



EKO-ELDA BULGARIA EAD

FINANCIAL STATEMENTS

31 December 2006

EKO-ELDA BULGARIA EAD
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EKO-ELDA BULGARIA EAD
ANNUAL REPORT
31 DECEMBER 2006

The management of Eko-Elda Bulgaria EAD presents the financial statements of the Company as at and for the year ended 31 December 2006 prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

MAIN ACTIVITIES

EKO-ELDA Bulgaria EAD (The Company) is a company registered in the Republic of Bulgaria in 2002. The main activities include sales of fuels, lubricants, products and services related to them on the territory of Bulgaria.

ASSESSMENT OF THE ACTIVITIES FOR THE REPORTED PERIOD

The year 2006 has been a year of development for the Company, mainly characterized by the management's main objective to grow substantially the business – practically doubling it and at the same time improving its corporate culture and business spirit.

The business environment in 2006 was tough and challenging. Crude oil prices reached record highs. Fuels retail margins steeply decreased compared with 2005, due to intense competition in the Bulgarian market. This margin erosion was the only reason for the lower than budgeted financial performance in terms of EBITDA, EBIT and EBT. Both Company sales and expenses were fully in compliance with the budgeted ones. We achieved to double 2006 fuel sales volumes versus 2005. The Average daily through-put (ATP) per petrol station (PS) reached a level higher by 8.5% for the whole chain (41 PS at year end) compared to 2005.

The management focused the efforts during the year in the following main directions:

1. Network development
 - After signing a long-term lease contract with Eko Petroleum we have 12 new PS contributing to our performance – re-branded and fully operational - at the same time we solved the problem of brand confusion and long lasting legal dispute, as the agreement also provides for the complete withdrawal of the Eko Petroleum brand from the retail fuel market. The Company added to our chain another 8 “White Flag” and 4 built from green field PS during the reported period. The company has 41 working PS as of December 31, 2006.
 - The fuels fleet cards had been fully implemented.
2. Marketing
 - Corporate Responsibility Program under the heading “Call when you get there” had been launched simultaneously with the brand building campaign on television for the first time, both resulted to a five times increase of our “Brand awareness”.
3. Staff
 - Evaluation and ranking of the job positions had been done. The management established a system for setting annual personal goals, performance appraisals and bonuses against measurable targets for the staff.
4. Corporate “Discipline”
 - The company started preparing a manual with written procedures to improve the internal controls. There is a “Chart of Authorities” in place specifying the decision – making levels and responsibilities.
 - A new integrated information system SAP R3 had been successfully implemented in the reported period.
 - A Crisis Management Training procedure had been put in place and tested.

The Management considers that the results achieved during the reported period are very

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31 DECEMBER 2006**

good considering the conditions prevailing in the Bulgarian fuels retail market and in full compliance with the company's long-term objectives and strategy. The management is optimistic regarding the accomplishment of the goals set for 2007 in the elaborated five-year plan.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD END

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

COMPANY FUTURE DEVELOPMENT

The company plans to achieve within next 5 years period:

- By the end of the period to be among the most respected firms, included in the top players in the Bulgarian Automotive market, profitable, recognized by the consumer by the top quality of our products and services.
- To have a network of 100 PS in the market.
- To have approximately 9% share in the market 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/ registered paper - backed shares, with nominal value of BGN 10 /ten/ each, fully subscribed. The sole shareholder of Eko-Elda Bulgaria EAD is Eko-Elda ABEE Greece.

MANAGEMENT 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 physical persons. The Board of Directors manage the company's 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) among its members.

Eko-Elda Bulgaria EAD members of the board of directors are as follows:

John Costopoulos – Chairman
Ioannis Georgios Prodromidis – Deputy Chairman
Ioannis Anthonios Polykandriotis – Managing Director
Spyridon Ioannis Kiartzis - Member
Christos Asterios Tziolas – Member

The annual remuneration of the Board of Directors is announced in the Notes to the Financial Statements.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

EKO-ELDA BULGARIA EAD
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The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a central treasury department (Group Treasury) under policies approved on group level. Group Treasury identifies, evaluates and decides whether to hedge the financial risks in close co-operation with the Company's management. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

THE COMPANY MANAGEMENT SETS THE FOLLOWING MAIN GOALS FOR 2007

- Achievement of economic and financial results in accordance with the interests of the shareholders, providing development of the business of Hellenic Petroleum in the country;
- Timely and cost effective accomplishment of the investment programme of the Company through construction or acquisition of new petrol stations, targeting 50 in total at the end 2007;
- Further increase of operational efficiency;
- Further increase of our market share.

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 (IFRS).

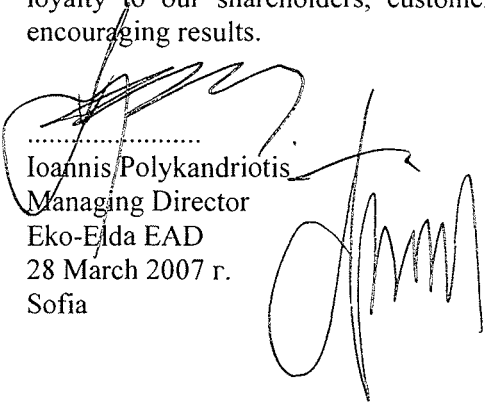
The Management of the Company confirms that the present financial statements done in compliance with the IFRS are prepared in line with the company's accounting policies, statutory and legal requirements and the principles of consistency and ongoing activities. All the accruals and provisions are done 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 property and the interests of the Company, as well as for the disclosures to the financial statements.

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.

.....
Ioannis Polykandriotis
Managing Director
Eko-Elida EAD
28 March 2007 г.
Sofia



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EKO-ELDA BULGARIA EAD
REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Eko-Elda Bulgaria EAD (the "Company") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Eko-Elda Bulgaria EAD as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

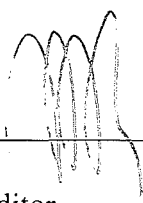
Without qualifying our opinion, we draw attention to the fact that as of December 31, 2006 and 2005 the Company's registered share capital exceeds its net assets which is not in compliance with art. 252 par.1 clause 5 of the Bulgarian Commercial Act, which requires that in such instance the shareholders 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 shareholders have 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.

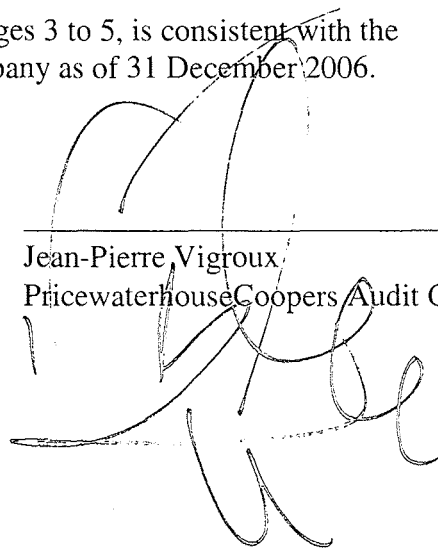
We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 3 to 5, is consistent with the accompanying financial statements of the Company as of 31 December 2006.



Irena Vakova
Registered Auditor

11 April 2007
Sofia



Jean-Pierre Vigroux
PricewaterhouseCoopers Audit OOD

EKO-ELDA BULGARIA EAD
BALANCE SHEET
31 DECEMBER 2006

(all amounts in BGN thousands)

	Notes	As at 31 December	
		2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	5	101,756	71,452
Intangible assets	6	10,797	360
Deferred tax assets	18	868	694
		113,241	75,506
Current assets			
Inventories	9	3,206	2,128
Trade and other receivables	8	2,884	788
Cash and cash equivalents	10	5,223	988
		11,313	3,904
Assets held for sale	7	1,086	-
Total assets		125,640	76,410
EQUITY and LIABILITIES			
Capital and reserves			
Share capital	11	51,500	51,500
Not covered loss		(21,603)	(12,394)
		29,897	39,106
Non-current liabilities			
Borrowings	17	7,823	18,719
Long term obligations to suppliers	12	6,760	-
Finance lease	15	4,748	70
Retirement benefits obligations	14	22	15
		19,353	18,804
Current liabilities			
Borrowings	17	67,216	15,728
Trade and other payables	12	8,838	2,692
Finance lease	15	273	46
Provisions	13	63	34
Total liabilities		76,390	18,500
		95,743	37,304
Total equity and liabilities		125,640	76,410

Financial statements have been authorised for issue on 28.03.2007 by:

Executive Director:
 Joannis Polykadirotis

Chief Accountant:
 Dariya Toncheva

Certified in compliance with the audit report:

Registered Auditor:
 Irena Vakova

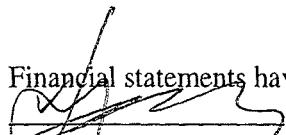
The notes from page 10 to 30 are an integral part of these financial statements.

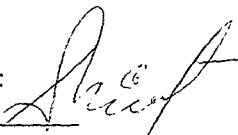
EKO-ELDA BULGARIA EAD
INCOME STATEMENT
31 DECEMBER 2006

(all amounts in BGN thousands)


		For the year ended 31 December	
	Notes	2006	2005
Revenue	19a	71,434	33,589
Funding	19b	(64,463)	(28,674)
Gross profit		6,971	4,915
Sales and distribution expenses	19d	(11,552)	(7,077)
Administrative expenses	19e	(2,988)	(2,203)
Other net income	19c	181	209
Operating profit/(loss)		(7,388)	(4,156)
Interest expense	19f	(2,183)	(855)
Finance income/(expense) from exchange rates	19g	188	(164)
Pre – tax profit		(9,383)	(5,175)
Tax income	20	174	426
Profit/(loss) for the year		(9,209)	(4,749)

Financial statements have been authorised for issue on 28.03.2007 by:


 Executive Director:
 Ioannis Polykadriotis


 Chief Accountant:
 Dariya Toncheva

Certified in compliance with the audit report:

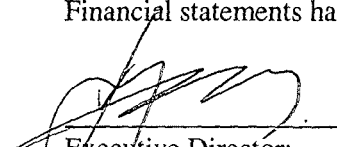

 Registered Auditor:
 Irena Vakova

EKO-ELDA BULGARIA EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2006

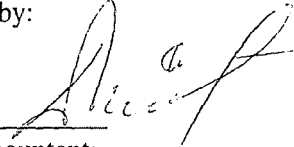
(all amounts in BGN thousands)

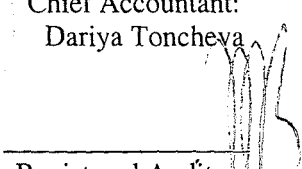
	Note	Share capital	Retained earnings	Total
Balance at 1 January 2005	11	51,500	(7,645)	43,855
Loss for the period		-	(4,749)	(4,749)
Balance at 31 December 2005		51,500	(12,394)	39,106
Balance at 1 January 2006	11	51,500	(12,394)	39,106
Loss for the period		-	(9,209)	(9,209)
Balance at 31 December 2006		51,500	(21,603)	29,897

Financial statements have been authorised for issue on 28.03.2007 by:


 Executive Director:
 Ioannis Polykadriotis

Certified in compliance with the audit report:


 Chief Accountant:
 Dariya Toncheva

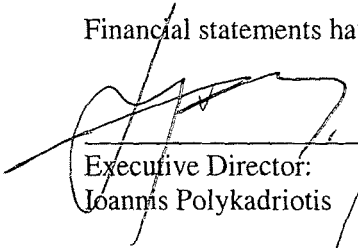

 Registered Auditor:
 Irena Vakova

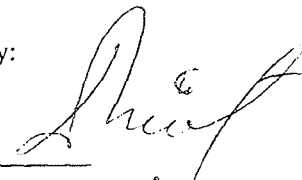
EKO-ELDA BULGARIA EAD
CASH FLOW STATEMENT
31 DECEMBER 2006

(all amounts in BGN thousands)

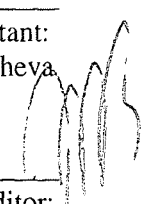
		For the year ended 31 December	
		2006	2005
Cash flows from operating activities			
Cash generated from operations	21	150	(236)
Expenses for interest paid		(1,961)	(935)
Net cash used in operating activity		(1,811)	(1,171)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment (PPE) and intangible assets		(34,529)	(9,287)
Proceeds from sale of PPE and Intangible assets	21	21	387
Interest received	19f	27	24
Net cash used in investing activity		(34,481)	(8,876)
Cash flows from financing activities			
Payments for borrowings		(15,367)	(4,428)
Received amounts from borrowings		46,938	5,748
Net cash generated in financing activity		31,571	1,320
Net decrease in cash, cash equivalents and bank overdrafts		(4,721)	(8,727)
Cash and cash equivalents at the beginning of the year		(6,174)	2,553
Cash and cash equivalents at year end	10	(10,895)	(6,174)

Financial statements have been authorised for issue on 28.03.2007 by:


 Executive Director:
 Ioannis Polykadriotis


 Chief Accountant:
 Dariya Toncheva

Certified in compliance with the audit report:


 Registered Auditor:
 Irena Vakova

EKO-ELDA BULGARIA EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

1. Summary of activity

The main activities of Eco-Elda Bulgaria EAD include retail of fuels, lubricants, products and services related to them on the territory of Bulgaria.

Eco-Elda Bulgaria EAD is a sole-proprietor joint stock company, established by Eko-Elda ABEE, Greece, on 12.07.2002. Hellenic Petroleum Group – Greece is a sole proprietor of Eko-Elda ABEE. The company address is: Sofia 1040, 36, Dragan Tsankov blvd., INTERPRED building, block A, floor 8, office 800A.

2. Accounting Policy

The accounting policy, applied in the preparation of the financial statements is described below. The policy has been applied consistently for all presented years, unless otherwise mentioned.

2.1. Basis for Preparation of Annual Financial Statements

This financial report has been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

The financial report has been prepared under the historical cost principle.

The preparation of the financial statements in compliance with IFRS requires the application of approximate accounting appraisals. The management is required to use their own judgment in the application of the accounting policy. The elements of the financial accounts, whose presentation includes a higher degree of subjective judgment and complexity, as well as the elements for which the suppositions and evaluation have significant influence over the financial reports as a whole, have been announced separately in Annex 4.

Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the Company's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

EKO-ELDA BULGARIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Company's operations:

- IAS 21 (Revised) Net investment of foreign companies
- IAS 39 (Revised) Hedging of cash flows related to forecast transactions
- IAS 39 (Revised) Fair option price
- IAS 39 и IFRS 4 (Revised) Financial guarantees contracts
- IFRS 6 (Revised) Utilization and evaluation of mineral resources
- IFRS 1 (Revised) First application of IFRS and IFRS 6 (Revised) Utilization and evaluation of mineral resources
- IFRSIC 6 Obligations caused by the participation in specific markets – waste related to electric and electronic equipment
- IFRSIC 5 Rights for participation in funds for decommissioning and recovery of environment
- IFRSIC 9 Reviewing the appraisal of derivatives (in force for annual periods starting on or after June 1, 2006)
- IFRSIC 7 Applying the adjustment approach under IAS29, Financial reporting under hyperinflation conditions (in force as of March 1, 2006)

Standards and interpretations of already existing standards, which are not enforced and have not been applied by the Company earlier

The following standards have been applied and are mandatory to be applied for reporting periods started on or after January 1, 2007 or during later period, which the Company has not applied earlier:

IFRS 7 Financial instruments: Announcements and additional corrections to IAS1, Presentation of financial reports – announcement of capital. IFRS 7 introduces new announcements related to financial instruments

The following interpretations of existing standards have been published and are mandatory to be applied for reporting periods starting on or after May 1, 2006, or later periods, which the Company has not applied earlier:

- IFRSIC 8 Range of IFRS 2 (enforced for annual periods starting on or after May 1, 2006). IFRSIC 8 requires reviewing transactions related to emitting capital instruments, when the identifiable counter compensation is lower than the fair value of the emitted capital instrument. In order to establish when they are included in the IFRS 2 scope, the Company will apply IFRSIC 8 as of January 1, 2007, but it is not expected to have any influence over financial reports
- IFRSIC 10, Intermediate financial reports and write-downs (enforced for annual periods starting on or after November 1, 2006). IFRSIC 10 forbids recognized losses due to write-down in an intermediary financial report related to reputation, investment in capital instruments and investments in financial assets, which are accounted for by price of acquisition to be reversed on the next date of balance. The Company will apply IFRSIC 10 as of January 1, 2007, however no influence is expected on financial reports.

EKO-ELDA BULGARIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

2.2. Foreign Currency Transactions

2.2.1. Functional currency and currency of presentation

The individual elements of the Company's financial reports are evaluated in the currency of the basic economic environment, in which the enterprise is carrying out its activity ("functional currency"). The financial reports are presented in Bulgarian lev, which is the functional currency.

2.2.2. Transactions and balances

The foreign currency transactions are transformed in functional currency by applying the official rate for the respective day. Profits and losses from changes in currency rates, occurred as a result of payments of transactions in foreign currencies, as well as from adjustment according to a final currency rate of the assets and liabilities denominated in foreign currency, are recognized in the revenue report.

The official rates of Bulgarian National Bank regarding the Bulgarian lev were as follows:

	As at 31 December	
	2006	2005
1 USD	1.48506	1.65790
1 EUR	1.95583	1.95583

2.3. Property, plant and equipment

The land and buildings article includes mainly commercial premises – petrol stations and landplots for the construction of petrol stations.

The land and the building are shown at the acquisition price reduced by the subsequent depreciation of buildings. The costs of acquisition of tangible fixed assets shall not be depreciated until the moment the assets are put into operation.

The subsequent costs shall be 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 report value could be specified in a trustworthy way. All other maintenance and repair costs shall be reported in the revenue statement for the period, into which they were incurred.

Land is not depreciated. The depreciation of other realties, machines and equipment shall be calculated under the linear method aiming at the distribution of the difference between the balance value and the written-down value of the assets service life, as follows:

– Buildings, Tanks	14-20 years
– Pipe installations	10 years
– Vehicles	6-7 years
– Furniture, fixtures and fittings, Road pavement	
Other tangible fixed assets	5 years

The written-down value and the service life of assets shall be reviewed and, if needed, the respective adjustments shall be made by any date of financial report preparation.

EKO-ELDA BULGARIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

2.4. Intangible Fixed Assets

2.4.1. Goodwill

The goodwill represents the excess of cost of the acquisition of the business activity of Eco Petroleum over the fair value of the identifiable net assets at the acquisition date. Goodwill on acquisition of business is included in intangible assets. The goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of the impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.4.2. Software

The intangible fixed assets shall be initially represented at the acquisition price. They shall be depreciated for their expected service life (from 3 to 4 years).

2.5. Impairment of assets

Assets that have an indefinite useful life as land, are not subject to depreciation but shall be checked for impairment on an annual basis. Assets that are subject to depreciation, shall be checked for existence of impairment, when there are events or any changes in circumstances, which suggest that the carrying value of assets may not be recovered. An impairment loss shall be recognized for the amount by which the carrying value exceeds the recoverable value. The recoverable value shall be the higher value of the asset's fair value less costs to sell and the value in use. In order to specify the value in use, the assets shall be grouped in the least possible distinguishable units, generating cash flows.

2.6. Non-current assets held for sale

The non-current assets held for sale shall be those assets which carrying amount will be recovered principally through a sale transaction, not through continuing use. For this to be the case, the assets must be available for immediate sale in its present condition or within a period of up to 12 months as of the classification date. The non-current assets held for sale shall not be depreciated after they are classified as such.

2.7. Inventory

The inventory shall be stated at the lower of cost or net realizable value. The net realizable value is equal to the expected sale price in the ordinary course of business less directly related selling expenses. The cost shall be determined using the weighted average cost method.

EKO-ELDA BULGARIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

2.8. Trade Receivables

The trade receivables shall be initially recognized according to the fair value, and subsequently measured at amortised cost using the method of the effective interest rate, less provision for impairment. A provision for impairment is established in case there is objective evidence that the Company shall not be able to collect all sums due under the initial conditions regarding the respective account.

The amount of the provision is the difference between the asset's carrying amount and recoverable value. The latter represents the present value of cash flows discounted by the effective interest rate. The impairment amount shall be recognized in the income statement.

2.9. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, cash in bank accounts, other highly liquid investments with up to three-month maturity, as well as bank overdrafts. The overdrafts are shown within borrowing in current liabilities in the balance sheet.

2.10. Share Capital

Ordinary shares are classified as equity.

2.11. Borrowings

The borrowings shall be initially recognized under their fair value, decreased by the transaction costs incurred. Subsequently, borrowings shall be stated at amorised cost; any difference between the proceeds (net of the transaction costs) and the redemption value shall be recognized in the income statement over the period of the borrowings, by using the effective interest rate method.

The borrowings shall be classified as short-term liabilities – with up to 12-month repayment period, and long-term liabilities – with a repayment period of over 12 month as of the balance sheet date.

2.12. Deferred Income Taxes

A deferred income tax is provided in full, using the liability method on temporary differences arising between the tax base of the assets and liabilities and their carrying amount in financial statements. When calculating the deferred taxes, the tax rates (and statutory framework) in force by the balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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2.13. Employees Benefits

2.13.1 Retirement obligations

No formal or informal pension plan is operated by the Company. The Government of Bulgaria through the National Insurance Fund is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The company's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate.

In accordance with the Labour Code the employer is obliged to pay the employees at retirement age an indemnity, which varies between two and six gross monthly wages at the time of the termination of the labour contract depending on the length of service in the Company.

2.14. Provisions

Provisions shall be recognized only in case when the Company has the current legal or constructive obligation as a result of past events; it is probable that out flows of resources will be required to settle the obligation (rather than not appear) ; and the amount has been reliably estimated. The provisions shall be measured at the balance sheet date at the present value of the expenditures expected to be required to settle the obligation. The contingent liabilities shall not be recognized, but announced except in the cases when the probability to have future cash flows, including economic benefits for the repayment of the obligation is distant in time. Provisions for future losses shall not be recognized.

2.15. Revenue Recognition

The revenues shall include the fair value of the goods sold and services provided in the ordinary course of the Company's activity, net of value added tax and discounts. The revenues shall be recognized as follows:

2.15.1. Sales of goods – retail sales

The revenues from sales of goods shall be recognized when the Company sells goods to the customer. The retail sales shall be paid cash, by means of debit and credit cards or with Eco-cards, issued by the Company for deferred payment through banks. In order to guarantee the receivables from the customers holding cards, the Company shall conclude contracts on Bank guarantees, Deposits and Insurance in case of deferred payment.

2.15.2. Sales of Services

The revenues from services rendered shall be recognized during the reporting period, in which they were carried out, on the basis of the degree of performance, specified as a percentage of services rendered so far against all services to be rendered.

2.15.3. Interest income

Interest income is recognized on a time-proportion basis using the effective interest rate method. In case of impaired receivable, the Company shall reduce its carrying value to its recoverable value, being the estimated future cash flow, discounted at the initial efficient interest rate. The interest income on impaired receivable shall be recognized either when the interest is collected or on the basis of the related conditional guarantees.

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2.16. Leases

Leases in which a significant portion of the risks and rewards shall be taken over by the Lessee, shall be classified as operational leasing. Payments under operational leasing (net regarding the Lessee's discounts) shall be recognized as a cost in the income statement in equal parts for the period of the lease.

Leases of property, plant and equipment where substantially all the risks and rewards of ownership are transferred to the Company, shall be recognized as finance lease. Finance lease are shown as an asset and a liability at the commencement of the lease period at the lower of the fair value of the leased asset and the present value of the minimal lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost shall be recognized as a current expense for the period in the income statement.

2.17. Distribution of Dividend

The distribution of dividend among the Company shareholders shall be recognized as an obligation for the period when the dividend was approved by shareholders.

3. Financial Risk Factors

The financial assets and financial liabilities represented in the Company balance include cash, trade and other short-term receivables and obligations, long-term and short-term loans and obligations. The main risks related to these financial instruments include currency risk, credit risk, liquidity risk and risk of change of interest rates.

3.1 Currency risk

The Company shall carry out transactions, under which payments shall be denominated in foreign currency and which are related mainly to its funding, as well as the operational activity. The Company shall 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 Lev/Euro rate is fixed). Therefore, it could be considered that the currency risk shall be limited. The currency risk shall arise when the future trade transactions and the recognized assets and liabilities are denominated in currency different from the functional currency of the enterprise.

3.2 Credit risk

The Company shall have no significant concentration of credit risk. The Company shall have a developed and implemented policy, which guarantees that the sales of goods and services shall be carried out by customers with suitable credit history. In order to guarantee the receivables from Customers - card holders, in the cases of deferred payment, the Company shall conclude contracts for Bank Guarantees, Deposits and Insurances.

3 Financial risk factors (continued)

3.3 Liquidity risk

The careful management of liquidity risk shall presuppose the maintenance of sufficient amount of cash and liquid securities, as well as opportunities for additional funding with credits and closing of market positions. Due to the dynamic nature of business, the goal of the Company's financial department is to reach flexibility in financing by maintaining a sufficient number of the unused authorized credit lines.

3.4 Interest rate risk

Since the Company does not dispose of significant interest-bearing assets, the revenues and the operative cash flows of the Company shall not be influenced by the changes in the market interest rates.

The interest rate risk of the Company shall arise from the long-term loans received. The loans with floating interest rates shall expose the Company to interest rate risk, related to amendments of future cash flows. The risk shall depend on the movements in the finance market and the Company has not developed methods for minimizing it.

4. Critical Accounting Estimates and Judgements

The approximate evaluations and appraisals shall be based on accumulated experience and other factors, including expectations for future events under the existing circumstances. The trustworthiness of the approximate evaluations and appraisals shall be reviewed on a regular basis.

4.1. Significant Accounting Approximate Evaluations and Appraisals

The Company makes estimates and assumptions based on the best knowledge of the management regarding events and activities for the period, factual results might have difference in relation to these estimates.

4.1.1 Fair valuations of financial assets and liabilities

The fair value of the financial assets and liabilities approximates their carrying value. The carrying value of the financial liabilities is determined by discounting the expected cash flows using the short-term market interest rate of similar financial instruments that are available to the Company.

4.1.2 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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5. Property, Plant and Equipment (PPE)

	Land (sites)	Buildings and construction	Machines, equipment and computers	Cars	Fixtures and fittings	Other PPE	PPE in progress	Total
Year ended 31 December 2005	28,689	21,701	7,861	135	1,779	601	4,676	65,442
Additions	-	534	1,135	-	343	152	7,299	9,463
Disposals	(20)	(53)	(355)	-	(18)	-	(150)	(596)
Transferred to current assets	-	(10)	-	-	-	-	(15)	(25)
Capitalised	6,449	1,770	240	-	39	-	(8,497)	1
Depreciation charge	-	(1,181)	(1,113)	(25)	(390)	(124)	-	(2,833)
Closing net book amount At 31 December 2005	35,118	22,761	7,768	110	1,753	629	3,313	71,452
Cost	35,118	24,850	9,835	167	2,401	855	3,313	76,539
Accumulated depreciation	-	(2,089)	(2,067)	(57)	(648)	(226)	-	(5,087)
Net book amount	35,118	22,761	7,768	110	1,753	629	3,313	71,452
Year ended 31 December 2006	35,118	22,761	7,768	110	1,753	629	3,313	71,452
Additions	13,777	13,736	4,056	-	1,885	1,105	1,517	36,076
Disposals	-	-	(22)	-	-	-	(771)	(793)
Transferred to current assets	-	1,569	36	-	2	3	(1,610)	-
Classified as 'held for sale'	(1,086)	-	-	-	-	-	-	(1,086)
Depreciation charge	-	(1,758)	(1,527)	(25)	(562)	(201)	-	(4,073)
Closing net book amount At 31 December 2006	47,809	36,308	10,311	85	3,078	1,536	2,449	101,576
Cost	47,809	40,155	13,905	167	4,288	1,963	2,449	110,736
Accumulated depreciation	-	(3,847)	(3,594)	(82)	(1,210)	(427)	-	(9,160)
Net book amount	47,809	36,308	10,311	85	3,078	1,536	2,449	101,576

The company acquired under a finance lease the assets of three petrol stations, three carwashes and three company cars.

The long-term assets acquired through financial leasing are presented in the balance sheet as follows:

	2006	2005
Cost-capitalized financial lease	7,276	197
Accumulated depreciation	(37)	(17)
Net book value	7,239	180

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

6. Intangible assets

	Software	Land (right to use)	Goodwill	Total
Year ended 31 December 2005				
Opening net book amount	380	-	-	380
Additions	196	-	-	196
Disposals	(108)	-	-	(108)
Amortisation charge	(136)	-	-	(136)
Written-off depreciation	28	-	-	28
Closing net book amount	360	-	-	360
At 31 December 2005				
Cost	523	-	-	523
Accumulated amortisation	(163)	-	-	(163)
Net book amount	360	-	-	360
Year ended 31 December 2006				
Opening net book amount	360	-	-	360
Additions	399	7,859	2,630	10,888
Disposals	(217)	(234)	0	(451)
Amortisation charge	542	7,625	2,630	10,797
At 31 December 2006				
Cost	922	7,859	2,630	11,411
Accumulated amortisation	(380)	(234)	-	(614)
Net book amount	542	7,625	2,630	10,797

7. Non-current assets held for sale

As at 31 December

	2006	2005
Acquired during the year	1,086	-
Carrying amount	1,086	-

Non-current assets held for sale represent land, for which a sale agreement dated 21 August 2006 is signed. The fair value of the asset approximates its carrying amount at year end.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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8. Trade and other receivable	As at 31 December	
	2006	2005
Trade receivable	2,353	157
VAT tax refund	275	522
Prepayments	256	109
	<u>2,884</u>	<u>788</u>

All receivable are current and are due within 1 year from the balance sheet date.

9. Inventory	As at 31 December	
	2006	2005
Fuel	1,780	1,258
Lubricants	88	48
Merchandise in the shops	1,116	625
Other	190	197
Fuel in transit	32	-
	<u>3,206</u>	<u>2,128</u>

The cost of inventories recognised as expense and included in the cost of sales amounted to leva 64 (2005: leva 29).

10. Cash and cash equivalents	As at 31 December	
	2006	2005
Cash at bank and on hand	4,831	930
Blocked cash	392	58
	<u>5,223</u>	<u>988</u>

The blocked cash represents guarantees given in relation to signed contracts.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2006	2005
Cash and cash equivalents	5,223	988
Bank overdrafts	(16,118)	(7,162)
	<u>(10,895)</u>	<u>(6,174)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

11. Share capital

	Number of shares (thousands)	Ordinary shares (thousand leva)
As at 31 December 2005	5,150	51,500
As at 31 December 2006	5,150	51,500

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

As at 31 December 2005 г. и 2006 г. the only shareholder in the Company is the following:

Shareholder	Share of capital
Eko-Elda ABEE, Greece	100 %

12. Trade and Other Payables

	As at 31 December	
	2006	2005
Short-term liabilities		
Trade payables	6,234	1,211
Payables to related parties (Note 22)	2,249	1,297
Other payables	355	184
	8,838	2,692
Long -term liabilities		
Trade payables (Note 16)	6,760	-
Total	15,598	2,692

13. Provisions

	Not used vacation	
	2006	2005
Short-term		
As of 1 January	34	35
Used in the period	(34)	(35)
Accrued during the year	63	34
As of 31 December	63	34

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14. Retirement Benefit Obligations

No formal or informal pension plan is operated by the Company. The Government of Bulgaria through the National Insurance Fund is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The company's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate. In accordance with the Labour Code the employer is obliged to pay the employees at retirement age an indemnity, which varies between two and six gross monthly wages at the time of the termination of the labour contract depending on the length of service in the Company.

The amount recognised in the income statement are as follows:

	As at 31 December	
	2006	2005
Interest Costs	1	1
Current Service Costs	7	5
Net actuarial (gain) / loss recognized in the period	(1)	-
Total included in staff costs	<u>7</u>	<u>6</u>

The carrying amount approximates the fair value of the benefit obligations at year end. The movement of the fair value obligation is as follows:

	2006	2005
At the beginning of the period	15	9
Recognised expense	7	6
End of the year	<u>22</u>	<u>15</u>

15. Finance Lease

	As at 31 December	
	2006	2005
The minimum lease payments are as follows:		
Up to one year	506	55
Between 1 and 5 years	1,828	77
Above 5 years	4,994	-
	<u>7,328</u>	<u>132</u>
Future finance expenses	(2,307)	(16)
Present value of the future lease payments	<u>5,021</u>	<u>116</u>

	2006	2005
The present value of the obligation is:		
Up to one year	273	46
Between 1 and 5 years	1,025	70
Above 5 years	3,723	-
	<u>5,021</u>	<u>116</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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16. Business Combination

In April 2006 the Company signed a long-term agreement with 'Eko-Petroleum' for the acquisition of the trade activity and trade mark of 12 petrol stations. The company classifies the transaction as acquisition of business and therefore, as a business combination.

The land is classified as right to use.

The details for the purchase of the net assets and the goodwill are :

	As at 31 December
	2006
Advance payment	13,912
Deferred payment (note 12)	6,760
Interest for deferred payment	<u>2,153</u>
Purchase consideration	22,825
Direct costs connected to the acquisition	120
Fair value of the acquired assets	(18,162)
Interest for deferred payment	<u>(2,153)</u>
Goodwill (Note 6)	<u>2,630</u>

The long-term assets acquired through the business combinations are as follows:

Land –right to use	7,859
Buildings and constructions	6,852
Machines, equipment and computers	1,746
Furniture and fixtures	667
Other fixed tangible assets	<u>1,038</u>
	<u>18,162</u>

17. Borrowing

	As at 31 December	
	2006	2005
Long-term		
Bank loans	<u>7,823</u>	<u>18,719</u>
Short-term		
Bank overdrafts (Note 17 b)	16,118	7,161
Bank borrowings	46,940	-
Short-term part on non-current bank borrowings	3,911	8,382
Interest capitalised	247	185
	<u>67,216</u>	<u>15,728</u>
Total	<u>74,499</u>	<u>34,447</u>

The maturity of the long-term borrowings is as follows:

	2006	2005
from 1 to 2 years	3,911	8,382
from 2 to 5 years	3,912	10,337
	<u>7,823</u>	<u>18,719</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

17. Borrowing (continued)

The following amounts have not been used as of 31 December:

	2006	2005
Up to 1 year	5,396	14,353
Above 1 year	-	-
	<u>5,396</u>	<u>14,353</u>

The effective interest rates as of the date of the balance sheet are as follows:

	2006	2005
Bank overdrafts	4.37%	3.14%
Non-current bank borrowings	4.39%	3.40%

The carrying amounts and fair value of the non-current borrowings is as follows:

	Book value		Fair value	
	2006	2005	2006	2005
Payable from 1 to 2 years	3,912	6,426	3,912	6,426
Payable from 2 to 5 years	3,912	12,293	3,912	12,293
	<u>7,823</u>	<u>18,719</u>	<u>7,823</u>	<u>18,719</u>

The fair value of the current borrowings equals their carrying amount, as the impact of the discounting is not significant. The fair values are based on the discounted cash flows at a discount rate based on interest borrowing rate of 4.68% (2005: 3%).

The book values for the loans of the company are denominated in the following currencies:

	2006	2005
Euro	38,367	17,612
	<u>38,367</u>	<u>17,612</u>

- a) A long-term bank loan agreement was signed on 08.09.2004. The maximum amount of the loan is Euro 7,000,000. It is an investment loan for the purchase of land and construction of petrol stations. The loan was fully tapped on 09.05.2005. The interest is due and payable on the 15th day of the last month of every six-month period as of 15.03.2005 to 15.09.2009. The discharge of the principal shall be made in seven equal six-month instalments as of September 2006 to September 2009. A special irrevocable order on the loan has been

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deposited as security, opened by a Greek bank in favour of the lending Commercial bnk. The effective interest rate on the loan is a six-month EURIBOR+0.85%.

- b) A short-term bank loan agreement for a credit line was signed on 01.11.2005. The credit line amounts up to Euro 11, 000,000 and is being used as an overdraft on a bank current account. The loan has a 1-year term of use with a possibility for 1 more year extension. The interest is payable quarterly. A corporate guarantee has been deposited as a security on the loan, issued by Hellenic Petroleum AD - Greece. The effective interest rate on the loan is three-months EURIBOR+0.65%.
- c) A short-term bank loan agreement was signed on 21.06.2006. The loan was fully tapped with one 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 credit is three-months EURIBOR+0.6%.
- d) A long-term bank loan was fully re-paid during the reported period. The effective interest rate on the loan was three-months EURIBOR+0.7%. The principal amount paid was Euro 4,571,407.

18. Deferred tax assets and liabilities

The deferred tax assets and liabilities (temporary tax differences) are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority.

The following amounts have been recognized in the balance sheet:

	As at 31 December	
	2006	2005
Deferred tax assets:		
– Deferred tax assets recoverable after 12 months	865	693
– Deferred tax assets recovered within 12 months	3	1
	868	694

The movements in the deferred tax asset are as follows:

At the beginning of the year	694	268
Charged to the income statement (Note 20)	174	426
At the end of the year	868	694

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The movement in the deferred tax assets in the course of the period is as follows:

	Excess of accounting depreciation	Employees benefits	Unused vacation	Total
As of 1 January 2005	266	1	1	268
Cost /(income) in the Income statement	425	1	-	426
As of 31 December 2005	691	2	1	694
Cost /(income) in the Income statement	172	-	2	174
As of 31 December 2006	863	2	3	868

19. Operating revenues and expenses

19.a. Revenues	2006	2005
Sales of fuels	64,746	29,989
Sales of lubricants	105	69
Sales of goods	6,583	3,531
	71,434	33,589

19.b. Cost of Goods Sold (COGS)	2006	2005
Cost of Fuels sold	59,540	26,012
Cost of Lubricants sold	59	39
Cost of Shop -goods sold	4,864	2,623
	64,463	28,674

19.c. Other operating income	2006	2005
Income from the sale of long term assets (net)	1	(25)
Surpluses from inventory checks	-	59
Penalties and fines to suppliers	22	15
Rent of free spaces	108	23
Other Income	50	137
	181	209

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

19. Operating revenues and expenses (continued)			
19.d.	Sales and distribution expenses	2006	2005
	Salaries and social security	-	18
	Maintenance and repairs	688	362
	Dealers' remuneration	2,945	1,834
	Advertising and promotions	1,349	676
	Electricity, water, consumable	1,054	438
	Property taxes and fees	538	295
	Depreciation	4,300	2,786
	Other	678	668
		11,552	7,077
19.e.	Administrative expenses	2006	2005
	Salaries and social security	1,218	713
	Rents	233	249
	Maintenance and consumable	211	115
	Third party services	818	152
	Depreciation and amortisation	227	184
	Other	281	790
		2,988	2,203
19.f	Interest income/ (expense)	2006	2005
	Interest expense	(2,210)	(879)
	Interest income	27	24
		(2183)	(855)
19.g.	Foreign exchange income / (expense)	2006	2005
	Foreign exchange income	285	31
	Foreign exchange expense	(97)	(195)
		188	(164)

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20. Tax expense

	2006	2005
Deferred tax	174	426
	<u>174</u>	<u>426</u>
The income tax is equal to the theoretical amount that would arise using the applicable tax rate as follows:		
	2006	2005
Accounting loss	(9,383)	(5,175)
Theoretical expense for taxes 15% (2005:15%)	(1,407)	(776)
Not-recognised expense	6	19
Not recognized deferred tax asset of the tax loss	793	331
Effect from change in the tax rates	434	-
Tax expense	<u>(174)</u>	<u>(426)</u>

The tax losses of the Company that could be reduced from future profits in the next years are as follows:

Year of the tax loss	Tax loss balance for utilization in future tax periods
2002	298
2003	1,986
2004	3,524
2005	2,402
2006	5,287

21 Cash generated from operations

	As at 31 December	
	2006	2005
Loss for the period, before taxes	(9,383)	(5,175)
Adjustments for:		
Depreciation and amortisation (Note 5,6)	4,526	2,970
Profit/ (loss) on disposal of PPE (see below)	1	(25)
Change in retirement benefit provision (Note 13,14)	36	5
Interest expense – net (Note 19 f)	2,183	855
Exchange rate differences – net	(188)	164
Changes in working capital:		
- inventories	(1,078)	(168)
- trade and other receivables	(2,096)	1,332
- trade payables	6,149	(194)
Cash generated from operations	<u>150</u>	<u>(236)</u>

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21 Cash generated from operations (continued)

In the cash flow statement, proceeds from sale of PPE comprise:

	2006	2005
Net book amount (Note 5)	20	412
Profit/(loss) on disposal of PPE (note 19c)	1	(25)
Proceeds from disposal of PPE	<u>21</u>	<u>387</u>

22. Related – party transactions

EKO-ELDA ABEE

EKO-ELDA ABEE holds 100 per cent from the Eko-Elda Bulgaria EAD's shares. The ultimate parent and the owner of EKO-ELDA ABEE is Hellenik Petroleum. 'Elpe International Consulting' is subsidiary of Hellenic Petroleum Group.

Sale of goods and services by Eko-Elda Bulgaria to affiliated companies

	2006	2005
– Eko-Elda ABEE -sale of fiscal system	-	354
	<u>-</u>	<u>354</u>

Purchase of goods and services from affiliated parties

	2006	2005
Purchase of goods:		
– Eko-Elda ABEE -purchase of fuels and lubricants	21,054	11,605
“Elpe International Consulting – consultant’s services”	343	-
	<u>21,397</u>	<u>11,605</u>

Payables to related parties

	2006	2005
– “Eko-Елда ABEE” – trade payables for purchase of fuels and lubricants	2,177	1,297
“Elpe International Consulting” – consultant’s services	72	-
	<u>2,249</u>	<u>1,297</u>

Management remunerations

Eko-Elda Bulgaria EAD Board of directors (BoD) consist of five persons, who are related parties to the company. The gross remuneration of the BoD incl. the salary of the Executive Director for 2006 is leva 358 thousand (2005 -277 thousand).

EKO-ELDA BULGARIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2006

23. Contingencies

The tax liabilities of the Company are grounded on tax returns and are considered completed after the audit of the respective tax authorities or after expiry of the five-year term of limitation, which begins on the date of the tax return submission. Tax audits for Corporate Income and Personal Income Tax are performed till the end of 2005 and the check for VAT – till 05/2006 and still are not finalised as of December 31, 2006. Therefore, any additional tax liabilities that might be imposed can not be calculated. The management of the Company is not familiar with any circumstances that might lead to significant liabilities in this regard.

24. Commitments

Capital investments commitments

As of 31.12.2006 year the Company has commitments, under signed construction agreements amounting to leva 500 thousand , and for re-branding of the acquired petrol stations- up to leva 1,000 thousand (for 2005: leva 1,460 thousand)

Commitments on operational lease:

As of 31 December 2006 the Company has been committed to several operational leasing agreements with monthly payments, such as the rent of the office (monthly instalment - Euro 8,666).

Total value of the future payments on operational leasing is as follows:

	2005	2004
up to 1 year	142	287
between 1 and 5 years	568	129
	710	416