

## APPENDIX 3.

### WHO IS WHO ON THE BULGARIAN ENERGY MARKET?

#### FRONTIER

It was registered in Sofia in 1994 under the name Frontier 7 and it was subsequently renamed into Frontier. It is owned by Krassimir Georgiev, Edward Manoukian and Georgi Sotirov (through their company Metaconsult BG EOOD, renamed into Euronex in December 2006). The business interests of the company lie mainly in the energy sector: Maritsa-East site, supplies of nuclear fuel to Kozlodui NPP, Tsankov Kamuk HPP and the Lower Arda Cascade, Yadenitsa dam, and consultancy related to Belene NPP. Frontier was the consultant of Entergy and Enel in their transaction for the rehabilitation of Maritsa-East 3 TPP at the value of \$600 million. The owners of Frontier have taken over several hydro power plants: Bor, Igljika, Zdravets, Elenov Dol, Yassen, Slubeshka, Lilia, Kositsa. Frontier became known to the wider public in 2004 because of its participation with 49% in the mega-project Burgas Universal Terminal (BUT), where the majority shareholder of 51% is Technoexportstroy. The idea is to have BUT build and operate the infrastructure at the point of entry of the two oil pipelines from Burgas to Alexandroupolis in Greece and to Vlora in Albania. Initially, BUT was subscribed with 75 %, together with Bulgargas, in the Burgas-Alexandroupolis Oil Pipeline International Project Company (IPC). Later on, the ownership of IPC which holds the entry terminal of the oil pipeline in Burgas was distributed in 51:49 ratio between Russia and Bulgaria. The Russian share belongs to Transneft, Rosneft and Gasprom Neft, while the Bulgarian share is distributed equally (24.5% each) between Technoexportstroy and Bulgargas. Frontier was removed from participation at the point of entry of the oil pipeline.

Over the years, related to Frontier through their owners have been the following companies: DMC Interactive OOD (where Krassimir Georgiev is a partner); TT Multra Trading Team, Dusseldorf; Microprocessor Systems, Pravets; the companies in the 7M Group (currency exchange offices with the participation of Georgi Sotirov); 7M Insurance and Reinsurance Company; 7M Life; Fontier Finance AD – investment intermediary; Bulinvest Group; Demax Print; Easypack, etc.

The group has interests in real estate and tourism. Georgi Sotirov and Krassimir Georgiev jointly manage Bansko Property Partners, in the second version of which (Bansko Property Partners 2) Krassimir Georgiev was a partner of Tsetsa Stancheva, mother of the former Executive Director of the district heating company in Sofia Valentin Dimitrov until the middle of 2006.

The companies in the group have some points of intersection with other corporate groups in the energy sector. For instance, Krassimir Georgiev is a partner of Bogomil Manchev (Risk Engineering) in the company whose objects include TV and radio broadcasting equipment and conductor communications equipment. This is CMC, where 33% belong to Risk Engineering, 33 % to Frontier, and 33 % to Grozdan Dobrev.

The prosecution completed its investigation of Frontier in April 2007, which found out no violations, and ruled that there was no evidence of the commission of an offence.

## **RISK ENGINEERING**

It was considered to be the most influential corporate group in the energy sector over the period 1997 – 2005. Owner of 60 % of Risk Engineering is Bogomil Manchev who is a nuclear engineer. He is also a shareholder in the following companies: SCES (30 %), Fisk Consult (33 %), Perennia (50 %), Risk Engineering-D (6.806 %), Nova Soft Technology (17 %), Bulgarian Energy (50 %). He participates in the management of Risk Engineering, Ters Moshino, Risk Power, Risk Engineering-F, Risk Engineering-D, GCR, Risk Engineering AD, Transimpex, the Bulgarian Nuclear Forum Association, and the Consortium for Sustainable Energy Development.

The group around Risk Engineering holds the largest percentage of the supplies of goods and services to the Bulgarian energy sector. The company features in the Public Procurement Register as the supplier of spare parts for thermal power plants, the contractor for the safety check of the nuclear units in Kozlodui NPP, consultant engineer (or architect engineer) of projects for the building, refurbishment and rehabilitation of power plants (e.g. Maritsa-East 2 TPP), etc. It has also implemented contracts beyond the scope of the LPP, hence outside the Public Procurement Register. Specially for the construction of Belene NPP Risk Engineering, in consortium with the European branch of the U.S. company parsons, has been appointed by NEC as the architect engineer of the project without any competitive procedure under the LPP due to its unique expertise in the sector. Their joint venture GCR OOD will be the supervisor of all construction works. The declared value of the service ranges between €300 million and €400 million, depending on the future contract with the contracting authority NEC and the contractor Atomstroyexport. Initial estimates point to €3.997 billion for the construction of Belene NPP according to the bid of the Russian company. This amount reaches €5 billion with the interest accrued on the loans or more than €6 billion with the construction of the infrastructure facilities on the site and the improvements of the electric system. The commitment of the Russian side is to have at least 30 % of the resources to be allocated to Bulgarian subcontractors. This means at least €1.2 billion in the form of contracts awarded to Bulgarian companies in the next eight years. It will cover five main areas: engineering services, construction works, assembly and installation works, supplies, and adjustment of the systems. The involvement of subcontractors like Glavbolgarstroy, Minstroy Holding, Enemona, Atomenergoremont and others has already been announced and the list is not final. No formal public procurement procedures are envisaged for the selection of subcontractors.

GCR OOD is owned by Risk Engineering (51 %) and the U.S. company Gilbert Commonwealth International (49 %) which was acquired by Parsons Engineers & Constructors in 1995. The company is registered at the address of Risk Engineering. Managers of GCR are Mogomil Manchev, Djurica Tankosic and the U.S. citizen

Robert Vaugn. The latter is vice-president of Parsons for business development in Europe, the former Soviet republics and Parsons Group International Limited.

### **PARSONS BULGARIA**

Parsons E & C Bulgaria is registered at the address of Risk Engineering. It is 100 % owned by the British company Parsons E & C Europe Limited and managed by Djurica Tankosic. Tankosic has experience in the nuclear power plants of former Yugoslavia (Slovenia and Serbia) and in the United States. He came to Bulgaria in 1994 and did the first feasibility study for the district heating company of Sofia. Parsons E & C Bulgaria is a consultant to Kozlodui NPP for the project concerning the modernization of units 5 and 6. The company is the engineer consultant for the rehabilitation of Maritsa-East 2 TPP (Risk Engineering is the subcontractor) and architect engineer of the Belene NPP project. Parsons E & C Bulgaria EOOD has recently been selected as a consultant to the project for the construction of Mohovce NPP.

At the end of 2004 it was officially announced that the control of Parsons E & C Europe Limited had been taken over by Worley Group Limited and hence it already operated under the name Worley Parsons. The subdivision of Worley Parsons in London is named WorleyParsons Europe Ltd. Its places of operation include the United Kingdom, as well as the former Soviet republics, the Middle East, South-East Asia and Australia. So far Parsons E & C Europe Ltd. Has been commissioned the feasibility study for the construction of Belene NPP and the environmental impact assessment at the value of \$7.7 million and the activities of an architect engineer (technical consultant) to NEC EAD for the same project at the value of €18.99 million per annum.

### **ATOMENERGOREMONT**

The company was established in 1974 for the repair and maintenance of the facilities at Kozlodui NPP. In 1978, it began to manufacture spare parts, units and equipment and to perform on-site repair of energy facilities, as well as to provide services and to perform construction works. In 2001, Atomenergoremont repair enterprise was transformed into a state-owned single-member shareholding company. On 27 October 2003, after the privatization procedure was completed, Atomenergoremont EAD was transformed into Atomenergoremont AD, where the major shareholder is the Bulgarian Energy Company EOOD owned by Hristo Kovachki. Atomenergoremont EAD carries out current repair works and overhaul at Kozlodui NPP and it is also involved directly in the reconstruction and modernization of the energy units of the nuclear power plant. It provides some repair services to Vidin TPP, Maritsa-East 2 TPP. The company manufactures and repairs spare parts, metal structures, heat exchangers, high-voltage engines, heat insulation and other equipment for Bulgarian and foreign companies.

Hristo Kovachki owns or controls several hydro power plants, the only briquette factory in Bulgaria – Briquelle, the district heating company in Pleven, the tire processing factory in Gaber, and the Europa chain of stores. Kovachki himself

claims that he is only a consultant for most of the projects but he points out in interviews that he is the employer of over five thousand people. Companies from the group hold 26 % of the Municipal Bank AD and 20 % of the Municipal Insurance Company AD.

### **MINSTROY HOLDING – BULGARIAN ECO PROJECTS**

Minstroy Holding AD is a subcontractor in the Belene project. The main figure in the company is Nikolai Valkanov, former director of the Mining Research Institute and then director general of the state-owned company Minstroy Holding. Until October 2003 he was a member of the Managing Board of Multigroup and in 2005 he became a member of the managing board of Chimimport AD, Sofia. Some years ago, Minstroy Holding was a company through which Multigroup exercised control over more than 13 companies and was a minority shareholder in several others such as Balkanstory, United Energy Systems, Energy 94, Eurola, Ares Petrol, Geotechno Engineering, etc.

In 2004, Minstroy was taken over by Bulgarian Eco Projects which currently holds 86% of Minstroy Holding. Since April 2004 Minstroy has been the main contractor of the construction of Tsankov Kamuk hydro power facilities with the financial support of Alpine Meireder. According to the trade registers, the Austrian company holds 51 % of Alpine Bulgaria and the other 49 % belong to Bulgarian Eco Projects which, in turn, owns 86 % of Minstroy Holding. The Council of Ministers adopted Decision No. 592 of 2 September 2003 to select the National Electric Company as the contractor for the project. The financing includes an export loan of €100 million and a commercial loan of €120 million provided by Austrian and other European banks. In 2006, Minstroy Holding obtained a permit to prospect and to operate deposits of oil, coal and rock materials. The involvement of Minstroy Holding in the construction of Belene NPP was announced in October of the same year.