

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of P.S. "Telefonija" a.d. Beograd

We have audited the accompanying consolidated financial statements (pages 3 to 46) of the joint-stock company P.S. "Telefonija" a.d. Beograd (hereinafter referred to as the "Company"), which comprise the Consolidated Balance Sheet on December 31st, 2009, and related Consolidated Profit and Loss Account, Capital Changes Statement, Cash Flow Statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management is responsible for composing and objectively presenting these consolidated financial statements in accordance with accounting regulations of the Republic of Serbia. This responsibility encompasses the following: establishing, implementing and maintaining internal control relevant for composing and objectively presenting consolidated financial statements which do not contain material misstatement, arising out of criminal activities or errors; selecting and applying the appropriate accounting policies, as well as making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements on the basis of our auditing. We have conducted the auditing in accordance with International Accounting Standards and Accounting and Auditing Law of the Republic of Serbia. These standards require our compliance with ethical requirements, planning and performing auditing to obtain reasonable assurance that the financial statements do not contain material misstatement.

Auditing involves the implementation of procedures with a view to obtain audit evidence on the amounts and information disclosed in the consolidated financial statements. The selected procedures depend on the auditor's judgment, inclusive of risk assessment of material misstatement of the financial statements, arising out of criminal activities or errors. On making this risk assessment, the auditor considers internal control relevant for composing and objectively presenting financial statements, with a view to establish the best auditing procedures, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In addition, auditing includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements show the financial position of the Company on December 31st, 2009 veritably and objectively in all material respects, as well as business results of the Company, capital and cash flow changes for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that further worsening of the economic situation in the Republic of Serbia affected the Company business in 2009. Such situation may affect possible additional reserves of the Company on the basis of devaluation in 2010, as well as other fields in which the Company management is required to perform significant accounting estimates. The consolidated financial statements 2009 contain significant accounting estimates in relation to the reserves; however, the actual results may deviate from these estimates. In 2010, the Company will focus on managing its financial portfolio in accordance with the changes in the business environment, as well as on maintaining its position on the market. The consolidated financial statements are composed on the basis of continuity in business operations, which implies that the economic situation and future measures of economic and monetary policy will not adversely affect the financial position and business results of the Company in the future.

In Belgrade,
April 30th, 2010

Zoran Nešić
Certified Auditor