EKO BULGARIA EAD
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITOR' S REPORT
31 DECEMBER 2012

The management prepares its annual activity report and annual financial statement as at 31 December 2012 in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union. This report has been audited by PricewaterhouseCoopers Audit OOD.

MAIN ACTIVITIES

EKO BULGARIA EAD is a company registered in the Republic of Bulgaria in 2002. Its main activities include sales of fuels, lubricants, products and services related to them on the territory of the Republic of Bulgaria.

ASSESSMENT OF THE ACTIVITIES FOR THE REPORTED PERIOD

The year 2012 was another year of development for the Company, driven mainly by the management's main goal to improve the efficiency and effectiveness on the existing structure. Only one new petrol station was acquired during the period under the financial lease terms. "Focus on Existing" was the main strategic goal for 2012.

The business environment in 2012 could be described as a period of continuing reflection of different financial and business factors on the sales of fuels, lubricants, products and services related to them. The retail fuels market declined by 4-5% as a whole compared to the previous year. In most cases on the local market the prices of the fuels were moving irrespectively of the quotes on the Mediterranean stock exchange for trading fuels (Platt's), which resulted in squeezing the average gross margin versus the one of the previous period. Despite that the 2012 EKO retail sales volumes were higher than the 2011 performance and 3% higher that the plan for 2012. Wholesales of fuels were also higher than the planned quantities and versus 2011. The main factor promoting this growth were contracts with key customers to ensure constant fuel consumption throughout.

The excellent performance of EKO retail sales volumes, has resulted to a substantial increase of our market share at the end of 2012. This market share improvement is clearly attributable to the successful marketing promotional and advertising activities and the flexible, focused regional pricing policy.

Despite the serious consequences for the business caused by the banning of smoking inside the petrol stations, non fuels products sales performance has increased compared to the last year.
The expenses, effectively controlled throughout the year, were 1% less than the budgeted despite the higher retail sales. The average daily turnover measured in m3 per petrol station (PS) for the whole chain was higher versus 2011 resulting from the successful marketing politics and strategy, the spectacular improvement of the EKO brand awareness, the prudent pricing policy, together with the close daily monitoring of sales and expenses.

The management focused the efforts during the year in the following main directions:
1. Adequate control on the operating expenses of the stations
   - The petrol stations operating department worked independently from the sales and marketing department of the chain.
   - The responsibility for the performance of the petrol stations was delegated to the regional managers, working in close co-operation with purchasing, marketing and sales departments.
   - Daily expenses were monitored closely by the operating control division situated in the Head office and assisted by the planning and reporting department.
2. Marketing and sales
   - Continuing the successful strategy of the previous period, the price formation of the fuels was made under the strict consideration of the local features of each of the stations. This policy was supported by a lot of local promotions aiming to stimulate the sales on every station for a specific period of time.

- The corporate social responsibility programme under the motto "Call When You Get There" was in place during the reported period combined with a variety of advertising and promotional activities focussed on the safety of the people and especially the children on the road. A campaign for building lighting walkways was successfully launched in the capital, where are to be constructed several, then such will be installed in other cities.

The Management considers that the results achieved during the reported period are very good in view of the conditions of aggravating financial crisis that has affected the fuel market in Bulgaria too. The management is dedicated to achieving the objectives for 2013 in the developed five-year plan.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD END

There have been no events subsequent to the end of the period other than those described in the notes to the IFRS financial statements, which would require separate disclosure in the IFRS financial statements or notes thereto.

COMPANY FUTURE DEVELOPMENT

The company plans to achieve within next 5 years:

- By the end of the period to be among the most respected firms, included in the top players in the Bulgarian energy market, recognised by the consumer for the top quality of its products and services.
- To build a storage facility (tax depot) for light fuels and liquefied petrol gas (LPG), which will contribute for achieving full independence from competitors' companies, as well as significant decrease of the expense for maintaining the obligatory stock reserves. Also it will provide opportunities for further activation in the Wholesale business in Bulgaria.
- To initiate activities in the business with aviation fuels at Sofia Airport
- To have a network of about 100 PS in the market, part of which will be a result from the starting in 2013 company's franchise program
- To exceed 30% market share by the end of the period.

COMPANY SHARE CAPITAL STRUCTURE

The registered capital of the company amounts to BGN 51 500 000 (fifty one million five hundred thousand), divided into 5 150 000 (five million one hundred fifty thousand) shares, with nominal value of BGN 10 /ten/ each, owned by member of the Group of Hellenic Petroleum – Hellenic Petroleum Bulgaria (Holdings) Limited.

BOARD OF DIRECTORS

The company is managed under the one-tier system of management by a Board of Directors. The latter consists of 5 (five) members. The Board of Directors is appointed by the sole shareholder for a period of 5 (five) years. Members of the Board of Directors are natural persons. The Board of Directors manages the activities by representing and administrating the Company. The Board of Directors appoints a Chairman and a Vice-Chairman, as well as an Executive Director (executive member).

The members of the Board of Directors of EKO Bulgaria EAD are as follows:

Ioannis Psychogyios
Petros Karalis
Victor Papaconstantinou
Georgi Iordanov Deyanov
Gerasimos Stanitsas

The annual remuneration of the Board of Directors members is disclosed in the notes to the financial statements.

FINANCIAL RISK MANAGEMENT

In conditions of acting during the reporting period global financial crisis the Company's activities suggest a number of financial risks: market risk (including currency risk, interest rate risk, etc.), credit risk, liquidity risk, etc. To avoid the currency risk the Company has dealt with its main supplier of light fuels and liquefied petrol gas the deliveries to be amounted in EUR. The Company's general program for risk management is focused on the control over the collection of receivables from customers and the unpredictability of financial markets, while aiming at minimising the potential adverse effect on its financial performance. Risk management is performed by the treasury department of the parent company according to the policies approved for all Hellenic Petroleum ("Group") companies. This department identifies, evaluates and decides whether to hedge financial risks in close cooperation with the managements of Group companies. Specialists from this department prepare written principles for overall risk management, as well as principles that cover specific areas such as risk of changes in exchange rates, interest risk, credit risk, use of various financial instruments and investment of free cash.

THE COMPANY MANAGEMENT SETS THE FOLLOWING MAIN GOALS FOR 2013

- Achievement of operational, economic and financial results in compliance to the Business Plan submitted to and approved by the Shareholder, thus providing continuous development and sustainability of the business of Hellenic Petroleum in the country; Further increase of market share.
- Taking a decision for restructuring of the business in Bulgaria- resolving the issue with the existence of two companies of Hellenic Petroleum on the local market;
- Implementing the decision for increasing the company reserves by financing from the parent company and refinancing of the intra-group loan amounting to 30 million EUR.
- Further increase of operational efficiency of the PS;
- Further increase of the sales and the market share respectively, including a program for acquiring new objects under franchising agreements.

THE COMPANY'S MANAGEMENT RESPONSIBILITY

In compliance with the Bulgarian legislation it is a duty of the Management of the Company to prepare financial statement for every reported period, which to present truly the financial state, the financial result and the cash flows of the Company in compliance with the International Financial Reporting Standards, as adopted by the European Union (IFRS).

The Management of the Company confirms that the present financial statements drawn in compliance with the IFRS are prepared in line with the company's accounting policies, statutory and legal requirements and the principles of consistency and ongoing activities. All the accruals and provisions are done following the conservative evaluation, fair presentation and consistency.
The Management of the Company confirms that all the requirements of the applicable accounting standards have been observed in the preparation of the financial statements.
The Management of the Company is responsible for the presentation of the results, preserving the ownership and the interests of the Company, as well as for undertaking the necessary measures for avoiding and disclosing possible abuse and other irregularities.
We believe in the success of the Company's activities and use the opportunity to express our loyalty to our shareholders, customers, suppliers and personnel. We expect to achieve future encouraging results.

....
Georgi Deyanov
Executive Director
EKO Bulgaria EAD
20 February 2013
Sofia

EKO BULGARIA EAD
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2012

(All amounts are in BGN thousands)

	Note	As at 31 December 2012	2011
ASSETS			
Non current assets			
Property, plant and equipment	5	120,832	126,839
Intangible assets	6	8,988	9,709
Deferred tax assets	16	5,074	5,423
Investment property	7	4,540	4,749
		139,434	**146,720**
Current assets			
Inventories	9	31,833	21,643
Trade and other receivables	8	24,209	9,269
Cash and cash equivalents	10	7,637	5,753
		63,679	**36,665**
Total assets		**203,113**	**183,385**
EQUITY			
Share capital			
Share capital	11	51,500	51,500
Retained deficit		(57,562)	(50,051)
		(6,062)	**1,449**
LIABILITIES			
Non current liabilities			
Trade and other payables	12	3,084	3,685
Finance lease	14	10,371	11,368
Liabilities under pension plans	13	65	61
		13,520	**15,114**
Short-term liabilities			
Borrowings	15	125,602	125,669
Trade and other payables	12	69,058	40,246
Finance lease	14	995	907
		195,655	**166,822**
Total liabilities		**209,175**	**181,936**
Total equity and liabilities		**203,113**	**183,385**

The Financial Statement has been approved by the Board of Directors on February 20, 2013

Executive Director
Georgi Deyanov

Chief Accountant
Aneliya Aleksieva

ЕКО БЪЛГАРИЯ "ЕАД" СОФИЯ EKO

Certified in compliance with the audit report
Date:

Registered auditor:
Irena Vakova

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

7 March 2013

The accompanying notes from pages 12 to 38 are an integral part of these financial statements

EKO BULGARIA EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2012

(All amounts are in BGN thousands)

	Note	Year ended as at 31 December 2012	2011
Revenue	18.1	696,113	475,167
Cost of sales	18.2	(655,025)	(438,033)
Gross profit		**41,088**	**37,134**
Distribution and sale costs	18.4	(32,469)	(30,153)
Administrative expenses	18.5	(8,482)	(6,814)
Other income, net	18.3	1,275	1,337
Operation profit/(loss)		**1,412**	**1,504**
Interest income	18.6	67	70
Interest expenses	18.6	(8,631)	(8,766)
Income from exchange rates	18.7	92	53
Expenses from exchange rates	18.7	(102)	(183)
Loss before taxes		**(7,162)**	**(7,322)**
Tax expense	19	(349)	1,106
Loss for the period		**(7,511)**	**(6,216)**
Other comprehensive income		-	-
Total comprehensive income		**(7,511)**	**(6,216)**

The Financial Statement has been approved by the Board of Directors on February 20, 2013

Executive Director
Georgi Deyanov

„ЕКО БЪЛГАРИЯ" ЕАД
ЕКО
4
СОФИЯ

Chief Accountant
Aneliya Aleksieva

Certified in compliance with the audit report:
Date:

Registered auditor:
Irena Vakova

7 March 2013

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

The accompanying notes from pages 12 to 38 are an integral part of these financial statements

EKO BULGARIA EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2012

(All amounts are in BGN thousands)

	Note	Share Capital	Retained deficit	Total
Balance as at 1 January 2011	11	51,500	(43,835)	7,665
Loss for the year		-	(6,216)	(6,216)
Balance as at 31 December 2011		**51,500**	**(50,051)**	**1,449**
Balance as at 1 January 2012	11	**51,500**	**(50,051)**	**1,449**
Loss for the year		-	(7,511)	(7,511)
Balance as at 31 December 2012		**51,500**	**(57,562)**	**(6,062)**

The Financial Statement has been approved by the Board of Directors on February 20, 2013

Executive Director
Georgi Deyanov

„ЕКО БЪЛГАРИЯ" ЕАД
ЕКО
4
СОФИЯ

Chief Accountant
Aneliya Aleksieva

Certified in compliance with the audit report:
Date:

Registered auditor:
Irena Vakova

7 March 2013

Petko Dimitrov,
PricewaterhouseCoopers Audit OOD

The accompanying notes from pages 12 to 38 are an integral part of these financial statements

EKO BULGARIA EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2012

(All amounts are in BGN thousands)

	Note.	Year ended as at 31 December 2012	2011
Cash flows from operating activities	20	9,935	7,489
Interest paid		(6,723)	(6,712)
		3,212	**777**
Cash flow from investing activities			
Purchase of PPE and intangible assets		(2,145)	(3,960)
Proceeds from sale of PPE and intangible assets	20	750	144
Interest received	18.6	67	70
Net cash used in investing activities		**(1,328)**	**(3,746)**
Cash flows from financing activities			
Repayments of borrowings		-	-
Proceeds from short-term loans		-	-
Net cash used in financing activities		-	-
Decreased in the cash and cash equivalents		**1,884**	**(2,969)**
At the beginning of the period		**5,753**	**8,722**
At the end of the period	10	7,637	5,753

The Financial Statement has been approved by the Board of Directors on February 20, 2013

Executive Director
Georgi Deyanov

Chief Accountant
Aneliya Aleksieva

ЕКО БЪЛГАРИЯ ЕАД
СОФИЯ

Certified in compliance with the audit report:
Date:

Registered auditor:
Irena Vakova

4 March 2013

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

The accompanying notes from pages 12 to 38 are an integral part of these financial statements

1. General Information

The main scope of activities of EKO Bulgaria EAD includes trading with petrol products and lubricants, both in Bulgaria and abroad, supply of petrol stations and industrial plants with fuels.
EKO BULGARIA EAD is a sole-owner company established by the sole owner Eko-Elda ABEE, Greece on 12 July 2002. The ownership on the shares of the Company was transferred to Hellenic Petroleum Bulgaria (Holdings) Limited as at 31 July 2007. The name of the company was changed to EKO BULGARIA EAD on 29 November 2007. The address of the Company is: 1756 Sofia, Str. "Lachezar stanchev" № 3, bl.A, 9th floor, Adninistrative - Trade Center Litex
These financial statements have been approved for issuing by the Board of Directors of EKO BULGARIA EAD on 20 February 2013.

2. Accounting policy

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

2.1. Basis for Preparation of Annual Financial Statements

The present financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence in the foreseeable future and management have no intentions to limit or close its operations.
As a result of acquisitions during the last years the Company has accumulated additional short term borrowings. All the borrowings are secured by the parent company with corporate guarantees. Interest expense cover is more than four times the gross profit, which is in line with the targets of the Board of Directors. The forecasts and expectations of the Company consider the possible fluctuations in the operating results, which indicate that the Company is able to operate with the current level of financing.
In performing its activity the Company has achieved one of its main operating objectives for the second time – operating profit for the financial year.
According to the analysis, the management has reasonable expectations that the Company has enough resources at its disposal to continue its operating existence in the foreseeable future.
For that reason, the Company continues to apply a going concern principle in preparation of the financial statements.

(a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

2. Accounting policy (continued)

2.1. Basis for Preparation of Annual Financial Statements (continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below.

- IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements;

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 19, 'Employee benefits', was amended in June 2011. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

2. Accounting policy (continued)

2.1. Basis for Preparation of Annual Financial Statements (continued)

(b) New standards and interpretations not yet adopted (continued)

- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

2.2 Foreign Currency Transactions

(a) Functional currency and currency of presentation

The separate elements of the financial statements of the Company are evaluated in the currency of the prevailing economic environment within which the Company performs its activities ("functional currency"). The financial statements are presented in Bulgarian leva, which is the functional currency.

(b) Transactions and balances

The foreign currency transactions are translated into a functional currency applying the official exchange rate effective on the respective day. The gains and losses resulting from foreign currency fluctuations occurring as a result of payments under foreign currency transactions and also from reassessment under a closing exchange rate of the assets and liabilities denominated in foreign currency are recognised in the income statement.

The closing exchange rates of the Bulgarian lev to the basic foreign currencies the Company has operated with are as follows:

	As at 31 December	
	2012	2011
1 USD	1.48360	1.51158
1 EUR	1.95583	1.95583

Currency differences on non-monetary financial assets and liabilities are reported as part of the profit and loss associated with the presentation at fair value.

2.3. Property, Plant and Equipment

Land and buildings include mainly commercial premises – petrol stations and land plots for the construction of petrol stations. The land and the building are stated at acquisition cost decreased by subsequent depreciation of buildings.

The costs of acquisition of tangible fixed assets are not depreciated until the moment the assets are put into operation.

The subsequent costs are added to the balance value of the asset or are calculated as a separate asset only when the Company is expected to receive future economic benefits related to the use of this asset and when their book value could be specified in a trustworthy way. All other maintenance and repair costs are reported in the revenue statement for the period, in which they are incurred.

2. Accounting policy (continued)

2.3. Property, Plant and Equipment (continued)

Land is not depreciated. The depreciation of other property, machines and equipment is calculated under the linear method aiming at the distribution of the difference between the net book value and the residual value of the assets useful life, as follows:

– Buildings, Tanks	14-25 years
– Pipe installations	14 years
– Vehicles	6 -7 years
– Furniture, road pavement,	
– Other tangible fixed assets	5-14 years

The residual value and the useful life of assets are reviewed and, if necessary, respective adjustments are made by the date of the financial report.

2.4 Intangible Assets

(a) Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the identified net assets at the acquisition date. Goodwill on acquisition of business is included in the Statement of Financial Position as an intangible asset. The goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

The whole activity of Eko Bulgaria EAD is treated as independent unit, generating cash flows, to which the positive goodwill of acquisition of the 12 petrol stations from Eko Petroleum is allocated.

(b) Software

The intangible fixed assets are initially recognised at acquisition price. They are amortized for their expected useful life (from 5 to 7 years).

2.5. Impairment of Non-financial Assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher than the net realisable value and value in use. For the value in use to be defined, the assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.6. Investment Property

Investment Property is initially recognised at acquisition price, which include the expenses for the bargain. The initial recognition, investment property is accounted for in accordance with the cost model in compliance with IAS 16. The investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Transfers to, or from, investment property should only be made when there is a change in their use. When a property used by the company is reclassified as an investment property, the company adopts its accounting policy for property, plant and equipment from the date of the change in use.

Transfers to or from investment property are carried out only when there is a change in use. When property used by the company becomes an investment property, the accounting policy for property, plant and equipment is applied from the date of the change in use.

2. Accounting policy (continued)

2.7. Inventory

Inventories are stated at the lower of cost or net realisable value.

Net realisable value is the estimated by the expected sale price at ordinary course of business, decreased by expenses directly related to sale. Inventories are written off using weighted-average cost method.

2.8. Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at depreciation cost (using the effective interest rate method), decreased by possible provision for impairment.

A provision for impairment is recognised in case there is objective evidence that the Company will not be able to collect all amounts due under the initial conditions regarding the respective account.

The impairment amount is the difference between the asset's carrying value and recoverable value. The latter represents the present value of cash flows discounted by the effective interest rate. The amount of the provision for impairment is recognised in Statement of Comprehensive Income.

2.9. Cash and Cash Equivalents

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

2.10 Share capital

Ordinary shares are classified as equity.

2.11. Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at depreciation cost; any difference between the payments due (net of transaction costs) and borrowing value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

The borrowings are classified as short-term liabilities – with up to 12-month repayment period, and long-term liabilities – with a repayment period of over 12 months as at the Statement of Financial Position date.

2.12. Deferred Income Taxes

Deferred income tax is charged under liability method for all temporary differences between the tax base of the assets and liabilities and their carrying amount in the financial statements. When calculating the deferred taxes the tax rates and statutory framework in force at the balance sheet date are used related to the period of expected reversal of temporary tax differences.

A deferred tax asset is recognised only in case there are future taxable profits sufficient in size against which these assets could be utilised.

2. Accounting policy (continued)

2.13. Employee Benefits

Pension obligations

The Company makes contributions for the retirement of its employees to the respective insurance funds based on their salaries, according to local law requirements. The Company has no further liability in respect of those contributions. In addition and in accordance with the Bulgarian labour law the employer is obliged to pay the employees at retirement between two and six gross monthly wages depending on the length of service in the Company (less or more than 10 years) – art. 222 of the Bulgarian Labour Code.

2.14. Provisions

Provisions are recognised only in cases when the Company has current legal or constructive obligation as a result of past events; it is probable that outflows of resources will be required to settle the obligation and the amount of obligation can be reliably estimated. Provisions are considered at every balance sheet date and recalculated with the aim to point the best current assessment. The contingent liabilities are not recognised, but disclosed unless the probability to use cash flows, including economic benefits for the repayment of the obligation is distant in time. Provisions for future losses are not recognised.

2.15. Revenue Recognition

Revenue includes the fair value of the sold goods and services provided net of value added tax and discounts. Revenue is recognised as follows:

(a) Sales of goods retail

Revenue from sales of goods is recognised when the Company sells goods to the customer. The retail sales are paid in cash, by debit and credit cards or by Eko-cards issued by the Company for deferred payment through banks. In order to guarantee the receivables from the customers holding cards the Company concludes contracts for bank guarantees, deposits and insurance in case of deferred payment.

(b) Sales of Services

Revenue from services is recognised during the reporting period, in which they were charged on the basis percentage of completion.

(c) Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired the Company reduces its carrying value to its recoverable value which represents the expected future cash flows discounted on the basis of the initial efficient interest rate. The interest income on impaired receivables is recognised either when the interest is collected or on the basis of the related conditional guarantees.

2. Accounting policy (continued)

2.16. Leases

Leases, in which a significant portion of the risks and rewards is taken over by the Lessor, are classified as operational leasing. Payments under operational leasing (net of discounts) are recognised as a cost in the income statement in equal parts for the period of the lease.

Financial lease, under the power of which the risks and benefits related to ownership of the asset are transferred substantially to the Company, are recognised as an asset and liability at the beginning of the lease at fair value of the asset or the current value of the minimum lease payments if they are of lower value. Lease payments are allocated between the financial cost for the period and the reduction of the unpaid obligation so as to obtain a permanent interest rate of the remaining balance of the obligation for the period. The financial cost is recognised as current expense for the period.

2.17. Dividend Distribution

The distribution of dividend among the Company shareholders is recognised as an obligation for the period when the dividends were approved by shareholders.

3. Financial Risk Management

3.1. Financial Risk Factors

The financial assets and liabilities in the Company Balance sheet include cash, trade and other current receivables and obligations, non-current and current loans and obligations. The main risks related to these financial instruments are currency risk, credit risk, liquidity risk and risk of change of interest rates.

(a) Market Risk

(i) Foreign Exchange Risk

The Company has carried out transactions under which payments are denominated in foreign currency and which are related mainly to its funding as well as its operational activity. The Company did not use financial instruments to hedge this risk.

However, it should be taken into consideration that the Company loans as well as the receivables from customers are denominated in one currency (the BGN/EUR rate is fixed). Therefore it could be considered that the currency risk is limited. The currency risk shall arise when the future trade transactions and the recognised assets and liabilities are denominated in currency different from the functional currency of the enterprise.

(ii) Interest Rate Risk

As far as the Company does not have significant interest-bearing assets, the revenues and the operating cash flows of the Company are not influenced by the changes in the market interest rates.

The interest rate risk for the Company arises from the received long-term loans. The loans with floating interest rates expose the Company to interest rate risk related to changes in the future cash flows. The risk depends on the movements in the financial markets and the Company has not developed methods for its mitigation.

(b) Credit Risk

The Company does not have significant concentration of credit risk. The Company has developed and applies a policy, which guarantees that the sales of goods and services are done only to customers with suitable credit history. In order to guarantee the receivables from customers card holders in the cases of deferred payment the Company concludes contracts for bank guarantees, deposits and insurances.

The management does not expect any losses as a result of any defaults related to the obligations of counterparties.

3. Financial Risk Management (continued)

3.1. Financial Risk Factors (continued)

c) Liquid risk

Prudent liquidity risk management implies maintaining sufficient cash and liquid securities, as well opportunities for additional loan funding and closing market positions. Due to the dynamic nature of the underlying businesses, company aims at achieving flexibility in funding by maintaining availability under committed credit lines.

The table below shows the company's financial liabilities in relevant maturity groups based on the remaining period from the Balance sheet at the maturity date of the contract. The amounts disclosed in the table are the contractual undiscounted cash flows. The liabilities due within 12 months are equal to their carrying balances as the impact of discounting is not significant.

As at 31 December 2012	**Less than a year**	**Between 1 and 2 years**	**Between 2 and 5 years**
Loans	132,258	-	-
Trade and other liabilities	69,344	1,522	1,523
Finance lease incl. interest	2,056	3,996	3,456

As at 31 December 2011	**Less than a year**	**Between 1 and 2 years**	**Between 2 and 5 years**
Loans	132,325	-	-
Trade and other liabilities	40,144	1,522	1,523
Finance lease incl. interest	2,056	4,112	3,705

3.2. Capital risk management

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

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

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

3. Financial Risk Management (continued)

3.2. Capital risk management (continued)

The gearing ratios at 31 December 2011 and 2010 were as follows:

	As at 31 December	
	2012	**2011**
Total borrowings (Note 15)	125,602	125,669
Less with cash and cash equivalents (Note 10)	(7,637)	(5,753)
Net debt	117,965	119,916
Total Share capital	(6,062)	1,449
Total Capital	111,903	121,365
Gearing ratio	**105%**	**99%**

3.3. The Recent Volatility of the Global and the Local Financial Markets

The ongoing global liquidity crisis resulted in, among other things, lower liquidity levels across the banking sector and, at times, higher interbank lending rates and very high volatility in stock markets. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Impact on the Liquidity:

The Company has concluded loan contract with financial institutions to the amount of BGN 125,602 thousand, including the interest due as of 31 December 2012. The management takes all necessary measures to maintain stability and Company business development in the present situation.

Impact on the clients/debtors

The borrowers or the debtors of the Company may be affected by the lower liquidity situation which could in turn influence their ability to repay the amounts owed. Deteriorated operating conditions for the customers may also have an impact on the management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

4. Critical Accounting Estimates and Assumptions

The estimates and judgments are based on experience and other factors including expectations for future events in the existing circumstances. The accuracy of estimates and assessments are reviewed regularly. The Company has made approximate estimates and judgments for the purposes of accounting and disclosure which may differ from the actual results as described below.

(a) The fair value of the financial instruments

The fair value of the financial assets and liabilities is approximately equal to their balance sheet value.

The fair value of the financial liabilities for the purposes of the disclosure is calculated by discounting of the future cash-flows agreed by the short-term market interest rate from similar financial instruments available to the Company.

4. Critical Accounting Estimates and Assumptions (continued)

(b) Impairment of Non-financial Assets

The Company is testing on annual base if there are existing indications, that a certain asset requires and impairment in compliance with the disclosed in note 2.5 accounting policy. Annually the Company is testing the assets for impairment to define their recoverable value. The recoverable value of cash flow generating units (CFGU) is defined on the base of calculated value in use. When defining the value in use, the expected future cash flows are discounted up to the present value using the rate of discounting before taxes, which reflects the current market value of the money in time and the specific risks for the certain asset.
The ability of material and non-material assets to generate significant future economic benefits for recovering their carrying value is uncertain and cannot be estimated reliably. In execution of these estimates of the recoverable value a significant number of estimates and decisions is required including, but not only:

- Estimation of the expected future cash payments, generated by these assets;
- Expectations for the possible variations in amounts and duration of these payments;
- The value of money in time, presented via the rate of discounting – the rate applied in 2012 is 11% (2011: 11%). The discount factor is higher than the weighted average cost of capital in order to take into account the higher risk.

As of December 31, 2012 an impairment testing of assets was performed and resulting impairment is established using 11% discount rate.
The discount factor is higher than the weighted average cost of capital in order to take into account the higher risk.
The assumptions used in the impairment testing of assets are based on the business plan of EKO Bulgaria for the period 2013-2017.

The assumptions are related to the following financial statement line items:
(a) Fuel sales

- For the retail sale of fuels the forecast for the real GDP growth is used as a base (Source BMI, Bulgaria Business Forecast Report).For the new plants for the retail sale, the growth is projected to achieve maturity, after pledging a minimum growth rate equal to that of the existing ones.
- In Wholesale it is based on the existing levels + projected GDP growth

(b)Fuel sales gross margin

- The gross margin is expected to increase because of the agreed lower transport costs and charges versus 2012.

(c) Operating expenses

- Based on the anticipated inflation (Source BMI, Bulgaria Business Forecast Report) with adjustments related to the specific certain costs.

4. Critical Accounting Estimates and Assumptions (continued)

(c) Income tax

A significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the final definitions tax is unspecified in the normal course of business. When the final taxes are not specified in the normal course of business, they will be recorded and will impact the income tax in the period in which that statement has been made.

(d) Useful Life of Tangible Assets

The management of Company determines the expected useful life and depreciation expenses related to the long-term assets. This approximate estimate is based on a projection for the life cycle of the assets. It may be significantly changed as a result of changes in the market environment. The *management will increase the* depreciation and amortization expenses in cases when the useful life is shorter than the one specified in advance or will dispose and impair the technologically old or non-strategic assets, which have been either abandoned or sold/liquidated.

(e) Impairment of receivables

When applying impairments to receivables, the Company management evaluates both the amount and the period of the receivable-related net cash flows that are expected on
the basis of its experience with other receivables that are similar in their nature while taking into consideration the current circumstances surrounding the receivables, being reviewed for impairment.

(f) Provisions

The management of the Company assesses the amount of the provisions for potential liabilities on the bases of its experience with other contingent liabilities that are similar in nature, while considering the current information available about the specific liabilities including information from the Company legal consultants.

(All amounts are in BGN thousands, unless otherwise stated)

5. Property, plant and equipment

	Lands (land spots)	Buildings and constructions	Machines, equipment and computers	Vehicles	Fixtures	Other PPE	Assets under construction	Total
Net book amount at 1 January 2011	**67,915**	**49,822**	**9,352**	**57**	**2,747**	**2,617**	**469**	**132,979**
Additions	1,994	455	767	-	-	167	63	**3,446**
Disposals	-	(27)	(113)	-	(14)	-	-	**(154)**
Accumulated depreciation of disposals	-	3	3	-	6	-	-	**12**
Assets held for sale	(2,514)	-	-	-	-	-	-	**(2,514)**
Depreciation charge	-	(3,073)	(2,503)	(25)	(1,035)	(294)	-	**(6,930)**
Closing net book amount at 31 December 2011	**67,395**	**47,180**	**7,506**	**32**	**1,704**	**2,490**	**532**	**126,839**
Book value	67,395	64,768	24,227	144	8,309	4,698	532	**170,073**
Accumulated depreciation	-	(17,588)	(16,721)	(112)	(6,605)	(2,208)	-	**(43,234)**
Net book amount at 31 December 2011	**67,395**	**47,180**	**7,506**	**32**	**1,704**	**2,490**	**532**	**126,839**
Net book amount at 1 January 2012	**67,395**	**47,180**	**7,506**	**32**	**1,704**	**2,490**	**532**	**126,839**
Additions	-	118	1,422	-	152	18	84	**1,794**
Disposals	(232)	(13)	(405)	(54)	(33)	(2)	-	**(739)**
Accumulated depreciation of disposals	-	-	168	48	1	-	-	**217**
Transfers	-	39	44	-	16	101	(538)	**(338)**
Depreciation charge	-	(3,389)	(2,423)	(14)	(808)	(307)	-	**(6,941)**
Closing net book amount at 31 December 2012	**67,163**	**43,935**	**6,312**	**12**	**1,032**	**2,300**	**78**	**120,832**
Book value	67,163	64,912	25,288	90	8,444	4,815	78	**170,790**
Accumulated depreciation	-	(20,977)	(18,976)	(78)	(7,412)	(2,515)	-	**(49,958)**
Net book amount at 31 December 2012	**67,163**	**43,935**	**6,312**	**12**	**1,032**	**2,300**	**78**	**120,832**

No property, plant and equipment have been used as collateral for obtaining of any loans from financial institutions

(All amounts are in BGN thousands, unless otherwise stated)

5. Property, plant and equipment (continued)

The Company has thirteen petrol stations (along with all assets available there) acquired through financial lease, as follows:

	As at 31 December	
	2012	**2011**
Cost - capitalized finance lease	20,091	20,091
Accumulated depreciation	(4,666)	(3,618)
Net book value	15,425	16,473

6. Intangible fixed assets

	Software	Land - right of use	Goodwill	Total
Net book amount at 1 January 2011	**2,284**	**5,376**	**2,630**	**10,290**
Additions	240	-	-	240
Depreciation charge	(258)	(563)	-	(821)
Closing net book amount at 31 December 2011	**2,266**	**4,813**	**2,630**	**9,709**
Book value	4,105	7,859	2,630	14,594
Accumulated depreciation	(1,839)	(3,046)	-	(4,885)
Net book amount at 31 December 2011	**2,266**	4,813	2,630	9,709
Net book amount at 1 January 2012	**2,266**	**4,813**	**2,630**	**9,709**
Additions	70	-	-	70
Impairment charge	-	-	(220)	(220)
Disposals	(2)	-	-	(2)
Accumulated depreciation of disposals	-	-	-	-
Transfer by groups assets	257	-	-	257
Depreciation charge	(263)	(563)	-	(826)
Net book amount at 31 December 2012	**2,328**	**4,250**	**2,410**	**8,988**
Book value	4,430	7,859	2,410	14,699
Accumulated depreciation	(2,102)	(3,609)	-	(5,711)
Net book amount at 31 December 2012	**2,328**	**4,250**	**2,410**	**8,988**

(All amounts are in BGN thousands, unless otherwise stated)

7. Investment Property

	As at 31 December 2012	As at 31 December 2011
Opening balance as of 1 January	4,749	2,235
Transferred from Properties, Machines and Constructions	-	2,514
Sold during the year	(209)	
	4,540	4,749

The investment property is a land in the town of Sofia, initially represented at the acquisition price. Its fair value approximates the carrying value.

8. Trade and Other Receivables

	As at 31 December	
	2012	2011
Trade receivables – regular	21,143	7,200
Trade receivables – overdue, not impaired	1,329	1,196
Trade receivables – overdue, impaired	1,068	1,025
Impairment of trade receivables	(1,063)	(811)
Prepayments	1,732	659
	24,209	9,269

The ageing analysis of these trade receivables, overdue but not impaired, is as follows:

	As at 31 December	
	2012	2011
Up to 6 months	721	371
More than 6 months	608	825
Overdue Unimpaired Receivables – Total	**1,329**	**1,196**

As at 31 December 2012 trade receivables amounting to BGN 1,068 thousand were impaired. The amount of the provision was BGN 1.063 thousand as at this date (2011: 811). These individually impaired receivables are due by retailers, which are temporarily in a hard economic situation. All receivables are expected to be recovered.

The ageing analysis of these receivables is as follows:

	As at 31 December	
	2012	2011
More than 6 months	1,068	1,025
Overdue Impaired Receivables – Total	**1,068**	**1,025**

The maximum exposition to a credit risk as of the reporting date is the net book value of the receivables described above. The Company has secured the receivables from customers through a financial risk insurance and promissory notes signed by the debtors. The analysis of receivables is presented as follows:

(All amounts are in BGN thousands, unless otherwise stated)

8. Trade and Other Receivables (continued)

Collaterals for trade receivables:

	As at 31 December 2012	
	Receivables	**Collaterals**
Trade receivables insured against financial risk	1,702	1,675
Trade receivables secured by a promissory note	37	37
Trade receivables secured by bank guarantees	15,929	3,196
Trade receivables secured by deposits	203	181
	17,871	**5,089**

The changes in the provisions for impairment of the trade receivables are:

	As at 31 December	
	2012	**2011**
As at 01 January	**(811)**	**(601)**
Accumulated provision for impaired receivables during the period	(284)	(265)
Received amount from customers	32	55
As at 31 December	**(1,063)**	**(811)**

9. Inventories

	As at 31 December	
	2012	**2011**
Fuels	27,432	17,794
Lubricants	228	290
Goods in the shops	4,172	3,558
Other inventories	1	1
	31,833	**21,643**

No inventories have been used as collaterals for obtaining loans from financial institutions.

10. Cash and Cash Equivalents

	As at 31 December	
	2012	**2011**
Cash at bank and cash in hand	7,637	5,603
Blocked cash	-	150
	7,637	**5,753**

The cash and cash equivalents consist of:

	As at 31 December	
	2012	**2011**
Cash at bank and cash in hand	7,637	5,753
Bank overdraft in current account	-	-
	7,637	**5,753**

(All amounts are in BGN thousands, unless otherwise stated)

11. Share capital

	Number of shares (thousand)	Value (BGN thousand)
As at 31 December 2011	5,150	51,500
As at 31 December 2012	**5,150**	**51,500**

The share capital consists of 5,150 thousand ordinary shares with a nominal value of BGN 10 each. The issued share capital has been fully paid.

As at 31 December 2012 the sole shareholder of the Company is:

Shareholder	Share of capital
Hellenic Petroleum Bulgaria (Holdings) Limited	100 %

12. Trade and other payables

	As at 31 December	
	2012	2011
Short-term liabilities		
Trade payables	21,721	19,135
Amounts due to related parties (Note 21)	47,262	21,009
Leaves not taken	75	102
	69,058	**40,246**
Long-term liabilities		
Trade payables	3,084	3,685
Total	**3,084**	**3,685**

Long-term liabilities

The minimum payments under the business combination in 2006 in which 12 petrol stations were acquired are as follows:

	As at 31 December	
	2012	2011
Up to 1 year	761	761
Between 1 and 5 years	3,045	3,045
More than 5 years	381	1,141
	4,187	**4,947**
Deferred financial expenses	(501)	(688)
Net Payments	**3,686**	**4,259**
Incl. short-term part	602	574
long-term part	3,084	3,685
	3,686	**4,259**

(All amounts are in BGN thousands, unless otherwise stated)

12. Trade and other payables (continued)

Present value of the future payments:

	As at 31 December	
	2012	**2011**
Up to 1 year	602	574
Between 1 and 5 years	2,709	2,585
More than 5 years	375	1,100
	3,686	**4,259**

The liabilities include amounts accrued from leaves not taken as follows:

Short-term	**2012**	**2011**
As at 1 January	102	94
Used in the period	(102)	(94)
Accrued during the period	75	102
As at 31 December	**75**	**102**

13. Retirement benefit obligations

The balance sheet liability under retirement benefit plans is envisaged under a plan for defined staff incomes after retirement.

According to requirements of the Labour Code, Art. 222, para. 3, in case of termination of the labour relation after the worker or the employee has been entitled to retirement rights for time served and age reached, regardless of the reason for the termination he/she shall be entitled to compensation from the employer amounting to his/her gross monthly salary for a period of 2 months and if the latter has worked for the same employer in the last 10 years of his/her time served – to a compensation amounting to his/her gross monthly salary for a period of 6 months.

The amounts recognised as expenses in the income statement are as follows:

	As at 31 December	
	2012	**2011**
Interest costs	1	2
Current service costs	5	5
Net actuarial loss recognised in the period	(2)	(2)
Total included in staff costs	**4**	**5**

The movement of the liability recognised under the balance sheet and the current value of the liability are as follows:

	As at 31 December	
	2012	**2011**
At the beginning of the period	61	56
Recognised expense in the income statement	4	5
At the end of the period	**65**	**61**

(All amounts are in BGN thousands, unless otherwise stated)

14. Finance lease

	As at 31 December	
	2012	**2011**
The minimum lease payments are as follows:		
Up to 1 year	2,056	2,056
From 1 to 5 years	7,452	7,817
More than 5 years	7,306	8,999
	16,814	**18,872**
Future financial expenses for finance lease	(5,448)	(6,597)
Present value of the future lease payments	**11,366**	**12,275**
Incl. short-term part	995	907
long-term part	10,371	11,368
	11,366	**12,275**

The present value of the obligation is:	As at 31 December	
	2012	**2011**
Up to 1 year	995	907
From 1 to 5 years	4,268	4,200
More than 5 years	6,103	7,168
	11,366	**12,275**

15. Borrowings

	As at 31 December	
	2012	**2011**
Short-term bank loans	66,498	66,498
Loans from related parties (Note 21)	58,675	58,675
Interest payable	429	496
Total	**125,602**	**125,669**

The following amounts under bank overdraft have not been used as at 31 December:

	2012	**2011**
Up to 1 year	20,031	20,031
The borrowings secured by bank guarantees	4,417	4,417
	24,448	**24,448**

The borrowings up to 1 year are annual commitments which have been reviewed on various dates in 2012.

(All amounts are in BGN thousands, unless otherwise stated)

15. Borrowings (continued)

The fair value of the current loans is equal to their balance sheet values, because the effect of the discounting is insignificant.

The balance sheet values of the loans of the Company are denominated in the following currencies:

	As at 31 December	
	2012	**2011**
Euro	64,219	64,254
BGN	-	-

a) A short-term bank loan agreement from UBB was signed on 25.10.2012. The credit is on the amount of BGN 24,448,000 and is used as bank overdraft on the current account. It is for 1 year term. The interest is payable quarterly A corporate guarantee has been deposited issued by Hellenic Petroleum AD - Greece. The effective interest rate on the loan is GIR+1.5 points

b) A short-term bank loan from Eurobank EFG Private Bank Luxemburg S.A. agreement was signed on 13.06.2006 and renegotiated on 13.06.2012. The loan at the amount of EUR 24,000,000 was fully utilised. The loan has a term of use of 1 year. The interest is payable quarterly. A corporate guarantee has been deposited, issued by Hellenic Petroleum AD - Greece. The effective interest rate on the credit is three-month EURIBOR+ 6.25 %.

c) A short-term bank loan from Alpha Bank was signed on 06.03.2007. The loan amounts to EUR 10,000,000 and has been fully utilised. The loan was renegotiated on 11.05.2012. The loan has a term of use of 1 year. The interest is payable monthly. A corporate guarantee has been deposited, issued by Hellenic Petroleum AD - Greece. The effective interest rate on the credit is twelve-month EURIBOR+ 6.90%.

d) A short-term bank loan from Hellenic Petroleum Finance was renegotiated on 14.04.2012. The limit on the loan is worth EUR 100,000,000. As at 31.12.2012 EUR 30,000,000 have been utilised. The term of use is five years. The effective interest rate on the credit is one-month EURIBOR+ 1.30%.

(All amounts are in BGN thousands, unless otherwise stated)

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities (temporary tax differences) are compensated where there is a legal right of receiving compensation for the current tax assets against the current tax liabilities and where the temporary tax differences refer to the same tax administration. The following amounts are stated in the balance sheet:

	As at 31 December	
	2012	**2011**
Deferred tax assets:		
– Deferred tax assets to be recovered after more 12 months	5,074	5,423
	5,074	**5,423**

The movement in the deferred tax account is as follows:

At the beginning of the period (assets)	5,423	4,317
Charged to the income statement (Note 19)	(349)	1,106
As at the end of the period (assets)	**5,074**	**5,423**

The movement of the deferred taxes in the respective period has been as follows:

	Accelerated Depreciation	Provision art. 222 of the Labour Code	Unpaid leave	Written off Receivable	Week capitalisation	Total
As at 31 January 2011	**2,757**	**6**	**8**	**60**	**1,486**	**4,317**
(Cost) /income in the income statement	464	1	1	21	619	**1,106**
As at 31 December 2011	**3,221**	**7**	**9**	**81**	**2,105**	**5,423**
(Cost) /income in the income statement	10	-	(2)	25	(382)	**(349)**
As at 31 December 2012	**3,231**	**7**	**7**	**106**	**1,723**	**5,074**

(All amounts are in BGN thousands, unless otherwise stated)

17. Financial instruments

17.1. Financial instruments by category

As at 31 December	**2012**	**2011**
Assets as per Statement of Financial Position:		
Trade and other receivables excluding prepayments	22,476	8,610
Cash and cash equivalents	7,637	5,753
Total:	30,113	14,363

As at 31 December	**2012**	**2011**
Liabilities as per Statement of Financial Position:		
Borrowings	125,602	125,669
Trade and other payables excluding statutory liabilities	83,433	56,104
Total:	209,035	181,773

17.2 Credit quality of financial assets

The credit quality of financial assets that are not impaired can be assessed by historical information for levels of default of this type:

	2012	**2011**
Contractors without external credit rating		
Group 1	207	334
Group 2	20,936	6,866
Group 3	1,329	1,196
Total trade receivables:	**22,472**	**8,396**

- Group 1 – existing customers/related parties (less than 6 months).
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past.

Cash at banks and short-term bank deposits have been evaluated as per Fitch Rating Agency as follows:

Banks	**2012**		**2011**	
	Rating	Cash at hand	Rating	Cash at hand
United Bulgarian Bank	B	3,685	BB	2,332
EFG	B	3,635	BB	3,151
Total cash at bank and short-term bank deposits		7,320		5,483

(All amounts are in BGN thousands, unless otherwise stated)

18. Operating revenue and expenses

18.1. Revenue

	2012	2011
Sales of fuels		
- Retail	383,784	330,974
- Wholesale	278,746	112,247
Sales of lubricants	5,310	558
Sales of goods	28,273	31,388
	696,113	**475,167**

18.2. Cost of goods sold

	2012	2011
Cost of fuels sold		
- Retail	350,889	301,144
- Wholesale	276,745	110,910
Cost of lubricants sold	4,931	398
Cost of goods sold	22,460	25,581
	655,025	**438,033**

18.3. Other Operating Income (net)

	2012	2011
Incomes from sales of tangible fixed assets (net)	17	-
Rents and advertisement	438	388
Other income	820	949
	1,275	**1,337**

18.4. Sales and distribution expenses

	2012	2011
Maintenance and repairs	2,459	2,548
Dealer's remuneration	10,596	10,625
Advertisement and marketing	1,676	1,326
Electricity, water, consumable	2,595	2,513
Property taxes and fees	667	772
Depreciation and amortisation	7,486	7,474
Other expenses	6,990	4,895
	32,469	**30,153**

18.5. Administrative expenses

	2012	2011
Salaries and social security	2,425	1,786
Rents	559	549
Consumable and maintenance	273	371
Hired services	1,332	1,171
Depreciation and amortisation	281	277
Impairment of trade receivables	251	210
Impairment of goodwill	220	-
Other	3,141	2,450
	8,482	**6,814**

(All amounts are in BGN thousands, unless otherwise stated)

18. Operating revenue and expenses (continued)
18.6. Interest income / (expense)

	2012	2011
Interest expense	(8,631)	(8,766)
Interest income	67	70
	(8,564)	**(8,696)**

18.7. Foreign exchange income / (expense)

	2012	2011
Income from foreign exchange differences	92	53
Expenses from foreign exchange differences	(102)	(183)
	(10)	**(130)**

19. Tax expense

	2012	2011
Deferred tax effect	(349)	1,106
	(349)	**1,106**

The expenses for taxes are equal to the tax expenses as theoretically calculated by multiplying the profit before tax by the effective tax rate as follows:

	2012	2011
Accounting loss (before tax)	(7,162)	(7,322)
Theoretical tax expense at 10% (2011:10%)	(716)	(732)
Not-recognised expense	78	19
Temporary differences written off	987	-
Previous years tax loss deduction	-	(393)
Tax expense	**349**	**(1,106)**

(All amounts are in BGN thousands, unless otherwise stated)

20. Cash generated from operation activity:

	As at 31 December	
	2012	**2011**
Loss before income tax	(7,162)	(7,322)
Adjustments for:		
Depreciation and amortisation	7,767	7,751
(Profit)/Loss on disposal	(17)	-
Change in the liability provision	4	5
Interest expense, net	8,564	8,696
Exchange rate differences, net	10	130
Tax receivables written off	342	-
Impairment of trade receivables	251	210
Impairment of goodwill	220	-
Changes in the working capital:		
- Inventories	(10,190)	(1,938)
- Trade and other receivables	(14,940)	(2,379)
- Obligations	25,086	2,336
Cash generated from operation activity	9,935	7,489

In the cash flow statement the amount of sale of long-term tangible assets consists of:

	2012	**2011**
Net book amount	733	144
(Profit)/loss of sale of tangible fixed assets	17	-
Proceeds from the sale of tangible fixed assets	**750**	**144**

21. Related - party transactions

Hellenic Petroleum Bulgaria (Holdings) holds 100% of the shares of Eко Bulgaria EAD. Hellenic Petroleum is the sole owner of Hellenic Petroleum Bulgaria (Holdings).

Purchase of goods and services from related parties

	2012	**2011**
– Eко-Elda ABEE – purchase of fuels, lubricants and services	461	343
– Hellenic Petroleum Greece – purchase of fuels, lubricants and services	359,070	195,823
– Hellenic Petroleum Bulgaria Properties – purchase of fuels , lubricants, fixed assets and services	5,202	3,887
– HELPE International Consulting – consultant services	176	352
	364,909	**200,405**

(All amounts are in BGN thousands, unless otherwise stated)

21. Related - party transactions (continued)

Payables to related parties

	As at 31 December	
	2012	**2011**
– Еко-Elda ABEE – trade liabilities for purchase of fuels, lubricants and services	78	124
– Hellenic Petroleum Greece - purchase of fuels, lubricants and services	47,153	20,442
– Hellenic Petroleum Bulgaria Properties – purchase of services	31	443
	47,262	**21,009**

Amounts due to related parties on received loans:

	As at 31 December	
	2012	**2011**
– Hellenic Petroleum Finance - loan	58,675	58,675
	58,675	**58,675**

Sales of goods and services to related parties

	2012	**2011**
– Hellenic Petroleum Bulgaria Properties EAD – sale of assets and services	539	176
	539	**176**

Receivables from related parties

	As at 31 December	
	2012	**2011**
– Hellenic Petroleum Bulgaria Properties EAD – sale of assets and services	975	436
	975	**436**

The Board of Directors of EKO Bulgaria EAD consists of six persons, and their gross salary for 2011 is estimated at BGN 19 thousand (2011: 23 thousand).

(All amounts are in BGN thousands, unless otherwise stated)

22. Contingent assets and liabilities

Taxation

The taxation of the Company is done under the regulations of the Republic of Bulgaria for year 2012.

Tax liabilities of the Company are based on filed tax returns and are considered to be finalised after inspection by the tax authorities or the expiry of five year limitation period, which has started as of the end of the year, in which the tax has become payable.

Tax audits under the Law on Corporate Income Tax, Law on Personal Income Tax have been performed until 31 December 2010, and under the Law on VAT – until the end of February 2011. As of the date of the balance sheet the company is claiming the Audit statement of the National Revenue Agency via representative in the Administrative Court, city of Sofia.

It should be noted that regarding the application of a number of settings of the tax legislation, various interpretations are possible. The national tax legislation is in the process of development and adaptation to the variable business environment, so there is a potential risk the tax administration to impose its vision to increase the amount of taxation of the company, as well as fines.

23. Commitments

Capital investment commitments

The Company has no commitments under signed contracts for construction of fixed assets.

Commitments under operational lease contracts:

As at 31 December 2012 the Company has rented offices and premises under the terms of irrevocable lease agreements.

The value of the future minimum payments on these agreements is as follows

	As of 31 December	
	2012	**2011**
Up to 1 year	481	427
From 1 to 5 years	800	1,166
	1,281	**1,593**

The Company has 10 year rent contracts for the petrol stations in the town of Vratza, Ruse and Targovishte. The part of the contract concerning the land is treated as operating lease

The value of the future minimum payments on these agreements is as follows:

	As of 31 December	
	2012	**2011**
Up to 1 year	351	250
From 1 to 5 years	1,305	1,001
	1,656	**1,251**

(All amounts are in BGN thousands, unless otherwise stated)

23. Commitments (continued)

The advance payment , together with the additional expenses for the contract (CPC, court and notary charges) are presented as deferred expenses and are recognised as current expenses on the linear method for the term of the contract.
On 1 January 2009 the company rents under operating lease 16 petrol stations and 2 depots owned by Hellenic Petroleum Bulgaria Properties EAD, as well wagons for its operational activity. Term of the contract is 5 years.

	As of 31 December	
	2012	**2011**
Up to 1 year	4,939	2,944
From 1 to 5 years	-	2,944
	4,939	**5,888**

Bank guarantees provided to third parties:
As at 31 December 2012 the Company has issued the following bank guarantees:
- to secure the excise liabilities at supply of fuels from Greece:
  In favour of the Customs in Thessaloniki – EUR 1,365 thousand,
  In favour of Customs Agency – BGN 1,685 thousand.
- to secure the rent office Litex Tower - BGN 62 thousand,

The bank guarantees have been secured by the loan limit of BGN 24,448,000.

As at 31 December 2012 the Company is committed for providing fuel up to the amount of BGN 2 thousand to three persons who won a lottery prize for the whole of their remaining life.

24. Post balance sheet events

The Company management stated that no corrective events occurred after the Balance sheet date that could have significant impact and had to be reflected and/or disclosed in the financial statements.

Independent auditor's report

To Shareholders of the Eko Bulgaria EAD

Report on the Financial Statements

We have audited the accompanying financial statements of Eko Bulgaria EAD (the 'Company') which comprise the balance sheet as of 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw attention to the fact that as at 31 December 2012 the Company's registered share capital exceeds its net assets which is not in compliance with art. 252 par.1 clause 5 of the Bulgarian Commercial Act, which requires that in such instance the shareholders take a decision to decrease the registered share capital, restructure or liquidate the Company or other appropriate measures. Otherwise the Company may be liquidated by the court of registration. As of the date of the approval of the accompanying financial statements the shareholder has not taken a decision for restructuring, liquidation or decrease of registered share capital or other appropriate measures.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the Annual Report in accordance with the Accounting Act.

We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 4 to 7, is consistent with the accompanying financial statements of the Company as of 31 December 2012.

Irena Vakova
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

7 March 2013
Sofia, Bulgaria