

**2. Accounting policy (continued)**

**2.1 General financial reporting framework (continued)**

***Standards and Interpretations effective in the current period***

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IFRS 7 “Financial Instruments: Disclosures” - Transfers of Financial Assets, adopted by the EU on November 22, 2011 (effective for annual periods beginning on or after July 1, 2011).

The adoption of these amendments to the existing standards has not led to any changes in the Company’s accounting policies.

**Changes in IFRS**

***Standards and Interpretations issued by IASB and adopted by the EU but not yet effective***

At the date of authorisation of these consolidated financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 11 “Joint Arrangements”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 13 “Fair Value Measurement”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 1 “Presentation of financial statements” - Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 12 “Income Taxes” - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 19 “Employee Benefits” - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 32 “Financial instruments: presentation” - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014);

**2. Accounting policy (continued)**

**2.1 General financial reporting framework (continued)**

**Changes in IFRS (continued)**

*Standards and Interpretations issued by IASB and adopted by the EU but not yet effective(continued)*

- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial application.

*Standards and Interpretations issued by IASB but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of publication of financial statements:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2015);
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Government Loans (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Effective Date and Transition Disclosures;
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” - Transition Guidance (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” - Investment Entities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to various standards “Improvements to IFRSs (2012)” resulting from the annual improvement project of IFRS published on May 17, 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the consolidated financial statements, if applied as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**3. Critical accounting estimates and main sources of uncertainty at making accounting assumptions**

**3.1. Revenue and expenses under construction contracts**

The Group classifies as construction contract each contract in which it is specifically agreed that the construction of an asset or a number of assets, which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contract revenue is measured at the fair value of the consideration received or receivable. Contract costs include all direct costs, attributable to the contract. Costs that are not attributable to the contract such as administrative expenses and selling costs are recognized during the reporting period regardless of the stage of completion of the contract.

When the result of a construction contract can be reliably measured, contract revenue and expenses are recognized by reference to the stage of completion of the contract as of the date of the statement of financial position, calculated as a ratio between the up-to-date contract expenses and the expected total amount of expenses under the contract. Expected loss under the construction contract is recognized as expense in the statement of comprehensive income.

Changes in construction works, payment of claims and incentives are recognized to the amount to which it is probable that they will lead to income realization and they can be reliably measured.

When the outcome of a construction cost cannot be reliably measured, contract revenue is recognized to the extent of contract costs incurred, if it is probable that they will be recovered by the customer.

**3.2. Impairment of non financial assets**

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, whereas the recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between informed, knowledgeable, willing parties, less the costs of disposal. Value in use is based on the discounted cash flow model. The cash flows are determined on the budget estimates for the next five years. Recoverable amount depends on the discount factor used in the discounted cash flow model and on the expected future cash flows, as well as on the growth assumption.

**3.3. Impairment of financial assets**

Impairment of financial assets is determined based on the expected future cash flows discounted at the initial effective interest rate. When determining the expected future cash flows, the Group analyzes the financial capabilities of its debtors and the expected period for receiving the cash flows.

**3.4. Useful life of property, plant and equipment and intangible assets**

Another key sources of estimation uncertainty include estimation of useful lives of property, plant and equipment and intangible assets. During the third quarter 2013 there are no circumstances that may trigger a change in the estimated useful lives of these assets.

**3. Critical accounting estimates and main sources of uncertainty at making accounting assumptions (continued)**

**3.5. Economic environment**

In the third quarter of 2013 and during 2012 year as a result of the global financial crisis, a decrease in the economic development of the Bulgarian economy is perceived which affects a wide range of industrial sectors. This leads to noticeable aggravation of cash flows; decline in income and as a result to substantial worsening of the economic environment in which the Group operates. In addition the entity is exposed to significantly higher price, market, credit, liquidity, interest, operating and other risks. As a result, uncertainty for the ability of clients to settle their liabilities in accordance with contracted terms increases.

Therefore, the amount of impairment losses on loans granted, receivables from clients, and the value of other accounting estimates in subsequent periods could substantially differ from those determined and recorded in this separate financial statements. The management of the Group applies all necessary procedures to control these risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**4. Property, plant and equipment**

	Land	Buildings	Machinery and equipment	Vehicles	Other	Assets under construction	Total
<i>Cost</i>							
JANUARY 1, 2012	6,289	27,501	11,271	10,255	3,726	6,529	65,571
Additions	-	2,268	290	51	128	-	2,737
Transfers	-	-	1	-	-	(1)	-
Disposals	-	(583)	(260)	(375)	(212)	(21)	(1,451)
Derecognized on disposal of subsidiaries	(131)	(1,718)	(4,555)	(345)	(550)	(11)	(7,310)
DECEMBER 31, 2012	6,158	27,468	6,747	9,586	3,092	6,496	59,547
Additions	-	-	1,064	3	37	27	1,131
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(191)	(1,608)	-	(1)	(1,800)
SEPTEMBER 30, 2013	6,158	27,468	7,620	7,981	3,129	6,522	58,878
<i>Accumulated depreciation</i>							
JANUARY 1, 2012	-	2,745	5,705	3,874	2,030	168	14,522
Depreciation charge	-	545	690	748	314	-	2,297
Impairment	-	26	516	26	45	-	613
Disposals	-	(177)	(231)	(280)	(135)	-	(823)
Derecognized on disposal of subsidiaries	-	-	-	-	(11)	-	(11)
DECEMBER 31, 2012	-	3,040	4,265	4,249	2,025	168	13,747
Depreciation charge	-	411	523	487	219	-	1,640
Disposals	-	-	(131)	(409)	(1)	-	(541)
SEPTEMBER 30, 2013	-	3,451	4,657	4,327	2,243	168	14,846
<i>Net book value</i>							
DECEMBER 31, 2012	6,158	24,428	2,482	5,337	1,067	6,328	45,800
SEPTEMBER 30, 2013	6,158	24,017	2,963	3,654	886	6,354	44,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**5.1. Intangible assets**

	<u>Title of property</u>	<u>Software</u>	<u>Total</u>
<i>Cost</i>			
	1,491	308	1,799
JANUARY 1, 2012	-	13	13
Disposals	-	(25)	(25)
Derecognized on disposal of subsidiaries	-	(9)	(9)
DECEMBER 31, 2012	1,491	287	1,778
Additions	-	-	-
SEPTEMBER 30, 2013	1,491	287	1,778
<i>Accumulated amortization</i>			
JANUARY 1, 2012	835	233	1,068
Charged for the period	64	27	91
Disposals	-	(25)	(25)
Derecognized on disposal of subsidiaries	-	(3)	(3)
DECEMBER 31, 2012	899	232	1,131
Charged for the period	48	16	64
SEPTEMBER 30, 2013	947	248	1,195
<i>Net book value</i>			
DECEMBER 31, 2012	592	55	647
SEPTEMBER 30, 2013	544	39	583

**5.2. Exploration and evaluation assets**

Exploration and evaluation assets represent capitalized expenditures on energy project Lom Lignites. The project is related to obtaining concession for lignite production from Lom Lignite field.

The project Lom Lignites started in October 2007 with a contract for prospecting and exploration between Enemona AD and Ministry of economy and energy. As of September 30, 2013 and December 31, 2012 exploration and evaluation assets amount to BGN 1,674 thousand and BGN 1,639 thousand, respectively. As of these dates the Group has not charged amortization of the assets as the technical feasibility and commercial viability of the project are not demonstrable.

As of September 30, 2013 and December 31, 2012 the Group estimated that there are no indications for impairment of the exploration and evaluation assets and no impairment has been charged.

**6. Investments in associates**

As of September 30, 2013 and December 31, 2012 the Group has an investment in associate Alfa Enemona OOD which is valued at BGN 4 thousand, whereas the share in the investment's equity is 40%.

In these consolidated financial statements the investments in associated companies are presented using the equity method, considering the share of profit and loss of the associated companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**7. Current and non-current loans and receivables**

Current and non-current loans and receivables as of September 30,2013 and December 31, 2012 are as follows:

<i>Non-current loans and receivables</i>	As of 30.09.2013	As of 31.12.2012
Receivables on ESCO contracts of the Group	21,003	26,067
Receivables related to securitization with counterparties outside the Group	1,604	1,898
Cession receivables	3,195	4,695
Loans granted to non related parties	1,032	1,086
Loans granted to employees	10	10
Other assets	(1,246)	(1,602)
<b>TOTALNON-CURRENT LOANS AND RECEIVABLES</b>	<b>25,598</b>	<b>32,154</b>
Impairment of loans granted to employees	(597)	(597)
<b>TOTALNON-CURRENT LOANS AND RECEIVABLES, NET</b>	<b>25,001</b>	<b>31,557</b>
 <i>Current loans and receivables</i>	 As of	 As of
	30.09.2013	31.12.2012
Receivables on ESCO contracts of the Group	8,434	7,525
Receivables related to securitization with counterparties outside the Group	1,840	1,309
Cession receivables	3,103	1,303
Loans granted to non related parties	14,852	15,179
<b>TOTALCURRENT LOANS AND RECEIVABLES</b>	<b>28,229</b>	<b>25,316</b>
Impairment of loans granted to non related parties (note 27.1)	(3,782)	(3,782)
<b>TOTALCURRENT LOANS AND RECEIVABLES, NET</b>	<b>24,447</b>	<b>21,534</b>

Receivables on ESCO contracts of the Group represent receivables on contracts for engineering performance with guaranteed result (ESCO contracts), under which the engineering activities are performed by the Group and deferred payment has been negotiated.

Receivables related to securitization represent receivables, acquired under cession contracts with companies not in the Group.

As of 30 September 2013 cession receivables comprise present value of the transferred receivable to local company.

Loans granted to related parties, non related parties and employees are not secured and have interest rate of 6% to 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**7. Current and non-current loans and receivables (continued)**

The movement of the impairment allowance is presented below:

	As of 30.09.2013	As of 31.12.2012
Balance at the beginning of the year	4,379	5,926
Reversed impairment of non-current loans and receivables	-	(1,171)
Reversed impairment of current loans and receivables	-	(376)
Balance at the end of the year	<u>4,379</u>	<u>4,379</u>

**8. Inventories**

	As of 30.09.2013	As of 31.12.2012
Materials	9,524	7,120
Finished goods	656	-
Goods	3	11
Work in progress	802	559
TOTAL	<u>10,985</u>	<u>7,690</u>

**9. Trade and other receivables**

	As of 30.09.2013	As of 31.12.2012
Receivables from customers	36,674	25,159
Advances to suppliers	11,685	14,241
Retentions	6,077	9,148
Advances to employees	275	166
Receivables from related parties	-	1
Other receivables	3,129	4,120
TOTAL TRADE AND OTHER RECEIVABLES	<u>57,840</u>	<u>52,835</u>
Impairment of receivables from customers	<u>(5,813)</u>	<u>(5,936)</u>
TOTAL TRADE AND OTHER RECEIVABLES, NET	<u>52,027</u>	<u>46,899</u>

The movement of the allowance for impairment of uncollectable receivables is presented below:

	As of 30.09.2013	As of 31.12.2012
Balance at the beginning of the year	5,936	5,941
Recognized loss from impairment of receivables	-	(5)
Reversal of impairment	(123)	
Balance at the end of the year	<u>5,813</u>	<u>5,936</u>

When determining the recoverability of the receivables the Management of the Group considers the changes in the credit risk of the trade and other receivables as of the date of origination until the end of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**10. Cash**

	As of 30.09.2013	As of 31.12.2012
Cash at banks	962	4,063
Restricted cash at bank	835	395
Cash in hand	121	495
<b>TOTAL CASH IN HAND AND AT BANKS</b>	<b>1,918</b>	<b>4,953</b>

As of September 30, 2013 and December 31, 2012 restricted cash represents cash in bank account restricted as a collateral under issued guarantees .

For the consolidated cash flow statement purposes restricted cash is not included in cash.

**11. Issued share capital and reserves**

Issued share capital includes:

	As of 30.09.2013	As of 31.12.2012
Ordinary shares – note 11.1	11,934	11,934
Preferred shares – note 11.2	1,103	1,103
<b>TOTAL SHARE CAPITAL</b>	<b>13,037</b>	<b>13,037</b>
Premiums from share issuance – note 11.3	8,739	8,739
<b>TOTAL ISSUED SHARE CAPITAL</b>	<b>21,776</b>	<b>21,776</b>

**11.1. Ordinary shares**

	As of 30.09.2013	As of 31.12.2012
Number of shares	11,933,600	11,933,600
Nominal value per share in BGN	1	1
<b>SHARE CAPITAL – ORDINARY SHARES</b>	<b>11,934</b>	<b>11,934</b>

The share capital of ordinary shares is fully paid in as of September 30,2013 and December 31, 2012 . Group's share capital includes in-kind contribution in the form of titles of property over three combined trademarks, with fair value to the amount of BGN 1,400 thousand obtained through independent appraiser's report. Titles of property are presented as intangible assets (see note 5 above).

Enemona AD is registered as a public company and its shares are traded on the Bulgarian Stock Exchange.

**11.2. Preferred shares**

On April 2, 2010 the Financial Supervision Commission registered for trading on a regulated market the issuance of the Parent-company's preferred shares. The issue is realized in the amount of BGN 1,103 thousand, divided into 1,102,901 preferred shares without voting rights with a guaranteed dividend, guaranteed liquidation share portion, convertible into ordinary shares in March 2017 with a nominal value of BGN 1 each. The preferred shares carry out a guaranteed cumulative dividend of BGN 0.992 per share over the next 7 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**11. Issued share capital and reserves (continued)****11.2. Preferred shares (continued)**

Upon initial recognition the Parent-company has accounted for the issued preference shares as compound financial instrument and has distanced a financial liability in respect to the obligation for dividends' payment, and the residual value is recorded as an increase in equity. The total value of funds received is distributed as follows:

	Upon initial recognition	As of 31.12.2012	As of 30.09.2013
Preferred shares – par value	1,103	1,103	1,103
Premiums from share issuance	5,425	5,425	5,425
Financial liability on preferred shares	4,412	3,223	2,770
Dividend payables on preferred shares	-	2,067	2,986
<b>TOTAL CASH RECEIVED</b>	<b>10,940</b>	<b>11,818</b>	<b>12,284</b>

**11.3. Premiums from share issuance**

	As of 30.09.2013	As of 31.12.2012
Balance as of January 1	8,739	36,262
Premiums from preferred shares issuance	-	(27,523)
Balance as of March 31	<b>8,739</b>	<b>8,739</b>

**11.4. Reserves**

Group's reserves represent legal reserves and are formed based on decision of the shareholders. Legal reserves could be used to cover accumulated losses or for capital increase.

**12. Loans**

Loans received by the Group as of September 30, 2013 and December 31, 2012 are as follows:

	As of 30.09.2013	As of 31.12.2012
Borrowings from financial institutions	103,801	106,414
Borrowings from not related parties	3,084	1,805
<b>TOTAL</b>	<b>106,885</b>	<b>108,219</b>

**12.1 Maturity of the loans**

The loans received by the Group according to their contracted repayment term are as follows

	As of 30.09.2013	As of 31.12.2012
Up to one year	98,476	102,054
Over 1 year	8,409	6,165
<b>TOTAL LOANS</b>	<b>106,885</b>	<b>108,219</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans (continued)****12.2 Borrowings from financial institutions**

Borrowings from financial institutions, received by the Group as of September 30, 2013 and December 31, 2012 are as follows:

		As of 30.09.2013	As of 31.12.2012
Credit lines – SG Expressbank	(a)	17,674	17,416
Investment loans – DSK Bank	(b)	11,462	11,833
Credit lines – UniCreditBulbank	(c)	21,069	22,332
Investment loans – UniCreditBulbank	(d)	4,252	5,244
Overdraft – UniCreditBulbank	(e)	1,955	1,953
OverdraftUBB	(f)	-	679
Credit line – ING Bank	(g)	8,999	10,133
Credit line – MKBUnion Bank	(h)	3,700	3,607
Overdraft - Investbank	(i)	5,640	850
Investment loans – European Bank for Reconstruction and Development (EBRD)	(j)	18,435	23,187
Credit line – Eurobank EFG	(k)	2,364	2,364
Credit line – International Asset Bank	(l)	4,883	6,815
Credit line – Alpha bank	(m)	2,216	-
Corporate Credit card – ING Bank	(n)	-	-
Corporate Credit card – UniCredit Bulbank	(o)	1	1
Non-bank financial institution		<u>1,151</u>	-
<b>TOTAL LOANS FROM FINANCIAL INSTITUTIONS</b>		<u>103,374</u>	<u>106,414</u>

The main parameters of borrowings from financial institutions are as follows:

(a) In May 2010 a revolving credit line from Societe Generale Expressbank has granted at the amount of EUR 15,325 thousand for the purpose of financing of a project for wiring and installation of control-measurement instrumentation and automation in the third and fourth blocks of NPP - Mochovce, Slovak Republic. The loan is secured with a pledge on receivables from contract for execution, pledge of materials and equipment. As of September 30, 2013 funds utilized amount to BGN 13,513 thousand.

In July 2011 the Group has signed a contract for financing of construction and assembly activities, at total limited of EUR 5,000 thousand. As of September 30, 2013 BGN 4,161 thousand have been utilized.

(b) The loan from DSK Bank is granted for the purpose of financing of Group's energy efficiency projects. The limit of the loan is EUR7,750 thousand and as of September 30, 2013 the Group has utilized BGN 11,462 thousand. In order to secure the loan from DSK Bank Enemona AD has issued promissory note, pledge of future receivables from customer on financed projects, financial risk insurance. The loan contract matures in 2014.

(c) As of September 30, 2013 the Group has utilized BGN 17,516 thousand under two credit lines agreed with Unicredit Bulbank. The limit under the credit lines totals at EUR 9,500 thousand. The Group has pledged as a collateral mortgage on land and buildings and present and future receivables from a customer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans (continued)****12.2 Borrowings from financial institutions (continued)**

(c) The Group has received the following combined type credit lines from UniCreditBulbank AD to finance specific contracts, secured by present and future receivables from contracting parties under those contracts. The main parameters of the credit lines are as follows:

- Total amount of EUR 297 thousand of which EUR 250 thousand - for working capital. The amount utilised as of September 30, 2013 is BGN 240 thousand
- Total amount of EUR 600 thousand, of which EUR 500 thousand - for working capital. The amount utilised as of September 30, 2013 is BGN 731 thousand.
- Total amount of BGN 2,910 thousand Levs, of which BGN 2,500 thousand – for working capital. The amount utilised as of September 30, 2013 is BGN 1,886 thousand
- Total amount of BGN 2,100 thousand, of which BGN 2,000 thousand – for working capital. The amount utilised as of September 30, 2013 is BGN 696 thousand.

(d) The Investment loan from Unicredit Bulbank is granted for the purpose of financing the construction and operation of virtual gas line and matures in October 2016, and as of September 30, 2013 amounts to BGN 1,995 thousand. In order to secure the loan the Group has established a mortgage of land and natural gas compensation and decompensation stations built on it, pledge of equipment, and pledge of present and future receivables on the project, pledge of cash. An investment loan was granted for the purchase of an office building in Sofia. Utilized amount as of September 30, 2013 amounts to BGN 2,257 thousand. The loan is secured by a mortgage on the building and its land.

(e) Overdraft loan from UniCreditBulbank is granted with the limit of EUR 1,000 thousand. The Loan has been granted for working capital purpose and is secured by pledge of future receivables, cash and production equipment. As of September 30, 2013 BGN 1,955 thousand has been utilized.

(f) The overdraft loan from UBB has the limit of EUR 1,450 thousand and is granted for the purpose of working capital and bank guarantees and as of September 30, 2013 the loan is fully repaid.

(g) The Group has received a combined credit limit from ING Bank at the amount of BGN 17,800 thousand, of which as of September 30, 2013 BGN 8,999 thousand has been utilized in the form of credit lines and overdraft. The Group has pledged as collateral present and future receivables from customers, mortgage on property belonging to the Group and has been issued a promissory note in favor of the Bank.

(h) The Group has received four credit lines from Unionbank. The first credit line has the contractual amount of BGN 300 thousand and maturity on October 6, 2011 and is fully repaid as of December 31, 2011. The second credit line has the contractual amount of BGN 500 thousand, fully utilized as of December 31, 2011. The maturity of the second credit line is on January 31, 2012 and is fully repaid as of December 31, 2012. The third credit line has the contractual amount of BGN 500 thousand and maturity at 3 January 2012. As of December 2012 the credit line is fully repaid.

On 28 March 2012 the Group signing a new contract for new credit lines with credit limit EUR 4,800 thousand. As of September 30, 2013 the utilized amount is BGN 3,700 thousand. The loan is granted from same contract receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans (continued)****12.2 Borrowings from financial institutions (continued)**

(i) ) The Group has signed a loan with Investbank for the contractual amount of BGN 8,151 thousand from which as of September 30, 2013 the amount of BGN 5,640 have been utilized for the purpose of working capital allocated for particular contracts. The loan is secured by pledge of current and future client's receivables and promissory note in favor of the bank.

(j) Under a loan contract dated December 21, 2007 with the European Bank for Reconstruction and Development (EBRD) at total amount of EUR 7 million in 2010, 2009 and 2008 the Group received funds at the amount of EUR 1,665 thousand (2010), EUR 2,335 thousand (2009) and EUR 3,000 thousand (2008) for the purpose of financing of completed projects for energy efficiency with guaranteed result (ESCO contracts). In 2012 applicable annual interest rate on the loan is as follows: for the first tranche – 6.45%, for the second tranche– 6.5%. During the period, ending on September 30, 2013 interest payments have been made under contract at the amount of BGN 250 thousand (2012 : 478 thousand) . Principal of the loan will be repaid in equal quarterly installments (23 installments for the first tranche and 21 installments for the second tranche). The loan matures on March 4, 2015. During the period, ending on September, 30 2013 part of the principal has been repaid at the amount of EUR 984 thousand (2012:EUR 1,312 thousand).

On March 2, 2012 the Group signed a new contract with EBRD at the total amount of EUR 10 million. According to the contract provisions the utilization term of the loan is March 3, 2013, which is prolonged to 3 December 2013 .The first utilized amount should be not less than EUR 1,000 thousand. The loan bears a fixed interest rate of 6.50%. The principal is deferred to 25 payments and the first of which is of EUR 1,111 thousand due in March 2013 while the other 24 payments are equal quarter amounts of EUR 370 thousand. The final maturity date for loan repayment is March 4, 2019. Receivables are pledged as a collateral the securitization of which is financed by funds on the loan. Enemona AD is a guarantor under EBRD loan. For the period ended on September 30, 2013 interest payments at the amount of BGN 796 thousand (2012: 597 thousand) and payment of principal at the amount of EUR 1,708 (2012: 0) were made.

As of September 30, 2013 the utilized amount of those loans is BGN 18,435 thousand (2012: BGN 23,187 thousand).

(k) The Group has received from Eurobank EFG a credit line with limit of EUR 1,500 thousand. The utilized amount as of 30 September 2013 is BGN 2,364 thousand. The credit is secured from client receivables and goods.

(l) The Group has signed a new three credit lines with International Asset Bank AD, which are taken for funding specific contract. The total amount for those three credit lines is EUR 3,873 thousand and the utilized amount as of September 30, 2013 is BGN 4,883 thousand. Those credits are secured with receivables based on contracts and invoices.

(m) On 26 February 2013 a new contract is signed with Alpha Bank for new credit line from mixed kind for funding specific contract. The total amount is EUR 1,667 and as of 30 September 2013 the utilized amount is BGN 2,216 thousand. This credit is secured with receivables based on specific contract.

(n) The Group signed a contract with ING Bank – Branch Sofia for corporate credit cards with total limit of BGN 100 thousand. As of 30 September 2013 the utilized amounts are fully repaid.

(o) The Group signed a contract with UniCredit Bulbank for corporate credit cards with total limit of BGN 100 thousand. As of 30 September 2013 are utilized BGN 1 thousand.

## **12. Loans (continued)**

### **12.2 Borrowings from financial institutions (continued)**

The interest rates on bank loans are floating and are based on the EURIBOR and SOFIBOR with margin.

In relation to the issuance of bank guarantees, the Group has concluded a loan agreement with BNP Paribas – Sofia Branch at the amount of EUR 1,000 thousand. Pledges on current and future receivables from clients with maximum amount of EUR 1,000 thousand, pledge on goods and materials in use with limit of EUR 1,000 that cannot be decreased, pledge on goods and materials in use with limit of EUR 1,000 that cannot be decreased, are established as collateral. A promissory note in favor of the bank has also been signed. As of September 30, 2013 and December 31, 2012 the Group has no loan liabilities related to this loan agreement.

The Group has concluded a loan agreement for issuance of bank guarantees with First Investment Bank AD at the amount of EUR 1,500 thousand. Pledges on current and future receivables from clients are established, for which bank guarantees are issued. As of September 30, 2013 and December 31, 2012 the Group has no loan liabilities related to the loan agreement.

### **12.3 Bank loans covenants**

According to the terms of the loans, the Group should comply with certain operational and financial covenants.

As of September 30, 2013 the Group does not comply with a financial requirement of the bank loan from EBRD. In accordance with the provision of the contract, the breach of the requirement could result in a change in the loan and it may become due upon demand of the creditor and the whole liability may become due in a single payment. As per the provisions this is possible after a request in writing from EBRD. As of the date of the approval of these consolidated financial statements there is no written standpoint from EBRD regarding the consequences from the non-compliance with the requirement.

As of September 30, 2013 and December 31, 2012 the loan is presented as a current liability.

### **12.4 Loans from non-related parties**

Loans from non-related parties as of September 30, 2013 comprise non-secured loans from Enidna Engineering AD, Izolko OOD, SIP OOD and Risk Engineering AD at the amount of BGN 238 thousand, BGN 2,058 thousand, BGN 588 thousand and BGN 200 thousand, respectively. The loans are with interest rates between 8% and 9% and mature in 2013 as the repayment term may be prolonged with 1 month.

The loans from non-related parties as of December 31, 2012 include uncollateralized loans from EnemonaStart AD, Izolko OOD, SIP OOD and others at the amount of BGN 180 thousand and BGN 956 thousand, BGN 479 thousand and BGN 190 thousand. The loans bear interest rate between 8% and 9% and maturity in 2013 and the terms for repayment could be extended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**13. Financial lease**

Part of the tangible fixed assets has been leased under finance lease contract. The average term of the contracts is three years. The average effective interest rate under the finance lease contracts is 7%. The fair value of the lease liabilities of the Group approximates their carrying amount.

	Minimal lease payments		Present value of minimal lease payments	
	As of 30.09.2013	As of 31.12.2012	As of 30.09.2013	As of 31.12.2012
Liabilities under finance lease with maturity:				
Up to 1 year	179	589	171	562
Between 2 and 5 years	99	282	97	275
<b>TOTAL LIABILITIES</b>	<b>278</b>	<b>871</b>	<b>268</b>	<b>837</b>
Less: future finance charges	(10)	(34)	-	-
<b>PRESENT AMOUNT OF LIABILITIES</b>	<b>268</b>	<b>837</b>	<b>268</b>	<b>837</b>

**14. Trade and other payables**

	As of 30.09.2013	As of 31.12.2012
Payables to suppliers	19,959	12,110
Payables for dividends on preferred shares	2,986	2,067
Payables to employees	3,098	1,775
Payables to social insurance organizations	4,933	1,312
VAT payables	-	416
Other payables	5,634	2,888
<b>TOTAL</b>	<b>36,610</b>	<b>20,568</b>

**15. Revenue**

	Period ended 30.09.2013	Period ended 30.09.2012
Revenue from construction contracts	60,656	54,262
Revenue from sale of electricity	38,015	46,891
Revenue from sale of compressed natural gas	3,439	2,663
Revenue from services	243	327
Others		2
<b>TOTAL REVENUE</b>	<b>102,353</b>	<b>104,145</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**15. Revenue (continued)**

The following table discloses information on construction contracts in progress at the date of the statement of financial position:

	As of 30.09.2013	As of 31.12.2012
Construction costs incurred plus recognized profits (less recognized losses) to date	247,361	192,085
Less: Progress billings	<u>(206,679)</u>	<u>(167,682)</u>
	<u>40,682</u>	<u>24,403</u>
Gross amounts stated in the statement of financial position comprise of:		
Gross amount receivable from customers under construction contracts	42,041	30,146
Gross amount payable to customers under construction contracts	<u>(1,359)</u>	<u>(5,743)</u>
	<u>40,682</u>	<u>24,403</u>

Retentions held by customers under construction contracts amount to BGN 6,077 thousand and BGN 9,148 thousand as of September 30,2013 and December 31, 2012 , respectively. Advances received from customers under construction contracts amount to BGN 10,219 and BGN 16,952 thousand as of September 30,2013 and December 31, 2012, respectively.

As of September 30,2013 and December 31, 2012 the Management of the Group reviewed for objective evidences for impairment of the gross amount due from clients under construction contracts in order to ensure that the carrying amount of the asset does not exceed the present value of the expected future cash flows.

**16. Financial income**

	Period ended 30.09.2013	Period ended 30.09.2012
Interest income	4,333	3,368
Dividends	104	72
Foreign exchange gains	7	16
Other finance income	-	238
TOTAL FINANCIAL INCOME	<u>4,444</u>	<u>3,694</u>

**17. Materials and consumables used**

	Period ended 30.09.2013	Period ended 30.09.2012
Current value for sold goods	38,552	34,528
Raw material costs:		
Construction materials	20,503	12,381
Expenses for instruments	248	191
Electric power	228	199
Fuels	217	413
Spare parts	31	43
Stationery	154	85
Other	-	25
TOTAL MATERIALS	<u>21,382</u>	<u>13,337</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**18. Hired services**

	Period ended 30.09.2013	Period ended 30.09.2012
Under construction agreements with subcontractors	6,609	6,151
Services with mechanization	816	722
Transportation	1,315	1,227
Legal, accounting and consulting services	1,285	1,123
Insurances	322	888
Advertising	1	9
Telecommunications	150	164
Rents	1,900	1,275
Taxes, mortgages, guarantees	972	801
Design services	536	228
Bank fees and commissions	231	550
Heating	39	36
Working permissions and tender documents	27	48
Starting work and control	552	551
Office maintenance cost	183	88
Security	12	77
Translation services	100	102
Courier services	85	46
Other services	180	309
<b>TOTAL HIRED SERVICES</b>	<b>15,313</b>	<b>14,395</b>

**19. Employee benefit expenses**

	Period ended 30.09.2013	Period ended 30.09.2012
Remunerations	16,854	20,305
Social security and health insurance	2,877	2,713
Food Vouchers	750	725
Compensations	117	251
<b>TOTAL EMPLOYEE BENEFITS EXPENSES</b>	<b>20,598</b>	<b>23,994</b>

For the period ending on 30 September 2012, the Group reclassified 725 thousand leva (food vouchers) from other expenses to employee benefit expenses.

**20. Other expenses**

	Period ended 30.09.2013	Period ended 30.09.2012
Business trips	1,898	1,851
Storage of equipment	-	420
Expenses for one-off taxes and fees	720	392
Entertainment allowances	14	-
Waste on non-current assets	16	58
Donations	-	122
Other	67	219
<b>TOTAL OTHER EXPENSES</b>	<b>2,715</b>	<b>3,062</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**21. Other gains, net**

	Period ended 30.09.2013	Period ended 30.09.2012
Proceedings from sale of non-current assets	600	419
Carrying amount of sold and written-off non-current assets	(1,259)	(357)
Gains on sale of non-current assets	(659)	62
Proceedings from sale of materials	78	106
Carrying amount of materials sold	(31)	(78)
Gains on sale of materials	47	28
Post sale premium from investments	120	-
Rent income	176	244
Gains on financing	79	46
Consultancy services	128	-
Discount of receivables cession	(240)	-
Loss on discounting of receivables under ESCO agreements, interest income calculated using amortized cost and result from cession of ESCO contracts, net	-	317
Impairment of receivables	-	(124)
Reversal on impairment of receivables	123	
Others, net	798	272
<b>TOTAL OTHER GAINS, NET</b>	<b>572</b>	<b>910</b>

**22. Finance costs**

	Period ended 30.09.2013	Period ended 30.09.2012
Interest expense	3,539	1,779
Expenses on financial liability on preferred shares	368	285
Foreign exchange losses	29	31
Finance costs on construction contracts	1,561	1,199
Other finance cost	-	58
<b>TOTAL FINANCE COST</b>	<b>5,497</b>	<b>3,352</b>

**23. Taxation**

Deferred taxes are as follows:

	As of 30.09.2013	As of 31.12.2012
Deferred tax assets		
Impairment of receivables	3,260	3,260
Impairment of investments	241	241
Deducted Tax loss	117	117
Provisions	74	74
Non-current assets	2	2
	(1,094)	(1,094)
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>2,600</b>	<b>2,600</b>
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(69)</b>	<b>(69)</b>
<b>TOTAL DEFERRED TAX, NETTO</b>	<b>2,531</b>	<b>2,531</b>

Deferred tax assets and liabilities as of September 30, 2013 and December 31, 2012 are calculated by applying tax rate of 10% according to the Corporate Income Taxation Act and applicable for the periods in which the temporary differences will be realized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**23. Taxation (continued)**

Income tax expenses for the periods ended September 30,2013 and September 30, 2012 are as follows:

	Period ended 30.09.2013	Period ended 30.09.2012
Current income tax expense	(59)	-
Deferred tax in relation to occurrence and reversal of temporary differences	-	-
<b>TOTAL TAX EXPENSE</b>	<b>(59)</b>	<b>-</b>

The calculations for the effective interest rate are presented in the following table:

	Period ended 30.09.2013	Period ended 30.09.2012
Profit before taxation	2,716	(736)
Applicable tax rate	10%	10%
	272	(74)
		74
Tax by applicable tax rate	(213)	
Tax effect of the non-deductable and non-taxable positions	-	-
Effect of different tax rates in other tax jurisdictions	59	-
<b>EFFECTIVE TAX RATE</b>	<b>2%</b>	<b>0%</b>

**24. Earning per share**

Basic earnings per share are calculated by dividing the net profit for the year attributable to the shareholders of the Parent Company to the weighted-average number of ordinary shares outstanding for the period.

	Period Ended 30.09.2013	Period Ended 30.09.2012
Continuing and discontinued operations		
Share of net profit for Parent Company shareholders	2,527,000	(838,000)
Weighted-average number of ordinary shares	11,933,600	11,933,600
Earnings per share (in BGN) – basic and diluted	<b>0.21</b>	<b>(0.07)</b>

As disclosed in note 11 as of September 30, 2013 and December 31,2012 the Parent company has issued warrants and preferred shares, which in 2013 and 2012 do not influence diluted earnings per share as their conversion to ordinary shares would not have dilutive effect on basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30,2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**25. Related parties transactions**

The related parties within the Group with transactions performed in the periods ending September 30,2013 and September 30, 2012 are as follows:

RELATED PARTY	TYPE OF RELATIONSHIP
Alfa Enemona OOD	Associated company
Global CapitalOOD	Company under common control
G Oil Expert EOOD	Company under common control
Eco Invest Holding AD	Company under common control
Resource Engineering EOOD	Company under common control
Softgeo-Lint 2006 OOD	Company under common control

The table below discloses income received from related parties:

	Period ended 30.09.2013	Period ended 30.09.2012
Alfa Enemona OOD	-	72
G Oil Expert EOOD	2	2
<b>TOTAL INCOME FROM RELATED PARTIES</b>	<b>2</b>	<b>74</b>

During the periods ending September 30, 2013 and September 30,2012 the Group has no expenses on related parties transactions.

The table below discloses the balances of receivables from related parties as of September 30,2013 and December 31, 2012 :

	As of 30.09.2013	As of 31.12.2012
G Oil Expert EOOD	-	1
<b>TOTAL</b>	<b>-</b>	<b>1</b>

Receivables from related parties consist of trade receivables.

The table below discloses the balances of liabilities to related parties as of September 30,2013 and December 31, 2012:

	As of 31.09.2013	As of 31.12.2012
Alfa Enemona OOD	7	7
<b>TOTAL</b>	<b>7</b>	<b>7</b>

Liabilities to related parties consist of gross amount due to clients under construction contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FROM 01 JANUARY 2013 TO  
SEPTEMBER 30, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**27. Geographical distribution**

The Group operates in four basic geographical areas – Bulgaria, Serbia, Germany, Slovakia and Norway.

The Group's revenue from external clients and information about non-current assets, excluding financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts, is presented as follows:

	Revenue from external clients		Property, plant and equipment	
	Period ended 30.09.2013	Period ended 30.09.2012	As of 30.09.2013	As of 31.12.2012
Bulgaria	55,509	71,322	44,802	45,277
Slovakia	18,212	13,682	377	406
Germany	18,841	10,458	188	112
Norway	756	-	6	5
Other	9,035	8,683	-	-
	<u>102,353</u>	<u>104,145</u>	<u>45,373</u>	<u>45,800</u>

In 2013 the Group starts activity in United Kingdom.

In 2012 the Group opened a branch in Norway.

In 2011 the Group started activity in Germany through place of activity there.

In 2010 the Group opened a branch in Slovakia.