financial statement the structure of the interest-bearing financial instruments is as follows:

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Instruments with fixed interest rate		
Financial assets	17,821	44,141
Financial liabilities	(232,152)	(236,137)
	(214,331)	**(191,996)**
Instruments with variable interest rate		
Financial assets	93,520	85,198
Financial liabilities	(62,783)	(51,451)
	30,737	**33,747**

The sensitivity analysis of the interest rate risk is prepared on the basis of presuming that interest positions with variable interest rates as of the end of the reporting period have existed in the same amount during the entire year and the reasonable possible increase/decrease of the interest rate is by 12 base points. If the interest rates were higher/lower by 12 base points, and all other variables were constant, the loss after tax would have been by BGN 33 thousand lower/higher.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligations. Financial assets which potentially expose the Group to credit risk are mainly trade receivables and granted interest-bearing loans.

The maximum exposure to credit risk of the receivables from clients as of December 31, 2011 and 2010 as per type of clients is as follows:

34. Financial instruments and risk management (continued)

	December 31, 2011 BGN'000	December 31, 2010 BGN'000 restated
Clients of wholesale of fuels	36,515	14,399
Clients of retail sales of fuels	24,399	27,819
Other	258	737
	61,172	**42,955**

The retail sales to clients are mainly paid in cash or by using credit cards. The Group's policy regarding deferred payments is focused on performing sales to customers with good credit standing. In order to limit the credit risk the Group has adopted a policy of preliminary evaluation of these customers. In compliance with this policy, clients are estimated by taking into consideration the information from different sources – client's counterparties, servicing banks, estimates by rating agency, etc. The contracts with clients stipulate certain credit limits, agreed individually with each client, which cannot be exceeded and credit periods within the framework of particularly defined number of days, and after their expiration and in the event of default, penalty interests are charged.

The receivables from related parties as of December 31, 2011 and 2010 include mainly receivables on granted interest-bearing loans and deposits, which are not secured and cause a significant concentration of credit risk. The management believes the risk is controllable as the loans are granted to the Controlling company and to companies under common control.

A number of assumptions have been made in the analysis, including certain price and time ranges, the realisation of which may differ substantially due to the dynamic and difficult to foresee market environment and the interrelations between shareholders of the Controlling entity.

The credit risk on cash at banks is minimised, as the Company holds accounts at banks of high credit rating only.

The carrying amount of financial assets net of impairment losses represents the maximum credit risk the Company is exposed to.

Liquidity risk

Liquidity risk is the risk that the Group fails to meet its obligations associated with financial liabilities when they become due. The policy in this area aims to ensure the availability of sufficient liquid resources to pay the liabilities when they become due, including in emergency and unforeseen situations. Management's objective is to maintain a constant balance between continuity and flexibility of financial resources, using various forms of financing. Liquidity risk management includes the maintenance of sufficient cash, contracting adequate credit facilities, preparing, analyzing and updating the expected future cash flows.

The following table presents the agreed maturity of the Group's financial liabilities on a basis of the earliest dates on which the Group may be obliged to pay them. The table includes the undiscounted cash flows, including principal and interest, excluding offsetting agreements effect:

34. Financial instruments and risk management (continued)

December 31, 2011 BGN'000	Fair value	Cash flow	Up to 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Bank loans	187,928	235,862	81,908	30,228	85,028	38,698
Debenture loans	53,544	74,801	5,307	4,102	12,305	53,087
Lease-back liabilities	40,547	60,868	4,009	3,696	11,090	42,073
Trade loans	11,475	11,692	11,692	-	-	-
Finance lease liabilities	2,654	2,868	1,051	791	1,026	-
Trade and other liabilities	208,209	208,209	208,209	-	-	-
	504,357	**594,300**	**312,176**	**38,817**	**109,449**	**133,858**

December 31, 2010 BGN'000 restated	Fair value	Cash flow	Up to 1 year	From 1 to 2 years	From 3 to 5 years	Over 5 years
Bank loans	30,768	33,226	29,048	897	2,033	1,248
Debenture loans	195,505	210,298	210,298	-	-	-
Lease-back liabilities	41,555	64,195	3,825	3,697	11,089	45,584
Trade loans	16,551	17,370	17,370	-	-	-
Finance lease liabilities	3,896	4,135	1,634	986	1,515	-
Trade and other liabilities	156,259	156,259	156,259	-	-	-
	444,534	**485,483**	**418,434**	**5,580**	**14,637**	**46,832**

35. Disclosure of related parties and transactions

The related parties which the Parent company controls and has significant influence on are disclosed in notes 18, 31, 32 and 33.

The Parent company is controlled by Petrol Holding AD.

The following transactions with related parties have been performed during the reporting period:

Related party	
Petrol Holding AD	Controlling company and Parent company
New Co Zagora EOOD	Company under common control
Interhotel Bulgaria Burgas EOOD	Company under common control
BC Izvor AD	Company under common control
Ross Oil EOOD	Company under common control
Air Lazur – General Aviation EOOD	Company under common control
Transcard AD	Company under common control
Morsko Kazino EAD	Company under common control
Transat AD	Company under common control
Varna Business Services EOOD	Company under common control
Trans Operator AD	Company under common control
Transcard Financial Services EAD	Company under common control
Tema Sport EOOD	Company under common control
Balneohotel Pomorie AD	Company under common control
PSFC Chernomoretz AD	Company under common control
Black Sand Resort AD	Company under common control
SOCCRAT EAD	Company under common control
Federal Bulgaria Management AD	Company under common control
Petrol Card Service EOOD	Company under common control
Vratzata OOD	Company under common control
Transcard Payment Services EAD	Company under common control
Bulgarian Rose Gardens EOOD	Company under common control
Francis Residence EOOD	Company under common control
Naftex Petrol Trade EOOD	Company under common control
Trans Telecom AD	Associate of Petrol Holding AD
Rex Loto AD	Associate of Petrol Holding AD
Petrol Engineering AD	Associate of Petrol Holding AD
Tema News AD	Associate of Petrol Holding AD

35. Disclosure of related parties and transactions (continued)

The transactions performed relate primarily to:

- purchase and sale of liquid fuels;
- granting and receiving loans;
- purchase and sale of property, plant and equipment;
- holding fees and services.

The volume of the transactions performed with related parties for 2011 и 2010 is as follows:

Related party	December 31, 2011 BGN'000 Sales	December 31, 2010 BGN'000 Sales	December 31, 2011 BGN'000 Purchases	December 31, 2010 BGN'000 Purchases
Controlling company	379	249	43,650	36,230
Companies under common control	2,289	1,380	1,970	1,938
Associates of Petrol Holding AD	26	210	1	22
Key management staff	-	5	-	125
	2,694	**1,844**	**45,621**	**38,315**

Related party	December 31, 2011 BGN'000 Finance income	December 31, 2010 BGN'000 Finance income	December 31, 2011 BGN'000 Finance cost	December 31, 2010 BGN'000 Finance cost
Controlling company	6,064	6,588	71	6
Companies under common control	450	149	7	8
Associates of Petrol Holding AD	6	12	-	-
Key management staff	1	-	959	451
	6,521	**6,749**	**1,037**	**465**

In 2010 the Group has received a dividend from an associate at the amount of BGN 260 thousand.

As of December 31, 2011, 2010 and January 1, 2010 the outstanding balances with related parties are as follows:

Related party	December 31, 2011 BGN'000 Receivables	December 31, 2010 BGN'000 Receivables restated	January 1, 2010 BGN'000 Receivables restated
Controlling company, incl.	124,268	138,255	66,139
Long-term interest-bearing loans	*21,034*	*30,727*	*21,034*
Short-term interest-bearing loans	*102,299*	*107,124*	*44,866*
Companies under common control, incl.	1,253	6,499	1,895
Long-term interest-bearing loans	-	*4,175*	-
Short-term interest-bearing loans	-	*304*	-
Associates of Petrol Holding AD	18	141	1,937
Key management staff	1,153	1,103	472
	126,692	**145,998**	**70,443**

35. Disclosure of related parties and transactions (continued)

Related party	December 31, 2011 BGN'000 Payables	December 31, 2010 BGN'000 Payables restated	January 1, 2010 BGN'000 Payables restated
Controlling company, incl.	3,318	3,626	1,629
Short-term interest-bearing loans	*1,869*	*1,993*	-
Companies under common control	182	461	541
Associates of Petrol Holding AD	2	20	25
Key management staff, incl.	9,778	14,683	1,295
Short-term interest-bearing loans	*9,606*	*14,558*	*1,295*
	13,280	**18,790**	**3,490**

In 2011 the Group has granted to the Controlling company interest-bearing loan at the amount of BGN 15,220 thousand. Interest rates are between 4.54% and 9.5% and maturity in 2012. During the current period the Controlling company has repaid principal at the amount of BGN 1,415 thousand together with interest due at the amount of BGN 1,158 thousand.

In 2011 the Group repaid received in 2010 short-term unsecured loan from related individual at the amount of BGN 4,200 thousand with annual interest rate 9% together with interest due of BGN 416 thousand.

The total amount of management remuneration of the members of the Board of Directors and of the Supervisory Board of the Parent company, included in the employee benefits expenses amount to BGN 1,564 thousand (2010: BGN 1,441 thousand).

36. Restatement of comparative information

36.1. IFRS transition reserve reclassified to retained earnings

The IFRS transition reserve as at December 31, 2010 at the amount of BGN 20,657 thousand is formed as a result of revaluation of property, plant and equipment and intangible assets performed in the period 1998-2001 using the coefficient method, as well as revaluation as at December 31, 2002 in relation with the first-time adoption of IFRS in the preparation of the consolidated financial statements of the Group. In accordance with the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* adjustments due to differences between carrying amount and the value of property, plant and equipment as at the transition date shall be recognised in the retained earnings. As at period end the amount of the reserve is reclassified to retained earnings. The effect of the error is reflected in the current period retrospectively as a prior period error.

36.2. Presentation of interest receivables from trade and other receivables to loans granted

In the current period, the Group adopted to reclassify interest receivable on loans granted from trade and other receivables to interest-bearing loans granted. As of December 31, 2010 and January 1, 2010 the interest receivable amount to BGN 13,108 thousand and BGN 2,078 thousand respectively. The Management believes that this reclassification will improve the presentation of the financial statements. For comparability purposes, the prior period information has been reclassified accordingly.

36.3. Impairment loss on trade and other receivables

As at the end of the reporting period the Group made a detailed analysis of the collectability of trade and other receivables and interest-bearing loan granted. As a result of this it has been identified that there were indications for impairment of receivables in prior periods at the amount of BGN 9,947 thousand. The effects of the error are restated in the current period retrospectively as a prior period error. The correction represents recognition of impairment losses at the amount of BGN 2,382 thousand for 2010 and BGN 7,565 thousand for 2009 and an adjustment to the balance of trade and other receivables and interest-bearing loan receivables with the same amount.

As a result of the recorded impairment loss a deferred tax asset was recognised at the amount of BGN 189 thousand for 2010 and BGN 962 thousand for 2009, as well as a change in income taxes at the amount of BGN 67 thousand as at December 31, 2010 and BGN 31 thousand as at January 1, 2010.

36.4. Offsetting of receivables and payables

As a result of the review of the Group's other receivables, it was identified that they were wrongly offset with other payables to the amount of BGN 187 thousand in the statement of financial position for 2010. The error was corrected retrospectively as a prior period error.

As part of its trade activity the Group sells vignette stickers on consignment. The payables to the vignette stickers' supplier and the stickers in stock have to be presented net. As a result the amounts of BGN 638 thousand and BGN 259 thousand were netted and presented retrospectively as an error for 2010 and for 2009 respectively

36.5. Interest for delayed payments

During the current period the Parent company delayed in payment of advance instalments for corporate income tax payable for 2010. The interest for delay amounting to BGN 431 thousand is recognised in the present consolidated financial statement as prior period error.

36.6. Reclassification of property, plant and equipment to investment property

At the end of the reporting period the management of the Group performed a review of the property, plant and equipment owned by the Group. It was found that property, representing a factory for production of soft drinks and adjacent terrain in previous periods have been incorrectly presented as property, plant and equipment in the statement of financial position. This land and buildings are not used in the operating activities of the Group and management's intentions are to be rented or sold. Land and buildings with carrying amount of BGN 439 thousand are reclassified to investment property. The reclassification is treated as prior period error in these consolidated financial statements and the information for 2010 is restated (see also notes 16 and 17).

In 2010 the Group acquired property, plant and equipment and investment property through business combinations. In the presentation of these transactions in the consolidated financial statements an error was made and the carrying amount of land and buildings was overstated by BGN 1,794 thousand and the carrying amount of investment properties was understated by BGN 1,794 thousand. The error is corrected retrospectively and the information for 2010 is restated (see also notes 16 and 17).

36.6. Effects of changes in the accounting policy and accounting errors

The effects of changes in the accounting policy and the accounting errors identified in the Group's consolidated statement of financial position as of December 31, 2010 are presented in the table below:

	December 31, 2010 BGN'000 before restatement	December 31, 2010 BGN'000 effect	December 31, 2010 BGN'000 restated
Non-current assets			
Property, plant and equipment and intangible assets	174,284	(2,233)	172,051
Investment property	28,470	2,233	30,703
Investments in associates	-	-	-
Goodwill	18,332	-	18,332
Deferred tax assets	1,344	1,151	2,495
Interest-bearing loans granted	34,902	-	34,902
Compulsory inventory	34,939	-	34,939
Total non-current assets	292,271	1,151	293,422
Current assets			
Inventories	77,733	(638)	77,095
Interest-bearing loans granted	94,437	13,108	107,545
Trade and other receivables	83,181	(22,868)	60,313
Cash and cash equivalents	11,321	-	11,321
Total current assets	266,672	(10,398)	256,274
Total assets	**558,943**	**(9,247)**	**549,696**
Shareholder's equity			
Share capital	76,401	-	76,401
Reserve from adoption of IFRS	20,456	(20,456)	-
Legal reserves	18,914	-	18,914
Accumulated loss	(81,177)	11,296	(69,881)
Total equity, attributable the owners of the Parent company	34,594	(9,160)	25,434
Non-controlling interest	4,301	-	4,301
Total equity and reserves	38,895	(9,160)	29,735
Non-current liabilities			
Interest-bearing loans	43,485	-	43,485
Obligations under finance lease	2,379	-	2,379
Retirement benefits obligations	190	-	190
Total non-current liabilities	46,054	-	46,054

36.6. Effects of changes in the accounting policy and accounting errors (continued)

	December 31, 2010 BGN'000 before restatement	December 31, 2010 BGN'000 effect	December 31, 2010 BGN'000 restated
Current liabilities			
Trade and other payables	228,620	(707)	227,913
Interest-bearing loans	240,207	687	240,894
Obligations under finance lease	1,517	-	1,517
Retirement benefits obligations	21	-	21
Current income tax payable	3,629	(67)	3,562
Total current liabilities	473,994	(87)	473,907
Total liabilities	520,048	(87)	519,961
Total equity and liabilities	**558,943**	**(9,247)**	**549,696**

The effects of changes in the accounting policy and the accounting errors identified in the Group's consolidated statement of financial position as of January 1, 2010 are presented in the table below:

	January 1, 2010 BGN'000 before restatement	January 1, 2010 BGN'000 effect	January 1, 2010 BGN'000 restated
Non-current assets			
Property, plant and equipment and intangible assets	168,173	-	168,173
Investments in associates	15,299	-	15,299
Goodwill	18,297	-	18,297
Deferred tax assets	72	962	1,034
Interest-bearing loans granted	21,034	-	21,034
Compulsory inventory	13,398	-	13,398
Total non-current assets	236,273	962	237,235
Current assets			
Inventory	47,927	(259)	47,668
Interest-bearing loans granted	42,839	2,078	44,917
Trade and other receivables	77,891	(9,643)	68,248
Cash and cash equivalents	19,363	-	19,363
Total current assets	188,020	(7,824)	180,196
Total assets	**424,293**	**(6,862)**	**417,431**

36.6. Effects of changes in the accounting policy and accounting errors (continued)

	January 1, 2010 BGN'000 before restatement	January 1, 2010 BGN'000 effect	January 1, 2010 BGN'000 restated
Shareholder's equity			
Share capital	76,401	-	76,401
Reserve from adoption of IFRS	20,657	(20,657)	-
Legal reserves	18,914	-	18,914
Accumulated loss	(83,918)	14,084	(69,834)
Total equity, attributable the owners of the Parent company	32,054	(6,573)	25,481
Non-controlling interest	(101)	-	(101)
Total equity and reserves	31,953	(6,573)	25,380
Non-current liabilities			
Interest-bearing loans	195,505	-	195,505
Obligations under finance lease	3,935	-	3,935
Retirement benefits obligations	205	-	205
Total non-current liabilities	199,645	-	199,645
Current liabilities			
Trade and other payables	174,962	(259)	174,703
Interest-bearing loans	15,290	-	15,290
Obligations under finance lease	1,746	-	1,746
Retirement benefits obligations	35	-	35
Current income tax payable	662	(30)	632
Total current liabilities	192,695	(289)	192,406
Total liabilities	392,340	(289)	392,051
Total equity and liabilities	**424,293**	**(6,862)**	**417,431**

36.6. Effects of changes in the accounting policy and accounting errors (continued)

The effects of changes in the accounting policy and the accounting errors identified in the Group's consolidated statement of comprehensive income as of December 31, 2010 are presented in the table below:

	December 31, 2010 BGN'000 before restatement	December 31, 2010 BGN'000 effect	December 31, 2010 BGN'000 restated
Revenue	1,218,291	-	1,218,291
Other income	7,428	-	7,428
Cost of goods sold	(1,110,412)	-	(1,110,412)
Materials and consumables	(9,013)	-	(9,013)
Hired services	(32,617)	-	(32,617)
Employee benefits expenses	(21,716)	-	(21,716)
Depreciation and amortization expenses	(16,510)	-	(16,510)
Impairment of assets	(1,410)	(2,382)	(3,792)
Other expenses	(7,637)	-	(7,637)
Finance income	7,828	-	7,828
Finance costs	(30,973)	(431)	(31,404)
Share of profit of associates	53	-	53
Profit before taxes	**3,312**	**(2,813)**	**499**
Income tax (expense) benefit	(1,205)	226	(979)
Net profit (loss) for the year	**2,107**	**(2,587)**	**(480)**
Owned by:			
Owners of the Parent company	***2,306***	***(2,587)***	***(281)***
Non-controlling interest	***(199)***	-	***(199)***
Total comprehensive income for the year	**2,107**	**(2,587)**	**(480)**
Earnings (loss) per share (BGN)	**0.03**	**-**	**(0.01)**

36.6. Effects of changes in the accounting policy and accounting errors (continued)

The effects of changes in the accounting policy and the accounting errors identified in the Group's consolidated statement of cash flows as of December 31, 2010 are presented in the table below:

	December 31, 2010 BGN'000 before restatement	December 31, 2010 BGN'000 effect	December 31, 2010 BGN'000 restated
Cash flows from operating activities			
Net profit (loss) before taxes	3,312	(2,813)	499
Adjustments for:			
Depreciation/amortization of property, plant and equipment and intangible assets	16,510	-	16,510
Interest expense, bank fees and commissions, net	17,331	431	17,762
Shortages and normal loss, net of excess assets	1,503	-	1,503
Provisions for unused paid leave and retirement benefits	310	-	310
Impairment of assets	1,410	2,382	3,792
Assets with low value written-off	441	-	441
Receivables written-off	441	-	441
Loss on liquidation of assets	150	-	150
Net effect from applying the equity method	(53)	-	(53)
Loss on transactions with derivative	121	-	121
Remeasurement to fair value of investment in associate	(1,650)	-	(1,650)
Gain on acquisition of subsidiary	(26)	-	(26)
Gain on sale of property, plant and equipment	(1,051)	-	(1,051)
Unrealized foreign exchange differences	1,266	-	1,266
	40,015	**-**	**40,015**
Increase in trade payables	54,447	(192)	54,255
Increase in inventories	(52,392)	379	(52,013)
Decrease (increase) in trade receivables	3,238	(187)	3,051
Cash flows provided by operating activities	**45,308**	**-**	**45,308**
Interest and bank fees and commissions paid	(23,066)	-	(23,066)
Income taxes paid	(1,137)	-	(1,137)
Net cash provided by operating activities	**21,105**	**-**	**21,105**

36.6. Effects of changes in the accounting policy and accounting errors (continued)

	December 31, 2010 BGN'000 before restatement	December 31, 2010 BGN'000 effect	December 31, 2010 BGN'000 restated
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment and intangible assets	(10,997)	-	(10,997)
Proceeds from sale of property, plant and equipment	1,352	-	1,352
Interest received on loans and deposits granted	1,972	-	1,972
Net payments for transactions with derivatives	(121)	-	(121)
Dividends received	260	-	260
Payments for loans and deposits granted, net	(48,812)	-	(48,812)
Net cash used in investing activities	**(56,346)**	**-**	**(56,346)**
Cash flows from financing activities			
Proceeds from bank and trade loans	39,659	-	39,659
Repayment of bank, trade and debenture loans	(10,285)	-	(10,285)
Payments under leaseback agreements	(106)	-	(106)
Dividends paid	(2)	-	(2)
Lease payments	(1,785)	-	(1,785)
Net cash provided by financing activities	**27,481**	**-**	**27,481**
Net decrease in cash for the year	**(7,760)**	**-**	**(7,760)**
Cash at the beginning of the year	**18,932**	**-**	**18,932**
Cash at the end of year	**11,172**	**-**	**11,172**

37. Contingent assets and liabilities

37.1. Contingent assets

In 2006 the Group invoiced and recognized income from penalties at the amount of BGN 8,196 thousand which were accrued to counterparty due to quantitative non-execution of a contract for fuel supply. As of December 31, 2006 this recorded income was reversed as the management estimated that the criteria for income recognition in compliance with IAS 18 *Revenue* were not met. In this relation a contingent receivable at the amount of BGN 8,196 thousand occurred for the Group because the receivable from the Counterparty has not been recognized in the consolidated financial statements.

37.2. Contingent liabilities

As a result of the import of fuels in 2011 the Group is obliged to establish and store fuels for a period of one year starting from May 1, 2012, under the Mandatory Stocks of Crude Oil and Petroleum Products Act (MSCOPPA).

As of December 31, 2011 the Group has contingent liabilities, including mortgages and pledges on land and buildings with a carrying amount of BGN 13,477 thousand which are used as collateral on bank loans, granted to related parties.

As a security of its payables on contracts in relation with the Public Procurement Act the Group has set up bank guarantees at the amount of BGN 826 thousand as at the end of the reporting period.

38. Environment

After the privatisation of in 1999 Petrol AD started the implementation of its investment programme aiming to achieve its trading objects' compliance with the best environmental practices in the EU. In relation with the privatisation of the Group, for the majority of its objects (petrol depots and petrol stations) reports on valuation of the influence on the environment were prepared and approved by a council of experts to the Ministry of Environment and Water (MoEW). As a result of these reports MoEW issued permissions for exploitation. The Group has been implementing a large-scale investment programme as a result of which its stations (petrol depots and petrol stations) have been reconstructed so as to comply with the requirements of the European directive 94/63/EU, which has been implemented in the Bulgarian legislation through Ordinance #16 from August 12, 1999. The Ordinance's subject is control over emissions of volatile organic compounds as a result of storage, loading and unloading and transportation of petrol, issued on the basis of art. 9, para. 1 of the Clean Air Act. The reconstruction of the petrol stations is preceded by preparation of environmental characteristics of each object, which are submitted to the Regional Inspectorates of Environment and Water (RIEW) for a construction permission. In 2012 the investment programme of the Group will mainly be focused on turning the trade objects into modern places delivering complex customer service facilities. The urgent reconstruction programme for outdated petrol stations is still being developed. According to the Management's plans a considerable number of petrol stations will be renewed under this programme in 2012.

The Management of the Group is of the opinion that after performing the planned additional investments, the Group will continue to comply with the future environmental requirements. The intentions of the Management are that the Group will continue to be in compliance with the environmental requirements by protecting environment from pollution.

In September 2010 the Parent company and its subsidiaries were successfully recertified under the new standard ISO 9001:2008.

39. Events after the reporting period

In March 2012 the Group has repaid a loan from a related party at the amount of BGN 8,900 thousand (see also note 26).

In March 2012 Commission on Protection of Competition (the Commission) investigated the wholesale trade of fuel in the country. As a result of the investigation, the Commission reached the conclusion that the four major players on the fuel market, including the subsidiary Naftex Petrol EOOD, restrict or distort the free competition. The subsidiary submitted written objection to the allegations. After their examination, the Commission will give a hearing of the parties concerned and subsequently will pronounce a final statement. In case of finding infringement, the Commission could impose penalty at the amount of up to 10% of the total income for the previous year. The subsidiary company may appeal against the decision before a three-member panel of the Supreme Administrative Court (SAC), and its decision – before a five-member panel of the SAC. The Management of Naftex Petrol EOOD and Petrol AD believes that the probability of reaching an unfavourable decision by the Commission is minimum, because the subsidiary company has always independently determined the line of its market behaviour in compliance with the market conditions and has never engaged in any prohibited arrangements or coordinated practices with the other market participants against free competition.