

# EUROHOLD BULGARIA

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1 January – 31 December  
2021

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## ***Interim Consolidated Report***

## **INTERIM CONSOLIDATED REPORT**

**containing information about important events that occurred during the period January 1 - December 31, 2021 according to Art. 100o, para 4, item 2 of POSA**

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You can find on:  
[www.eurohold.bg](http://www.eurohold.bg)



***Eurohol Bulgaria AD***  
***The fourth quarter of 2021***

**INTERIM CONSOLIDATED MANAGEMENT REPORT**

## ABOUT EUROHOLD GROUP

**Eurohold BULGARIA AD is a holding company established on December 12, 2006 in the Republic of Bulgaria through the merger of the public company Eurohold AD (1996) and the holding company Starcom Holding AD (1995).**

### CORPORATE OVERVIEW

- Eurohold Bulgaria AD is a leading independent business group in Central and Southeast Europe (CSE) and the largest public holding in Bulgaria by amount of revenue
- Main scope of business activity - financial activity related to the establishment, acquisition and management of participations and financing of related enterprises.
- The holding owns the largest independent insurance group in CSE by gross premium income - Euroins Insurance Group
- The holding owns the largest energy group in Bulgaria - distributor, supplier and trader of electricity
- Public joint-stock company within the meaning of the Public Offering of Securities Act. The company's shares are registered for trading on:
  - Main market of the Bulgarian Stock Exchange (BSE) - with stock exchange code EUBG
  - Warsaw Stock Exchange (WSE) - Poland with stock index EHG.

### OUR BUSINESS OPERATIONS

- **5 subsidiaries**
- **2 specially created companies for energy business development**
- **37 operating companies**
- **1 associated company**
- **14 countries in Europe**
- **9 400 shareholders**
- **25 години история**

### Awarded credit ratings

	<b>Eurohold</b> <b>Issuer Default</b> <b>Rating "B"</b>
	<b>Eurohold</b> <b>Long-term: BBB-</b> <b>Outlook: stable</b> <b>Short-term: A-3</b>

### **Euroins Insurance Group - main asset in the Eurohold Group**

Insurer in CEE and SEE with leading positions in Romania and Bulgaria.  
Active operations in 9 markets in Europe.

### **Avto Union - investments in the automotive sector**

Leading automotive trader in Bulgaria and operating on 2 markets in the Balkans.

### **Eurolease Group is a leasing group**

Large leasing group operating on 2 markets in the Balkans.

### **Euro-Finance - investment intermediation and asset management**

Leader in market turnover on the Bulgarian Stock Exchange, member of the Deutsche Börse Group.  
More than 20 years of experience

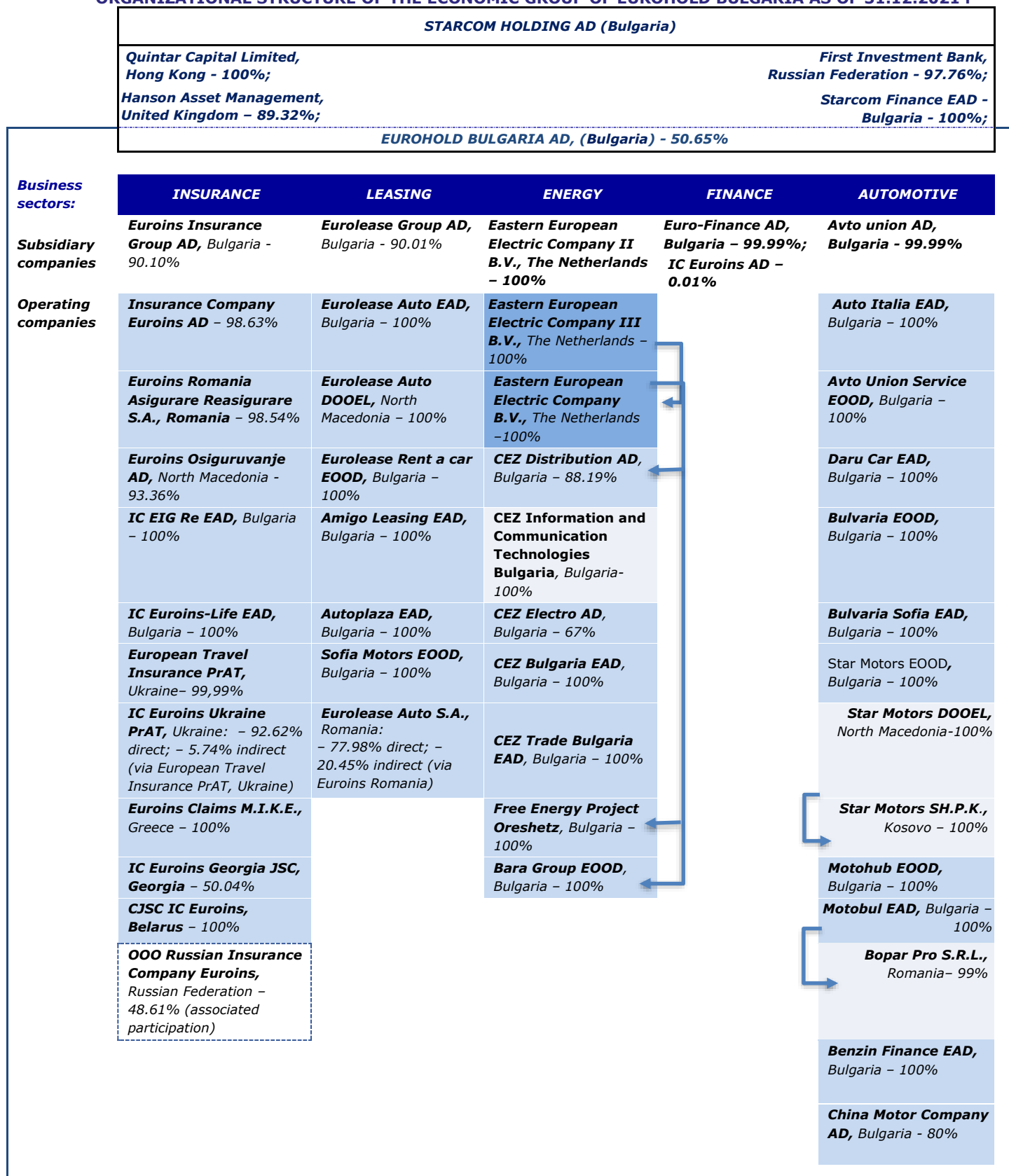
### **Eastern European Electric Company II B.V. - energy industry**

At the end of July 2021, the energy group acquired the assets of CEZ Group in Bulgaria.

## ECONOMIC GROUP

Eurohold Bulgaria AD is a holding company and together with its subsidiaries forms an economic group - the Eurohold group.

### ORGANIZATIONAL STRUCTURE OF THE ECONOMIC GROUP OF EUROHOLD BULGARIA AS OF 31.12.2021



**As of the date of this report, Eurohold Bulgaria has a participation in 45 companies**

**Direct participation**

5 subsidiaries

**Indirect participation**

2 specially created companies for development of the energy business

37 operating companies

1 associated company

At the same time, Eurohold Bulgaria AD is part of the economic group of its majority shareholder Starcom Holding AD. As of the date of this report, Eurohold is the main and most significant investment of Starcom Holding AD.

## COUNTRIES IN WHICH THE EUROHOLD GROUP IS POSITIONED

### MAIN MARKETS FOR THE GROUP



Eurohold Bulgaria through its subsidiaries is positioned in the region of Central and South-East Europe.

The main markets in which the Group operates are Bulgaria, Romania, North Macedonia, Ukraine, Georgia, Greece, Belarus (since 2020) and Russia (associated participation).

In the markets of Italy, Greece (via a branch), Spain, Poland, Germany, The Netherlands and the Great Britain, the insurance group offers insurance services distributed under - the right to freedom of establishment and freedom to provide services.

## OVERVIEW OF THE FIRST NINE MONTHS 2021

### FINANCIAL OVERVIEW

#### EUROHOLD GROUP

**Eurohold Bulgaria reports strong performance of its energy business.**

The Group of Eurohold is forecasting substantial operating income growth of 138% and operating profit growth of 482% for 2021, following a strong performance across all businesses. These results have been achieved despite the ongoing impact and influence of the global spread of coronavirus infection (COVID-19), which has led to severe disruption to the global economy in 2020 and to date, including in the regions in which the Eurohold Group operates.

	Q4 2021	Q4 2020
<b>Revenue</b>	<b>BGN 3 755 billion</b> ▲ 138%	<b>BGN 1 579 billion</b> ▼ 1%
<b>Gross operating profit</b>	<b>BGN 412 million</b> ▲ 482%	<b>BGN 70 million</b> ▼ 42%
<b>EBITDA</b>	<b>BGN 238 million</b> ▲ 16128%	<b>BGN 1 million</b> ▼ 97%
<b>Net profit</b>	<b>BGN 114 million</b> ▼ 362%	<b>BGN (43) million</b> ▼ 1708%
	Q4 2021	2020
<b>Assets</b>	<b>BGN 3 791 billion</b> ▲ 133%	<b>BGN 1 627 billion</b> ▲ 8%
<b>Financial assets</b>	<b>BGN 418 million</b> ▲ 22%	<b>BGN 342 million</b> ▲ 31%
<b>Equity</b>	<b>BGN 398 million</b> ▲ 195%	<b>BGN 135 million</b> ▼ 30%
<b>Equity and subordinated debts</b>	<b>BGN 440 million</b> ▲ 107%	<b>BGN 212 million</b> ▲ 0 %
<b>Liabilities</b>	<b>BGN 1 944 billion</b> ▲ 236%	<b>BGN 578 million</b> ▲ 8%
<b>Insurance reserves</b>	<b>BGN 1407 million</b> ▲ 68%	<b>BGN 837 million</b> ▲ 9%

## IMPORTANT EVENTS

### IMPORTANT EVENTS FOR THE ACTIVITY OF EUROHOLD BULGARIA, OCCURRED DURING THE PERIOD FROM

1<sup>st</sup> OF JANUARY 2021 AND UNTIL THE DATE OF THIS REPORT

#### 1. AVTO UNION CONTRACTS SALE OF STAR MOTORS EOOD

On November 16, 2021, Auto Union AD, part of Eurohold Bulgaria AD, has signed a preliminary agreement for the sale of its subsidiary Star Motors Ltd - the official importer of Mazda cars for Bulgaria and the Republic of North Macedonia. At present, the Commission for Protection of Competition has published a decision on 14.01.2022 authorizing the merger and the transaction is expected to be finalized shortly.

#### 2. EUROHOLD BULGARIA PURCHASED THE MINORITY SHARE OWNED BY BASILDON HOLDING S.A.R.L. IN THE CAPITAL OF EUROINS INSURANCE GROUP

Since the beginning of 2021, Eurohold Bulgaria AD has acquired a total of 21,989,329 shares of the capital of its subsidiary Euroins Insurance Group AD. On November 3, 2021, the last transfer of shares in the amount of 10,681,773 was made, thus committing to purchase the shares owned by Basildon Holding S.A.R.L. is finalized.

The acquisition is carried out in accordance with an agreement signed by Eurohold Bulgaria AD in 2018 for the acquisition of the shares owned by the other shareholder - Basildon Holding S.A.R.L. minority share in the amount of 10.64% (as of the date of signing the purchase agreement) of the capital of its subsidiary insurance holding - Euroins Insurance Group AD.

#### 3. EUROLEASE GROUP AD RECEIVES PERMISSION FROM THE CPC FOR ACQUISITION OF MOGO BULGARIA OOD

At the end of October, the Commission for Protection of Competition allowed Eurolease Group AD - a company combining the leasing operations of Eurohold Bulgaria AD to acquire 100% of the capital of Mogo Bulgaria OOD, a company operating in the country related to leasing of motor vehicles.

With the acquisition of Mogo Bulgaria Ltd Eurolease Group AD aims to expand its presence in the leasing market in Bulgaria. The transaction was finalized on December 7, 2021 with entry in the Commercial Register.

#### 4. GRANT THORNTON OOD HAS BEEN SELECTED AS AUDITOR OF EUROHOLD BULGARIA FOR 2021

GMS selected a specialized audit company Grant Thornton OOD, UIC 831716285, registered office and address of management Sofia 1421, 26 Cherni Vrah Blvd., to perform an independent financial audit of the individual and consolidated financial statements of Eurohold Bulgaria AD for 2021. Audit company Grant Thornton OOD is included in the list of the Institute of Certified Public Accountants (ICPA) in Bulgaria under number 032 and is a member of GRANT THORNTON INTERNATIONAL LIMITED.

#### 5. INCREASE IN THE AMOUNT OF A CORPORATE GUARANTEE ISSUED BY EUROHOLD IN FAVOR OF EASTERN EUROPEAN ELECTRIC COMPANY II B.V.

The General Meeting of Shareholders of Eurohold, held on 18.10.2021, made a decision to increase the amount of the corporate guarantee of Eurohold Bulgaria, approved by the General Meeting of Shareholders, held on April 10, 2021 as follows: increase of the liability limit of Eurohold Bulgaria AD, in its capacity as a corporate guarantor from EUR 150,000,000 (one hundred and fifty million) to EUR 240,000,000 (two hundred and forty million), regarding the payment of all liabilities (including but not limited to) , for principal, penalties, fees, commissions, other expenses) of its subsidiary Eastern European Electric Company II B.V. as a borrower, under a loan agreement worth up to EUR 133,990,000, concluded on July 21, 2021 with the lending financial institutions. The term of the guarantee is 66 months, the purpose of the guarantee transaction is to provide financing of part of the price and costs of acquisition of the assets of CEZ Group in Bulgaria, as well as subsequent investments in the companies subject to the acquisition transaction.

As of the date of this report, the liability limit of Eurohold Bulgaria under the corporate guarantee has been increased to EUR 220,000,000 with a limit of loan principal in amount of EUR 113,990,000.

#### 6. COMPLETED THE TENDER OFFER PROCEDURE SUBMITTED BY EASTERN EUROPEAN ELECTRIC COMPANY BY (EEEC) TO THE MINORITY SHAREHOLDERS OF CEZ DISTRIBUTION BULGARIA AD AND CEZ ELECTRO BULGARIA AD

As a result of the realized tender offers and after the completion of the transactions with the shareholders who have accepted the offers within the term described below, the majority owner of CEZ Distribution Bulgaria AD and CEZ Electro Bulgaria AD - Eastern European Electric Company B. V., increased its shares in both companies to 88.2% (by acquiring an additional 408,552 shares or 21.2%) of the capital of CEZ Distribution Bulgaria AD and 69.3% (by acquiring an additional 117 shares or 2.3%) of the capital of CEZ Electro Bulgaria AD.

## TENDER OFFERS

On October 11, 2021, the Financial Supervision Commission approved the adjusted tender offers of Eastern European Electric Company BV. (EEEC) - the holding consolidating the energy business of Eurohold Bulgaria AD, for the acquisition of the remaining 33% of the capital of the electricity distributor - CEZ Distribution Bulgaria AD, and the electricity supplier - CEZ Electro Bulgaria AD. At the time of approval, the EEEEC held 67% of the capital of the two companies.

### Information about the parameters of the tender offers:

- regarding CEZ Distribution Bulgaria AD
  - Number of shares, object of the Tender Offer: 636,240 shares;
  - Offered price per share: BGN 291.00;
  - Deadline for acceptance of the Tender Offer: until 11.11.2021, inclusive;
  - Term and manner of payment of the price by the Trade Offer: the price of the shares acquired as a result of the Tender Offer shall be paid to the shareholders not later than 7 working days after the expiration of the term of acceptance of the Tender Offer, namely by 22.11. 2021 inclusive.
- regarding CEZ Electro Bulgaria AD
  - Number of shares, object of the Tender Offer: 1,650;
  - Offered price per share: BGN 26,904;
  - Deadline for acceptance of the Tender Offer: until 11.11.2021 inclusive;

Term and manner of payment of the price by the Trade Bidder: the price of the shares acquired as a result of the Bid shall be paid to the shareholders not later than 7 working days after the expiration of the term of acceptance of the Tender offer, namely by 22.11.2021. including.

## 7. EBRD HAS PARTICIPATES IN CAPITAL INCREASE AND ACQUIRES SHARE IN EUROINS INSURANCE GROUP

### PROCEDURE FOR SIMULTANEOUS REDUCTION AND INCREASE OF THE CAPITAL OF EUROINS INSURANCE GROUP

On 14.10.2021, the Commercial Register entered a simultaneous decrease and increase of the capital of Euroins Insurance Group AD under Art. 203 in connection with Art. 252, para. 1, item 5 of the Commercial Act, according to the Decision of the General Meeting of the Company dated 20.09.2021, as:

- The reduction of the capital of Euroins Insurance Group AD was made by invalidation of 19,229,057 ordinary, registered, available, non-preferred shares, after their preliminary acquisition by the company itself;
- The capital increase of the company with cash contributions was made as follows:
  - The shareholder Eurohold Bulgaria AD has acquired 15,060,813 newly issued ordinary, registered, available, non-preferred shares at their issue value;
  - The European Bank for Reconstruction and Development (EBRD) has acquired 36,965,187 newly issued ordinary, registered, available, non-preferred shares at their issue value;
  - The shareholder in Euroins Insurance Group AD - Basildon Holding S.a.r.l. has not participated in the capital increase. All newly issued 52,026,000 ordinary, registered, available, non-preference shares, with a nominal and issue value of BGN 1 each, are fully subscribed and paid.

After the simultaneous increase and decrease of the capital of Euroins Insurance Group AD, as of the date of this Report the subscribed capital of the Company amounts to BGN 576,242,734, as it is distributed in:

- 499,260,943 available, registered, non-preferred shares with a nominal value of BGN 1 each.
- 76,981,791 available, registered, preferred shares with nominal value: BGN 1 each.

The European Bank for Reconstruction and Development (EBRD) has participated in the capital increase of Euroins Insurance Group AD after in early October 2021 it signed an agreement with Eurohold Bulgaria AD for the acquisition by the bank of a minority share of the capital of the insurance holding company, by participating in a procedure for increasing its capital in the amount of EUR 30 million.

Eurohold Bulgaria AD has participates in the capital increase of its subsidiary with a contribution of BGN 12 million. The funds raised from the increase will be used for the development and growth of the largest subsidiary of the group - Euroins Romania Asigurare-Reasigurare C.A. The financing will also support the activities and growth of the insurance group in Georgia, Greece, North Macedonia, Poland and Ukraine.

On 07.10.2021 Eurohold Bulgaria AD, as part of a package deal for the acquisition of a minority stake in the shares of Euroins Insurance Group AD, transferred to EBRD 20 082 844 shares with a par value of BGN 1 each.

## 8. AVTO UNION AD HAS ESTABLISHED JOINT STOCK COMPANY CHINA MOTOR COMPANY AD

On 02.09.2021 in the Commercial Register at the Registry Agency was entered a newly established joint stock company CHINA MOTOR COMPANY AD, with UIC 206639291, and headquartered in Sofia, Blvd. Christopher Columbus № 43. The subject of activity of the company is: import, sale and service of cars, import and sale of spare parts for cars, leasing activity with cars and other activities not prohibited by law. The majority shareholder of the newly

established company is Avto Union AD - holding as of the date of this document 80% of the capital of China Motor Company AD.

#### 9. THE BOND ISSUE OF EUROHOLD HAS BEEN ADMITTED FOR TRADING ON THE BSE

On August 19, 2021, the Financial Supervision Commission (FSC) approved the prospectus for admission to trading on a regulated market of bond issue with ISIN code: BG2100013205 issued by Eurohold Bulgaria AD.

Since the end of August, the bonds issued by Eurohold have been traded on a regulated market organized by the Bulgarian Stock Exchange - BSE Main Market, Bond Segment with an assigned exchange code of the issue is: EUBB.

#### 10. CHANGE IN THE COMPOSITION OF THE SUPERVISORY BOARD OF THE COMPANY. WITHDRAWAL OF POWER OF PROSECUTOR

At the regular General Meeting of Shareholders of Eurohold Bulgaria AD held on 30.06.2021, a decision was made to dismiss Lyubomir Stoev from his position as a member of the Supervisory Board of the Company. The GMS elects a new member of the Supervisory Board, namely - Ivaylo Krasimirov Angarski.

With a decision of the Management Board on 16.07.2021, entered in the Commercial Register on 26.07.2021, a decision was made to withdraw the authorization of the procurator Hristo Lyubomirov Stoev to represent Eurohold Bulgaria AD.

#### 11. EUROHOLD HAS COMPLETED THE ACQUISITION OF CEZ GROUP'S BUSINESS IN BULGARIA

On 27 July 2021 Eurohold Bulgaria AD has officially completed the acquisition of seven subsidiaries of Czech energy group CEZ in Bulgaria for EUR 335 million and has realized through its wholly owned subsidiary Eastern European Electric company (EEEC)

As a result of the transaction, Eurohold acquired the following companies:

- 67% of CEZ Distribution Bulgaria - the largest electricity distributor in Bulgaria (with 40% market share);
- 67% of CEZ Electro Bulgaria - the largest supplier of electricity;
- 100% of CEZ Trade Bulgaria - the largest licensed electricity trader;
- 100% of CEZ ICT Bulgaria - the company for IT services,
- 100% of Free Energy Project Oreshets-photovoltaic Park,
- 100% of Bara Group - the company for production of electricity from biomass;
- 100% of CEZ Bulgaria - coordinates and manages the activities of all CEZ companies in Bulgaria.

*The transaction was implemented after obtaining permits from the regulatory authorities Energy and Water Regulatory Commission (EWRC) - January 19, 2021 and the Commission for Protection of Competition (CPC) - October 29, 2020 Eurohold Bulgaria AD to acquire the companies of the Czech energy CEZ Group company in Bulgaria.*

*The financing of the acquisition of CEZ's Assets in Bulgaria is provided through own funds (raised from an increase in the share capital of Eurohold Bulgaria and a subsequent increase in the capital of the energy holding companies - described below) and borrowed capital provided by leading global investment companies. banks.*

*On 26th of April 2021, Eurohold Bulgaria AD has mandated J.P. Morgan AG to act as its lead and exclusive arranger for structuring the debt financing related to the deal with CEZ Group. J.P. Morgan AG is one of the largest and most experienced institutions in the world in financing such complex transactions, especially in the energy sector.*

*The agreed external financing is complex in its structure and includes a strategic investment and a syndicated loan with the participation of commercial banks and international financial institutions.*

*The strategic investment is of Metric Capital Partners, where J.P. Morgan AG acted as Exclusive Financial Adviser and Sole Placement Agent.*

*In the syndicated loan J.P. Morgan AG acted as a Sole Structuring Bank, Bookrunner and Initial Mandated Lead Arranger on the syndicated loan facility, with Bank of China Luxembourg, Raiffeisen Bank International AG, Raiffeisen Bank Bulgaria and UniCredit Bulbank - as Bookrunners and Mandated Lead Arrangers. The Black Sea Trade and Development Bank (BSTDB), DSK Bank, the European Bank for Reconstruction and Development (EBRD) and OTP Bank acted as Mandated Lead Arrangers and Eurobank Bulgaria, International Investment Bank and United Bulgarian Bank acted as Lead Arrangers.*

#### 12. EUROHOLD HAS INCREASED THE CAPITAL OF EASTERN EUROPEAN ELECTRIC COMPANY II B.V.

With the funds raised from the successfully completed capital increase, Eurohold Bulgaria AD increased the capital of its subsidiary Eastern European Electric Company II B.V. The increase was made in accordance with the applicable provisions of Dutch legislation through a cash contribution of EUR 65,600,000 through the issuance of ,000 new shares with a nominal value of EUR 1, the difference being placed in the premium reserve.

For its part, the Eastern European Electric Company II B.V. makes an additional contribution to the capital of its subsidiary European Electric Company III B.V. in the amount of EUR 160,600,000, which according to the applicable

Dutch legislation is allocated as a premium reserve to the existing units, without new units being issued and subscribed.

European Electric Company III B.V. in turn makes an additional contribution to the capital of its subsidiary European Electric Company B.V. in the amount of EUR 160,600,000, which according to the applicable Dutch legislation is allocated as a premium reserve to the existing units, without new units being issued and subscribed.

### 13. CHANGE IN THE STRUCTURE OF THE SUBSIDIARY OF EUROHOLD BULGARIA AD COMPANY EASTERN EUROPEAN ELECTRIC COMPANY II B.V.

In July 2021 the company Eastern European Electric Company III B.V. was established, which as of the date of the prospectus is 100% owned by the subsidiary of Eurohold Bulgaria AD company Eastern European Electric Company II B.V.

According to the current structure "Eastern European Electric Company III" BV is the sole owner of the capital of the Eastern European Electric Company B.V.

### 14. EUROHOLD ATTRACTED OVER BGN 157 MILLION (EUR 80.5 MILLION) THROUGH A PUBLIC OFFERING OF NEW SHARES

7 July 2021 was the deadline for subscription of shares from the capital increase of Eurohold Bulgaria AD, as the company attracted over BGN 157 million (EUR 80.5 million) through a public offering of new shares on the Bulgarian Stock Exchange (BSE). The capital increase took place between 9 June and 7 July 2021, with nearly 63 million new shares subscribed and paid, as a result of which Eurohold raised approximately 24% more than the required own funds (EUR 65 million) for the acquisition of CEZ Group companies in Bulgaria and increased its capital to 260.5 million shares. The majority owner of the holding - Starcom Holding AD, has subscribed and paid for nearly 47 million new shares, and will retain control in the company with over 50% stake.

The new issue of shares from the capital increase of Eurohold Bulgaria AD in the amount of 62,974,400 shares with a nominal value of BGN 1 was entered in the Commercial Register at the Registry Agency on 13.07.2021, as they were admitted to trading on regulated on the Bulgarian Stock Exchange, actions have been taken to admit the newly issued shares to trading and the Warsaw Stock Exchange (WSE).

#### PARAMETERS OF CAPITAL INCREASE

On 10.04.2021, the General Meeting of Shareholders of Eurohold Bulgaria AD adopts a resolution to increase the capital of the company with the following parameters:

A capital increase from BGN 197,525,600 (one hundred ninety-seven million five hundred twenty-five thousand six hundred) to BGN 276,535,840 (two hundred and seventy-six million five hundred and thirty-five thousand eight hundred and forty) through issuance of a new issue of shares under the terms of a public offering pursuant to the provisions of the Public Offering of Securities Act. The new issue consists of 79,010,240 shares of the same type and class as the existing issue of shares of the company, namely: dematerialized, registered, non-preferred, with the right to 1 (one) vote in the general meeting of the shareholders of the company, with the right to dividend and right to liquidation share, proportionate to the nominal value of the share. The nominal value of each share is BGN 1.00 (one). The issue value of each share is BGN 2.50 (two and 0.50).

Minimum admissible amount of the raised capital - at least 31,604,096 shares are subscribed and fully paid, representing 40% (forty percent) of the offered shares.

The capital will be increased only with the value of the subscribed and fully paid shares, equal to or exceeding the indicated minimum admissible amount of the raised capital, whereby the public offering is considered successfully completed. It is not possible to subscribe for shares above the maximum admissible amount of the capital announced for raising amounting to 79,010,240 shares.

The main goal of the increase is to use the funds raised to finance the acquisition of energy companies owned by CEZ in Bulgaria.

The public offering manager was the leading investment intermediary in Bulgaria - Euro-Finance AD, and Renaissance Capital was engaged only in its capacity as a financial consultant for the issue.

*The prospectus for capital increase Eurohold Bulgaria AD was approved by the Financial Supervision Commission (FSC) on April 29, 2021.*

### 15. EUROHOLD'S AUTO HOLDING AGREED TO SELL THE DEALER OF NISSAN, RENAULT AND DACIA AUTO BRANDS IN BULGARIA

The automotive holding of Eurohold Avto Union AD has agreed the sale of its subsidiary N Auto Sofia EAD. N Auto Sofia EAD is a major dealer in Bulgaria of the Nissan brand and controls 51% of the capital of Espace Auto, the largest distributor in Bulgaria of Renault and Dacia cars. The company also owns 51% of EA Properties OOD, which owns the terrain and showroom of Nissan, Renault and Dacia in Sofia. The transaction was finalized after approval by the Commission for Protection of Competition on 15.07.2021, and the transfer of ownership was entered in the Commercial Register at the Registry Agency on 20.08.2021.

The deal is part of Eurohold's development strategy that provides for the sale of the automobile and leasing business and focus on the insurance and energy business lines.

16. IN JUNE 2021, EUROHOLD BULGARIA AD PRESENTED ITS DEVELOPMENT STRATEGY

Eurohold Bulgaria AD presented its strategy for development in the energy and insurance business and the goals for the consolidated financial results of the group for the period 2021-2025 after the acquisition of the companies of CEZ Group in Bulgaria.

According to the development strategy, Eurohold Bulgaria AD will focus on the energy and insurance business, as well as on the activity of investment intermediation and asset management, while the automotive and leasing business remain outside the target priorities of the Holding.

The strategy is available at the following link:

<https://www.eurohold.bg/files/documents/articles/b59ca01996f58bea50d239ca4bad21fa.pdf>

## STRATEGIC FOCUS AND TRENDS

### STRATEGIC FOCUS

#### **Strategic goals for entering new regulated business sectors through acquisition of assets**

2019 provided a good perspective for the realization of the medium and long-term goals of Eurohold, namely diversification of the investment portfolio, reduction of market risk and the risk of economic cyclicity through the acquisition of the Bulgarian energy business owned by the Czech energy group CEZ.

The entry and strategic expansion in the medium term in the energy sector of Bulgaria and Southeast Europe would have an effective impact, both on reducing the concentration of the group in the insurance sector and on increasing the sustainability of the Group's revenues in economic crises and recessions as currently worldwide, crisis caused by the COVID-19 pandemic.

With the acquisition of energy companies owned by CEZ in Bulgaria, Eurohold Bulgaria AD aims to create a strong regional company within the holding on the model of Euroins Insurance Group AD (one of the largest insurance groups in Southeast Europe) and the opportunity to diversification of its investment portfolio.

With the acquisition and integration of CEZ Group's assets, Eurohold will provide services to more than 7 million customers and will have over 6,000 employees in 11 countries in Central, Eastern and South-Eastern Europe (CEEC). The acquired energy companies have over 3,000 employees and serve nearly 3 million consumers, including in the most populated southwestern part of the country and the capital Sofia. Prior to the transaction, Eurohold had more than 3,000 employees and provided services to about 4 million customers in 11 countries in CEECE and the former USSR, mainly through its insurance subholding Euroins Insurance Group AD (EIG).

#### **Strategic investment**

The investment in the CEZ's assets in Bulgaria is a strategic investment for Eurohold (referred to in this report as CEZ energy companies), which is important for the strategic positioning of the Holding, as well as of its subsidiaries.

#### **Acquired companies:**

- » CEZ Distribution Bulgaria AD - an electricity distribution company
- » CEZ Electro Bulgaria AD - a public electricity supply company and a licensed trader
- » CEZ ICT Bulgaria EAD - IT services company (a subsidiary of CEZ Distribution Bulgaria AD)
- » Free Energy Project Oreshets EAD – a photovoltaic park
- » Bara Group EOOD - biomass electricity production
- » CEZ Bulgaria EAD - coordinates and manages the activities of all companies of the group in the country

## **INFORMATION ON ANY KNOWN TRENDS, UNCERTAINTIES OR EVENTS THAT ARE LIKELY TO HAVE SIGNIFICANT IMPACT ON PROSPECTS OF THE GROUP EUROHOLD AT LEAST FOR THE NEXT YEAR 2022**

The prospects of the Eurohold Group for the next financial year can be reduced to the greatest extent to the integration of the companies acquired by the energy holding in the structure of Eurohold, as well as to organic growth and improvement of the operating return of the insurance companies.

### ***Energy***

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The acquired Assets of CEZ in Bulgaria will have a significant positive effect on the future development of the group and will contribute to the improvement of the consolidated results of Eurohold Bulgaria AD, as well as the realization of higher volumes of newly generated business, resp. Operating income. This will have a positive effect on the Group's financial condition, including significantly improved consolidated financial ratios and indicators of total liquidity, return on income, return on equity, and greater financial autonomy. In addition, the acquisition will have a positive effect on the long-term credit rating of Eurohold Bulgaria, which will lead to an improvement in the financial condition and risk profile of the Eurohold Group.

The acquisition of CEZ's assets in Bulgaria is a good market opportunity for the implementation of the medium and long-term plan of Eurohold Bulgaria AD, namely portfolio diversification, market risk reduction and increasing the share of regulated markets, which will lead to higher accuracy in forecasting of cash flows and more stable returns. The acquired companies of the CEZ Group in Bulgaria are the largest distributor of electricity in the country, covering an area of about 40,000 sq. km, serving over 3 million consumers. Given the significant customer base of the acquired companies, this transaction is important for the strategic positioning of Eurohold, as well as its subsidiaries.

The strategy for development of the energy business envisages the implementation of the investment program of the energy companies focused in the following areas: Customer service and satisfaction; Renovation and maintenance of the electricity transmission network; Renewable sources and energy efficiency; Innovation and technology.

The intention of Eurohold Bulgaria AD is to turn Eastern European Electric Company B.V. in a regional utility company in the country in terms of sustainability and customer satisfaction. The company undertakes a clear commitment to invest in technology and digitalization of processes to improve the efficiency of energy companies while maintaining financial stability and compliance with regulatory norms, as well as by ensuring continuity in the operational management of assets subject to acquisition.

Regarding the developed strategy for the operational activity of the energy companies, Eurohold intends to manage and follow their existing business plans, maintaining the focus and investment program approved by the Energy and Water Regulatory Commission (EWRC). The investment program is aimed at building a more efficient electricity distribution network, which will lead to a reduction of technical losses in the electricity transmission network, better customer service and a potential reduction in the price of electricity for end users.

### ***Insurance***

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Regarding the insurance business, Eurohold's strategy envisages organic growth and improved return on operating activities in Romania and Bulgaria. The focus will be on the development of: products; distribution with attention to online sales channels; and international expansion with a focus on organically growing business in the current regions and expanding the activity in other markets under the law on Free Provision of Services.

The development of the insurance companies is aimed at sustainability and organic growth of the market positions of the insurers, by developing new products, both in existing classes of insurance and in the development of new combined insurances in order to diversify the insurance portfolio, meeting the changed expectations of the clients. and in line with the changed business environment, strengthening processes for the exchange of know-how in management, business and corporate practices between companies, as well as focusing on the digitalization of the entire system and online product offering.

## Finance

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The investment intermediary Euro-Finance will continue its sustainable development, expanding its market position and generating revenue growth.

The investment intermediary Euro-Finance fully digitalized its activity, updated and modernized the company's corporate website. Special attention is paid to expanding the presence of Euro-Finance in the Internet space and reaching a wider range of potential clients by promoting the products and services of the investment intermediary.

In 2020 Euro-Finance AD has expanded the range of services it offers to its individual and institutional clients, entering into a strategic partnership with Europe's leading asset management company - Amundi Asset Management. Through Euro-Finance AD, investors can subscribe for units and savings plans from a wide range of funds managed by Amundi Asset Management. In order to reach the widest possible range of potential customers and in order to maximize sales, the company's management is considering in 2021 to sign contracts with the so-called. tied agents to start "pilot" offering the funds of Amundi, and subsequently the other services provided by Euro-Finance AD.

Following the motto "Making capital markets more accessible", Euro-Finance AD continues to work on the project for developing a mobile application of the e-commerce platform EFOCS. It is expected that in 2021 the application will be offered in a version for Android, and in early 2022 - for iOS. The management team of Euro-Finance AD believes that the combination of competitive trading conditions on the Bulgarian Stock Exchange (BSE) and FWB Xetra and an easy-to-use mobile trading application will help to significantly increase the intermediary's share in servicing individual clients in the field of financial services in the local market.

## Automotive and leasing

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Trends for the currently existing automotive and leasing businesses reduce the impact of COVID-19 on their operations in 2020, with the impact on these businesses expected to be significantly more limited next year in 2022.

*At the same time, given the entry into a new sector market, namely the energy market, and the need for significant resources, both human and financial, for its integration in order to implement the investment program of the acquired companies, the automotive and leasing divisions of the Group do not represent a target priority in the development strategy of the Eurohold Group. This circumstance implies that, in the event of a good investor proposal, it is possible to implement a transaction for the sale of the business unit(s) of these divisions. In this regard, the automotive subholding of Eurohold Bulgaria AD, Auto Union AD, sold its subsidiary N Auto Sofia EAD. "N Auto Sofia EAD is the main dealer in Bulgaria of the Nissan brand and controls 51% of the capital of Espas Auto, the largest distributor in Bulgaria of Renault and Dacia brand vehicles. The company also owns 51% of EA Properties Ltd, which owns the Nissan, Renault and Dacia site and showroom in Sofia. The transaction has been finalized after approval by the Commission for Protection of Competition, and was registered in the TR on 20.08.2021. At a later stage - mid-November 2021, Auto Union AD signed a preliminary agreement for the sale of its subsidiary Star Motors Ltd - the official importer of Mazda brand vehicles for Bulgaria and the Republic of North Macedonia. At present, the Commission for Protection of Competition has published a decision on 14.01.2022 authorizing the merger and the transaction is expected to be finalized shortly.*

*In addition, in a short period of time it is possible that Eurohold Bulgaria AD will divest other companies from its automotive and leasing divisions, which will enable it to focus on its insurance and energy businesses.*

There are no known other trends, fluctuations, requirements, commitments or events that are reasonably likely to have a material effect on the operations and financial position of the Eurohold Group for at least the next financial year in the segments in which it operates.

## GROUP FINANCIAL RESULTS OVERVIEW AS OF 31.12.2021

### SUMMARY

#### ***Eurohold Bulgaria reports strong growth in all indicators for 2021.***

In 2021, the Eurohold Group remained stable with strong sales, operating margin and cash flow. These results show that we are moving in the right direction to achieve sustainable and profitable growth.

Operations continued to be affected (to varying degrees depending on the segment in which they operate) by the Covid-19 pandemic, negative business impacts and numerous challenges faced by operating companies caused by the impact of reduced economic and customer activity, supply chain disruption and/or other factors. However, Eurohold has already recovered its pre-COVID pandemic positions in insurance, finance and leasing. Only the performance of the automotive business is still lagging, on the one hand due to Covid-19 and on the other hand due to the companies sold in mid-2021 - some of the largest dealers of the Nissan, Renault and Dacia brands in the country.

The Group's financial performance remained robust, with all segments in which we operate posting solid revenue growth, including insurance, up +70%, leasing +23% and investment activities +30%.

Overall, in 2021, we continued to work hard on our transformation, with all our business segments working hard on digitising processes and developing digital and digital channels for sales and customer follow-up.

#### ***! An important emphasis***

*Eurohold Group's consolidated results and financial position for the fourth quarter of 2021 will differ materially from the comparative periods.*

*The main reason for this is the acquisitions of the energy subholding in the Eastern Europe Electric Company II B.V. group. (EEEC II) companies operating in the field of energy and their reporting in the consolidated financial statements of Eurohold Bulgaria AD*

*It is important to note that in the consolidated financial statements of Eurohold as of 31.12.2021 it reports:*

- *partially the achieved results of operations and generated profits of the newly acquired energy companies only for the period from the date of acquisition to the end of the reporting period, namely from August 1, 2021 (date accepted for accounting purposes) until 31 December 2021 and*
- *entirely assets, liabilities and cash flows at the end of the reporting period 31 December 2021.*

The specific financial results of our operations are set out in the following analysis.

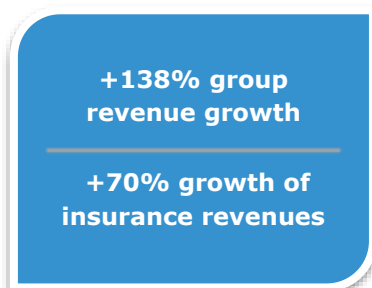
## CONSOLIDATED FINANCIAL RESULT

Eurohold Group reported a consolidated operating result of BGN 412 million for the fourth quarter of 2021. The achieved operating result is 482% higher than the one reported for the comparable period of 2020. This significant increase in operating performance is due both to the positive results achieved by all of the Group's businesses and the consolidation of the newly acquired companies in the Energy segment. The net financial result for 2021 is a profit of BGN 114 million. The profit attributable to the owners of the parent company amounts to BGN 95 million and for the non-controlling interest a profit of BGN 19 million. In comparison, in the comparable period of 2020, the Group generated a net financial result of BGN (43.5) million, of which that attributable to the owners of the parent company amounted to BGN (43.8) million and that of the non-controlling interest BGN 0.3 million.

During the period under review, the factors impacting the group financial result were mainly related to the impact of Covid-19 on the group's business (mainly automotive and leasing business), actions taken by the management of the subsidiaries to minimize the negative impact of the pandemic and support our customers with flexible and tailored solutions, increase in our expected credit losses and increase in insurance reserves, all of which resulted in the realization of additional costs and losses.

Despite the continuous efforts made to manage the unprecedented situation, there are also factors beyond the control of the Group companies' managements. This is confirmed by some of our businesses that were significantly affected by the epidemic emergency and suffered significant losses. These are mainly companies whose operations are related to one of the most affected sectors - the tourism sector, namely those operating in the leasing sector, and in particular those offering short and long-term leasing (rent-a-car and operating lease) of cars, as well as our insurance company in Ukraine specialising in offering insurance related to tourism. The other severely affected sector is the Automotive division, which is still unable to recover its sales to the pre-pandemic level, despite the reported growth in sales of some of the car companies.

## REVENUES



Revenues on a consolidated basis are formed by the activities of the subsidiaries and the individual activity of Eurohold Bulgaria, related to the acquisition and management of participations and financing of subsidiaries.

The total group revenues for the nine months of 2021 amount to BGN 3.76 billion, which marks a growth of 138% compared to the realized consolidated revenues for the same period in 2020, when they amounted to BGN 1.58 billion.

### Realized revenues by segments

- » The insurance division recorded the most significant increase in absolute terms of its operating income in segmental performance, amounting to nearly BGN 1 billion. (+70%). Revenues generated by insurers for 2021 total BGN 2.35 billion, of which the participating at consolidated level (Eurohold Group) gross premiums written from insurance amount to BGN 1.36 billion, with a 49% growth recorded on this indicator. For the same period in 2020, the Group's insurance revenues amounted to BGN 1.38 billion, of which gross premiums written amounted to BGN 0.91 billion.
- » The Energy business enters with partial results in the consolidated statement of Eurohold with revenues of BGN 1.21 million generated for five months, namely for the period from 1 August 2021 (the date of acquisition of the CEZ companies) to 31 December 2021.
- » The Automotive Group achieved a decrease in its operating income by BGN 5.4 million, with total income of this business line amounting to BGN 157 million. (-3%). Eurohold's automotive division, Auto Union plc, reported a good performance for the first nine months of the current year (with 17% growth in its revenues), against the backdrop of revenue declines of between 40% and 30% in Q2, Q3 and Q4 2020. However, at the end of 2021, it reports a decline in this indicator due to the exit from the Group (with an effective date of 02.08.2021) of three major revenue generating companies.

Overall, the automotive business was severely impacted by the adverse impact caused by the measures taken to contain the pandemic and the reduced economic activity, production disruptions

in the automotive industry, the disrupted supply chain in 2020 with a positive trend and a resumption of consumer activity during the reporting period.

It is important to report that Auto Union plc in the third quarter negotiated and finalized a deal to sell the Nissan, Renault and Dacia brand car dealerships, as well as the company owning the showroom and service facility where these dealers operate. It also negotiated the sale of the Mazda dealership after the reporting period date (early November) and the transaction is expected to be finalised shortly following CPC approval. Separately, in connection with Eurohold's new strategic priorities, other divestments of companies in the automotive segment are possible in the near term. These circumstances in future reporting periods will result in an even greater reduction in the number of vehicles sold and a lower growth or even a decline in revenues from core business compared to the corresponding comparable period.

- » The leasing business was also able to offset the negative effect on its operations and realise a 23% increase in operating income, reporting total operating income of BGN 26.6 million. Companies in the leasing segment, similar to the automotive segment, are not a priority for Eurohold (following the acquisition of CEZ's energy companies) and it is possible that sales of companies in the leasing subholding will be negotiated in the near future.
- » Finance & Investment continued to follow its strong performance in 2021 and in the reporting period, reporting revenue growth of +30% after realising BGN 10.3 million in operating income. For 2020, Euro-finance has reported BGN 7.9 million in operating income.
- » Eurohold Bulgaria, as a holding company, does not engage in regular commercial transactions and/or services. The holding company's principal (operating) income is financial in nature, the most significant of which - gains on transactions in financial instruments and subsequent valuations - occur in different reporting periods and are not permanent. For the reporting period, the Company generated revenues of BGN 1.4 million compared to BGN 3 million in 2020.

Following the acquisition of the energy companies, there has been a shift in the revenue structure, with the insurance business accounting for a major share of total revenue in 2021 at 62.5% (87.6% for 2021), followed by the energy business at 32.3% (despite only five months of reported revenue), and the automotive division remaining at 4.2% (10.3% for 2020). At the same time, revenues from the leasing business took a 0.7% share (1.4% for 2020), those from the finance and investment business a 0.3% share (0.5% for 2020) and those from Eurohold's individual business a 0% share (0.2% for 2020).

## OPERATING EXPENSES

**+122% growth of  
group operating  
expenses**

**+60% growth of  
operating expenses  
from Insurance**

The reported operating expenses of BGN 3.31 billion exceeded the expenses for the previous period by BGN 1.83 million.

The Group's operating expenses directly reflect changes in the business volumes of the companies reported in Eurohold's consolidated financial statements.

The main generator of the growth recorded is the expenses generated by the insurance group with an increase of BGN 818 million. (+60%) for the reporting period, bringing total insurance costs to BGN 2.17 billion compared to BGN 1.35 billion in 2020.

The Energy Group reported expenses from core business of BGN 1.03 million.

The automotive group's expenses increased by BGN 16 million. (-11%) and amounted to BGN 122.6 million, while in the previous period their amount was BGN 138.3 million.

The leasing group reported operating expenses of BGN 8.9 million, representing an increase of nearly 16% compared to the expenses for 2020, when their value was BGN 7.7 million. This amount also includes the interest expenses of the leasing companies reported for the year, amounting to BGN 3.6 million, which represent an operating expense due to the nature of their activities. The leasing business is accompanied by high levels of interest expense due to the specific nature of financing with borrowed capital, the amount of which is relative to the amount of business generated for the period.

The cost structure is identical to the distribution of revenues and is also directly dependent on the type and size of the businesses concerned, their growths or declines. The analysis shows that 65% of group operating expenses are taken up by the insurance business (89.8% for 2020), 30.8% by the newly formed energy business, and 3.7% by the automotive business (9.2% for 2020).

## CONSOLIDATED OPERATING RESULT (GROSS PROFIT) BY SEGMENTS

000'BGN	Insurance	Energy	Automotive	Leasing	Investment banking	Parent company	Group's gross profit
30.09.2021	176 581	179 764	34 612	17 691	2 772	336	<b>411 756</b>
30.09.2020	29 998	-	24 383	13 926	1 223	1 178	<b>70 708</b>
<b>Change 000'BGN</b>	<b>146 583</b>	<b>179 764</b>	<b>10 229</b>	<b>3 765</b>	<b>1 549</b>	<b>-842</b>	<b>341 048</b>
<b>Change %</b>	<b>489%</b>	<b>-</b>	<b>42%</b>	<b>27%</b>	<b>127%</b>	<b>-71%</b>	<b>482%</b>

As the largest business unit, the insurance group has the largest impact on the group's gross profit. For 2021, insurers report gross profit growth of BGN 177 million representing a change of +489%. In addition, the energy segment adds BGN 180 million to the gross result. Group gross profit recorded an increase of 482% and amounted to BGN 412 million compared to BGN 71 million in 2020.

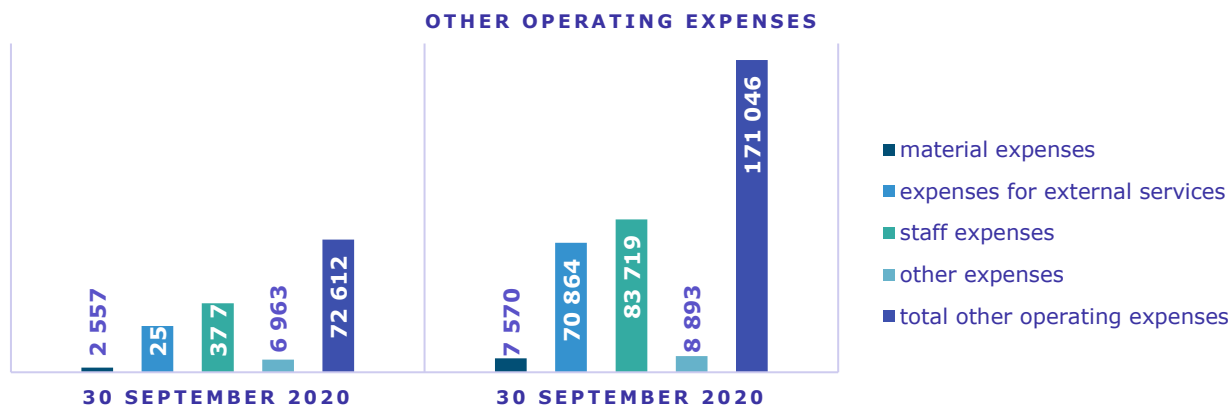
## OTHER CONSOLIDATED RESULTS

000'BGN	Other income/expenses net	Net financial income/expenses	Depreciation expenses	Tax expenses	Total for the Group
30.09.2021	(174 019)	(53 305)	(60 210)	(10 088)	<b>(297 622)</b>
30.09.2020	(69 243)	(21 115)	(20 683)	(3 210)	<b>(114 251)</b>
<b>Change 000'BGN</b>	<b>-104 776</b>	<b>-32 190</b>	<b>-39 527</b>	<b>-6 878</b>	<b>-183 371</b>
<b>Change %</b>	<b>151%</b>	<b>152%</b>	<b>191%</b>	<b>214%</b>	<b>160%</b>

- ⇒ **Other income/expenses** of the Group (presented on a net basis) increased by 151% for the period and amounted to BGN (174) million, the change in absolute value amounted to BGN 104.8 million, of which BGN 84,2 million was due to the newly acquired energy business. Included in this summary item are the following items: '(Other income/(expenses), net'; 'Other operating expenses'; '(Accumulated)/reversed impairment loss on financial assets, net'.

### Analysis of other income/expenses, net:

- » Other income amounts to BGN 6.5 million and mainly represents funding received in 2021 of BGN 2 199 thousand for the Automotive Business (31/12/2020: BGN 2 240 thousand) and BGN 257 thousand for the Leasing Business (31/12/2020: BGN 227 thousand) in relation to addressing the impact of the Covid-19 pandemic under the Government's Employment Retention Programme "Payment of compensation under Art. (3) of P.M. No. 55/30.03.2020 to an employer who has established part-time work under Article 138a(2) of the Labour Code", publicised as Measure "60/40". The remaining BGN 4 million were allocated to the "Part-time employment" measure. Other revenues are of the energy business.
- » Other operating expenses amount to BGN (171) million and represent the sum of: material costs, external service costs, remuneration costs and other expenses, the values of each of which are shown in the chart below:



The contribution of the energy business to other consolidated operating expenses amounted to BGN 81.2 million.

- » (Accumulated)/reversed impairment loss on financial assets, net amounted to BGN (9.5) million, while for the same period of 2020 the net amount of impairment of financial assets was BGN (0.9) million. The increase in impairments is mainly attributable to the energy business, which reported BGN 7 million (31.12.2008: BGN 4 million). (accrued) impairment loss on financial assets.

⇒ **Financial income/expenses, include:** financial expenses; financial income and net effect of exchange rate changes. For 2021, their total net amount is BGN (53) million, showing an increase of 152% compared to the comparative period.

Financial expenses summarize interest expenses, interest expenses on usable assets and other financial expenses.

**Interest expenses** account for 85% of all financial expenses. Included in the interest expense amount are the respective expenses of the insurance, energy and automotive sectors as well as the parent company. For the period from 1 January to 31 December 2021, the amount of reported interest expenses amounted to BGN 46.6 million and increased by BGN 26 million compared to the comparable period.

The largest interest expense is reported by the energy business with BGN 21.9 million of accrued interest expense, which for the most part represents interest of the three holding companies uniting the energy business in the Group on borrowings in connection with the acquisition of the assets of CEZ in Bulgaria.

The Parent Company (Eurohold Bulgaria plc) recorded BGN 17 million of interest expense with an increase of 21% in relation to interest-bearing borrowings raised in previous reporting periods to pursue the expansion of the insurance group, including new acquisitions of companies from the insurance subholding in the Central and Eastern Europe region, as well as for equity investments related to increases in the share capital of subsidiaries. The noted increase in interest expense is primarily due to an increase in the value of bank loan payables in connection with a new loan drawn down and a bond issued in the second half of 2020.

The Automotive Group uses borrowed capital for working capital and bank guarantees for deferred payment. The amount of these borrowed funds is determined by the growth of the automotive business, transactions with corporate customers, inventories - vehicles and spare parts, etc. For the period under review, the interest expense of the Automotive Group amounted to BGN 1.8 million compared to BGN 1.4 million in the corresponding period of 2009.

The insurance business does not require borrowing, therefore the interest expense reported by this business line represents a borrowing of the Euroins Insurance Group subholding company. For the period under review, interest expense reported by the insurance subholding amounted to BGN 5.7 million, with an increase of 38% in relation to an increase in subordinated debt capital at the end of 2020 and subsequently reduced in the second half of 2021.

## RESULTS BY TYPE OF ACTIVITY ON NON-CONSOLIDATED BASE

### (BEFORE ELIMINATION)

The following tables present information on the realized revenues and results of the subsidiaries as of September 30, 2021 compared to December 30, 2020 before eliminations by segments.

Total revenue by segments			
Segments	Change	30.09.2021	30.09.2020
	%	000'BGN	000'BGN
Insurance, incl.	22.1%	1 292 492	1 058 559
- gross written premiums	25.7%	829 993	660 499
Energy	-	328 017	-
Automotive business	16.2%	140 755	121 175
Leasing services	17.8%	19 289	16 370
Asset management and brokerage services	37.1%	9 078	6 622
<b>Total subsidiaries</b>	<b>48.8%</b>	<b>1 789 631</b>	<b>1 202 726</b>
Parent company	-36.3%	1 420	2 230
<b>Total without eliminations</b>	<b>48.6%</b>	<b>1 791 051</b>	<b>1 204 956</b>
<i>Intragroup eliminations</i>	-9.6%	(8 013)	(8 862)
<b>Total revenue</b>	<b>49%</b>	<b>1 783 038</b>	<b>1 196 094</b>

EBITDA			
Segments	Change	30.09.2021	30.09.2020
	%	000'BGN	000'BGN
Insurance	98.2%	18 613	9 390
Energy	-	27 987	-
Automotive business	242.2%	21 400	6 254
Leasing services	23%	4 942	4 019
Asset management and brokerage services	2345%	2 225	91
<b>Total subsidiaries</b>	<b>280.5%</b>	<b>75 167</b>	<b>19 754</b>
Parent company	5118%	(5 375)	(103)
<b>Total without eliminations</b>	<b>255%</b>	<b>69 792</b>	<b>19 651</b>
<i>Intragroup eliminations</i>	18.3%	(1 829)	(1 546)
<b>Total EBITDA</b>	<b>275.4%</b>	<b>67 963</b>	<b>18 105</b>

Financial result			
Segments	Change	30.09.2021	30.09.2020
	%	000'BGN	000'BGN
Insurance	1539.5%	7 509	458
Energy	-	288	-
Automotive business	3634%	15 269	(432)
Leasing services	133.7%	96	(285)
Asset management and brokerage services	-2400%	2 024	(88)
<b>Total subsidiaries</b>	<b>-7358%</b>	<b>25 186</b>	<b>(347)</b>

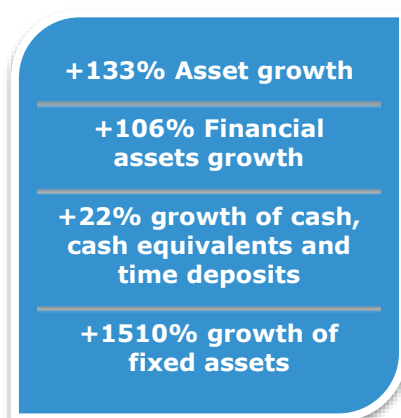
Parent company	72%	(20 657)	(12 008)
<b>Total without eliminations</b>	<b>-136.7%</b>	<b>4 529</b>	<b>(12 355)</b>
<i>Intragroup eliminations</i>	<i>-64.4%</i>	<i>(176)</i>	<i>(494)</i>
<b>Total financial result</b>	<b>-133.9%</b>	<b>4 353</b>	<b>(12 849)</b>

The revenues from the activities of the Eurohold Group companies recorded a significant growth of 48.8%, with an increase of BGN 587 million before intra-group settlements. The parent company's revenue amounted to BGN 1.4 million. As of 30.09.2021 the amount of eliminated intercompany settlements amounts to BGN 8 million.

Realized earnings before interest, taxes, depreciation and amortization (EBITDA) of the subsidiaries increased during the reporting period by 280.5% or in numerical terms by BGN 55.4 million before taking into account the result of the parent company and intra-group eliminations (BGN 1.8 million).

The total financial results of the Group companies before intra-group eliminations amounted to a profit of BGN 25.2 million with an increase of BGN 25.5 million in this indicator. (Before parent company result).

## FINANCIAL CONDITION



### Assets

By the end of 2021, the Eurohold Group companies have achieved a 133% increase in consolidated assets, which at the end of the reporting period amounted to BGN 3.79 billion compared to BGN 2.16 billion as of 31 December 2020.

The significant increase in Group Assets is mainly due to the transaction finalized at the end of July for the acquisition of the CEZ energy companies in Bulgaria and their consolidation as of 31.12.2021 into the Eurohold Group.

Consolidated assets can be summarized in the following balance groups: Receivables; Financial assets; Cash, cash equivalents and time deposits, non-current tangible and intangible assets; Inventories; Investments in associates and other financial investments; Deferred tax assets and Goodwill.

- ⇒ The total amount of receivables, including current and non-current receivables increased by BGN 1 billion for the reporting period compared to the end of 2020, reaching BGN 1.91 billion, of which current receivables amounted to BGN 1.83 billion. (BGN 0.79 billion at the end of 2020).

### Current receivables by types:

- » The largest share of current claims is the share of reinsurers in technical reserves, which amounts to BGN 1 billion and increases by BGN 0.54 billion. (+104%).
- » Receivables from insurance operations amounted to BGN 188.7 million compared to BGN 149 million as of 31 December 2020 reporting an increase amounting to 26%.
- » Trade receivables increased most significantly (+809%) from BGN 45.6 million to BGN 415 million after impairment charge. Trade receivables represent mainly:
  - receivables from customers and suppliers in the amount of BGN 362.8 million. (+2056% growth), of which BGN 350.2 million are to the new energy business, BGN 9.8 million to the automotive group and BGN 2.8 million to the leasing group;
  - finance lease receivables amounting to BGN 30.7 million, increasing by BGN 6.4 million at the end of the reporting period;
  - advances of BGN 21 million; and
  - other trade receivables of BGN 0.06 million.
- » Other current receivables after impairment also grew by BGN 94.3 million, reaching BGN 162.7 million. The main reason for this increase is the consolidation of BGN 94.2 million of other receivables of the energy business.

### Non-current receivables:

The non-current receivables amounted to BGN 82.4 million after impairment, with a slight increase of BGN 31.2 million. They represent mainly receivables under finance leases in the amount of BGN 51.2 million.

- ⇒ Financial assets as at 31 December 2021 held by Eurohold Group companies show an increase of BGN 75.9 million compared to the end of 2020, with their carrying amount at the end of the current period equal to BGN 417.9 million.

Financial assets are mainly held by the insurance companies and amount to BGN 373 million, of which: BGN 76 million are government securities; BGN 82 million are corporate bonds; equity investments carried at fair value through profit or loss amount to BGN 176 million; and other financial assets carried at amortised cost amount to BGN 39 million.

- ⇒ As at 31 December 2021, the Eurohold Group had unrestricted cash and deposits with banks totalling BGN 190 million, an increase of BGN 97 million compared to the end of 2020. Of this, cash and cash equivalents amount to BGN 156.7 million compared to BGN 68.8 million at the end of 2020, including cash of BGN 2.6 million. The cash amounted to BGN 2.6 million (BGN 3.6 million at the end of 2020).

- ⇒ Non-current tangible and intangible assets are allocated to the following asset groups:

*Non-current assets show a significant growth in connection with the consolidation of the fixed tangible assets of the energy companies, totalling BGN 916.2 million as of 31 December 2021. (BGN 109.6 million at the end of 2020), including:*

- Machinery, plant and equipment - BGN 752 million. (BGN 46.7 million at the end of 2020), of which BGN 662.6 million are owned by energy companies;
- Land and buildings (own) - BGN 117.7 million. (BGN 14.5 million at the end of 2020), of which BGN 110.3 million are owned by energy companies;
- Land and buildings (rights of use) - BGN 44.4 million. (BGN 38.7 million at the end of 2020), of which BGN 13 million are owned by energy companies;
- Transport assets - BGN 39.3 million. (BGN 39.2 million at the end of 2020), of which BGN 8.3 million are owned by energy companies;
- Business inventory and other fixed assets - BGN 5.6 million. (BGN 3.6 million at the end of 2020), of which BGN 2.3 million are of energy companies;
- Expenditure on acquisition of fixed assets - BGN 39.6 million. (BGN 0.9 million at the end of 2020), of which BGN 39.3 million are of energy companies;
- Investment property - BGN 2 million. (BGN 9.7 million at the end of 2020);
- Intangible assets amount to BGN 22 million. (BGN 4.4 million at the end of 2020);

- ⇒ Inventories held by the companies in the group amount to BGN 34.7 million (2020: BGN 34.7 million). (BGN 26.6 million at the end of 2020), the main part of which belongs to the energy companies - BGN 21.9 million and the automotive division - BGN 10.4 million representing vehicles and spare parts in stock.

- ⇒ Investments in associates and other financial investments are held by the insurance group (BGN 8.6 million) and the investment intermediary Euro-finance S.A. (BGN 2.4 million).

Eurohold Bulgaria AD, including its subsidiaries, has no assets that are carried off-balance sheet.

## EQUITY AND LIABILITIES

+195% growth of Equity

+236% growth of Liabilities

+68% growth of insurance reserves

### Equity

Eurohold Bulgaria's total consolidated equity is BGN 398.1 million, up BGN 263 million compared to 31 December 2020. This includes equity belonging to the parent company of BGN 219.4 million, while equity belonging to the non-controlling interest amounts to BGN 178.7 million. In comparison, at the end of 2020, the capital belonging to the parent company amounted to BGN 105.8 million, while the capital belonging to the non-controlling interest amounted to BGN 29.1 million.

The substantial increase in Eurohold's capital is attributable to the successful share capital increase in mid-2021, whereby 63 million new shares with a nominal value of BGN 1 were subscribed for at an issue value of BGN 2.5, with the difference between the issue value and the nominal value of BGN 94.5 million taken to premium reserves on the issue of securities.

Eurohold's share capital as of 31 December 2021 increased to BGN 260.5 million, while before the increase the same amounted to BGN 197.5 million.

### Subordinated debts

In support of equity, the Group holds subordinated debt instruments amounting to BGN 41.6 million, which decrease in amount compared to 31.12.2020 by BGN 35.3 million. The subordinated debt instruments are allocated as follows:

- » **Insurance business** - total subordinated debt instruments amounting to BGN 34 million. (BGN 44 million at the end of 2020), of which:
  - Issued subordinated debt instruments in the form of a debenture loan which was issued on 18 December 2014 in the form of 100 cash, subordinated, unsecured debentures at the date of issue with a nominal amount of EUR 100 thousand each. The agreed amount is EUR 10,000 thousand (BGN 19,558 thousand) maturing on 18 December 2021. The initial interest rate is 13% plus 3-month Euribor, subsequently reduced to 9.75% plus Euribor and payable at the end of each half-year. The debt is repaid in full in early 2022.
  - Tier 1 capital is in the form of subordinated term debt with Starcom Holding S.A. with a limit of €12.6 million (arising 2020) and €10 million (arising 2021), of which €4.9 million has been drawn down as at 31 December 2021, at an interest rate of 6% and maturing no earlier than 5 years from the lending date of the last tranche of the loan.
- » **Parent company** - subordinated debt instruments in the amount of BGN 7.2 million. (BGN 32.8 million at the end of 2020) representing Tier 1 capital. Following a review of the indebtedness and in order to strengthen the Group's capital, the Parent Company has negotiated and converted part of the loan liabilities as at 31 December 2020 into subordinated debt (unissued) with Starcom Holding AD, in accordance with the applicable provisions of current Bulgarian and Community law and with an indefinite repayment term, but not earlier than 5 years, and an interest rate of 6% payable at the end of each quarter.

As at 31.12.2021, the total amount of consolidated equity and subordinated debts amounted to BGN 439.8 million, and as at 31.12.2020 their amount was BGN 212 million. The subordinated capital contributes to maintaining the Group's stable capital position.

### Liabilities

The Consolidated liabilities (excluding subordinated debts and insurance reserves) of the Eurohold Group amounted to BGN 1.94 billion, showing an increase of 236% compared to the comparable period, when their value was BGN 578 million. The significant increase in liabilities is mainly due to the consolidation of the liabilities of the energy business.

Consolidated liabilities are grouped into the following balance sheet items: 'borrowings from banks and non-banks'; 'bonded loans'; 'non-current liabilities'; 'current liabilities'; 'trade and other payables'; 'reinsurance payables' and 'deferred tax liabilities'.

The majority of the liabilities are loans payable to banks and non-bank financial institutions and bonded loans. The total amount of liabilities on borrowed funds amounted to BGN 1.22 billion, after an increase of BGN 0.88 billion compared to 31 December 2020, when they amounted to

BGN 338 million. The non-current part of these liabilities amounted to BGN 979.3 million, respectively the current part amounted to BGN 238.7 million.

Liabilities on loans to banks and non-bank financial institutions and bond loans:	30.09.2021 000'BGN	Change %	31.12.2020 000'BGN
<b>To banks and non-bank financial institutions, incl.:</b>	<b>1 018 802</b>	<b>484%</b>	<b>174 341</b>
- non-current liabilities	917 648	671%	118 948
- current liabilities	101 154	83%	55 393
<b>On bond loans, incl.:</b>	<b>199 197</b>	<b>22%</b>	<b>163 342</b>
- non-current liabilities	61 694	56%	139 559
- current liabilities	137 503	478%	23 783
<b>Total borrowings, incl.:</b>	<b>1 217 999</b>	<b>261%</b>	<b>337 683</b>
- total non-current liabilities	979 342	279%	258 507
- total current liabilities	238 657	201%	79 176

The significant increase in loans to banking and non-banking institutions is mainly due to the borrowings from the energy holding company Eastern Europe Electric Company II B.V. and its subsidiary Eastern Europe Electric Company B.V. in connection with the finalization of the acquisition of the energy companies of CEZ in Bulgaria. The total amount of borrowings drawn down by Eurohold and its subsidiaries amounts to BGN 1 billion, of which the total amount drawn down by the energy segment amounts to BGN 859.8 million.

Liabilities on bonded loans increased in connection with the change in the number of bonds held by Group companies, i.e., as at 31.12.2021, the value of a smaller number of bonds was eliminated in consolidation procedures compared to those eliminated as at 31.12.2020, resulting in an increase in the consolidated liability on bonded loans of BGN 35.9 million.

- » The amount of non-current liabilities at the end of December 2021 is BGN 110.2 million, increasing its amount compared to the end of 2020 by BGN 95.9 million. Non-current liabilities mainly comprise other non-current liabilities amounting to BGN 96 million, of which BGN 18.7 million of the energy business, BGN 59.5 million of the parent company and BGN 16 million of the insurance business. Non-current liabilities also include finance lease obligations of the automotive and leasing business in the total amount of BGN 9 million and deferred income in the amount of BGN 5 million.
- » Consolidated current liabilities also increased from BGN 62 million to BGN 174.3 million. Included in this item are: the Group's payables to personnel and social security companies, tax and other current liabilities, current liabilities under finance leases (shown in the table above), deferred income and provisions. The energy business contributes to the increase in the amount of current liabilities by BGN 115.6 million.
- » Trade and other payables, amounted to BGN 316.7 million compared to BGN 117 million as at 2020. The energy business contributed BGN 210.8 million to the consolidated trade and other payables.
- » Liabilities under reinsurance operations amounted to BGN 113 million and increased by BGN 66 million compared to BGN 46.9 million at the end of 2020.

### Insurance reserves

The amount of the insurance reserves set aside as of 31.12.2021 is BGN 1.41 billion, and for the current reporting period they increase by BGN 570.2 million compared to the end of 2020.

## CASH FLOWS

The Consolidated Statement of Cash Flows is made up of sections and items in which cash flows are reflected according to the activity from which they are derived, being grouped into operating, investing and financing activities.

Consolidated cash flows		30.09.2021	30.09.2020
Net cash flows from operating activities	000'BGN	(53 444)	(5 527)
Net cash flows from investment activities	000'BGN	(802 425)	(95 688)
Net cash flows from financial activities	000'BGN	943 762	78 325
<b>Net increase / (decrease) in cash and cash equivalents</b>	000'BGN	<b>87 893</b>	<b>(22 890)</b>
Cash and cash equivalents at the beginning of the year	000'BGN	68 800	91 690
<b>Cash and cash equivalents at the end of the year</b>	000'BGN	<b>156 693</b>	<b>68 800</b>

During the periods under review, the companies of the Group generate sufficient and positive cash flow to carry out the normal course of their operating activities.

## Other events after the end of the reporting period

- ⇒ The Commission for Protection of Competition approved the sale of Star Motors Ltd.
- ⇒ As of the date of this report, a new force majeure circumstance exists that may affect in one way or another the entire world and business activities from all areas of the economy. This circumstance is caused by military actions taken on 24.02.2021 by Russia and its invasion of the territory of Ukraine. More information on this circumstance is available in the "Description of Principal Risks", "Risk of Force Majeure Events" section of this Report.
- ⇒ The Management Board of Eurohold Bulgaria plc decided at the end of February 2022 to issue a new EUR 40 million bond loan on private placement terms with a minimum subscription of EUR 15 million. The nominal and issue value per bond is EUR 1,000, the interest rate is 3.25% fixed on an annual basis and the repayment term is 7 years. Upon successful subscription, the issue will be admitted to trading on a regulated market following approval of the Prospectus by the Financial Supervision Commission.

The Management Board of Eurohold Bulgaria plc is not aware of any other significant or material events occurring after the closing date of the reporting period and not disclosed in this Report.

## OVERVIEW OF THE KEY RESULTS BY BUSINESS LINES

### EUROINS INSURANCE GROUP - INSURANCE

In 2021, Euroins Insurance Group (EIG, the Group) reported consolidated gross written premiums amounting to BGN 1,364 million compared to BGN 914\* million for 2020. EIG reported consolidated profit before taxes amounting to BGN 110 million as at December 31, 2021, compared to a loss BGN 25 million reported for the comparative period.

In accordance with the provisions of International Accounting Standard 10 "Events after the end of the reporting period", EIG discloses the following non-adjusting events after the end of the reporting period:

At the end of February 2022, a military conflict broke out between Russia and Ukraine. In response, severe financial sanctions have been imposed on Russia by the EU, the United States, UK and a number of other countries. A new package of tougher EU measures and sanctions against Belarus has been prepared, in addition to those already imposed in 2021. International financial markets are responding to the crisis, with Brent oil prices rising above \$ 100 a barrel as securities markets collapse. The Russian national currency is losing a significant part of its value.

The assets that EIG owns in the conflict region as of December 31, 2021, are insignificant and represent investments in subsidiaries - IC Euroins Ukraine (92.62%), European Travel Insurance (99.99%), IC Euroins Belarus (100%) and associated: OOO RSO Euroins Russia (48.61%). They represent only 4% of the consolidated assets of the Group or approximately BGN 81 million (consolidated assets of the EIG for 2021 - BGN 2,065 million). Only 6% of the written gross premiums or BGN 79 million are generated (consolidated written gross premiums of the Group for 2021 - BGN 1.364 million). In this regard, all existing and potential future risks that are currently difficult to financially assess for the Group could not seriously affect its stable financial condition.

As of the date of this report, EIG Management believes that despite the above-mentioned non-adjusting events, the financial reports of the entities affected by the conflict included in the Group's consolidation for 2021 have been prepared on a going concern basis.

The following changes in the exchange rates of Russia, Belarus and Ukraine against the EUR are observed after the end of the reporting period according to the ECB and the national banks of the respective country:

	31.12.2021	28.2.2022
Russia (source ECB)	85,3004	115,4842
Belarus	2,88260	3,49
Ukraine	30,9226	26,9299

The subscribed business of IC Euroins AD increased to BGN 341 million for 2021 (2020 – BGN 299 million), of which the businesses in the Republic of Greece and the Republic of Poland were respectively 20% and 24%. Euroins Northern Macedonia following its sustainable development strategy, also reported gross written premium of BGN 26 million and a positive result – respectively profit before taxes amounting to BGN 1.7 million. Euroins Romania Insurance- Reinsurance SA reported a significant increase in the written gross premiums for 2021 of 67%, which is mainly due to the significant increase in the MTPL prices on the Romanian market later in 2021.

On 4 October 2018 a decision has been voted by the Extraordinary General Meeting of the Shareholders of Euroins Insurance Group to increase the capital of the Group from BGN 483,445,791 to BGN 543,445,791 by way of issuing 60,000,000 ordinary, registered, materialized, non-privileged shares with nominal and issue value of 1 (one) Bulgarian lev per share, with 1 (one) voting right in the General Meeting of the Shareholders, with dividend right and liquidation quota. The newly issued shares have been entirely subscribed by the majority shareholder Eurohold Bulgaria AD. The increase has been entered in the Trade Register on 25 October 2018. On 5 October 2018 25% of the nominal value of the newly issued shares, BGN 15,000,000, have been paid in. Further BGN 3,950 thousand have been paid in in 2019 and BGN 41,050 thousand in 2020, thus the newly subscribed shares are fully paid.

On 29 September 2021 the General Meeting of Shareholders decided to simultaneously reduce and increase the capital of EIG AD by cancelling 19,229,057 ordinary shares to BGN 524,216,734 and increasing it to BGN 576,242,734 by issuing further 52,026,000 ordinary shares with a nominal and issue value of BGN 1. This increase was distributed as Eurohold AD recorded 15,060,813 shares and EBRD-36,965,187 shares.

A decision of the Council of 07 October 2021 found that Eurohold AD paid on 30 September 2021 15,060,813 shares for BGN 15,060,813, respectively. On 07 October 2021, EUR 18.9 million was received from the EBRD, with which it purchased the remaining 36 965 187 shares. Eurohold and the EBRD have been issued temporary certificates.

On September 15, 2021, at an extraordinary General Meeting of Shareholders, an increase of the capital of Euroins Romania in the amount of RON 121,800 thousand (approx. 25 million euros) was approved. The capital increase was fully paid on October 9, 2021. A procedure has been initiated in connection with the regulatory approval of the increase.

In December 2021 Fitch Ratings confirmed the ratings that were assigned to Eurohold Bulgaria and Euroins Romania in 2017, namely Long-Term Default Rating "B" to Eurohold Bulgaria and Insurer Financial Strength Rating "BB-" to Euroins Romania. Fitch Ratings assigned Insurer Financial Strength Rating "BB-" to Euroins Bulgaria as well, confirmed in December 2021. And in addition, Fitch Rating assigned the same rating to EIG Re reflecting the expected strategic importance of the company as a captive reinsurer within Euroins Insurance Group, confirmed in December 2021.

## Results by insurance companies

### Euroins Bulgaria

In 2021 Euroins Bulgaria reported a total GWP of BGN 341 million compared to BGN 299 million for 2020. The reason for the growth of 14% is the direct insurance business written in Greece and Poland, and the new insurance business in UK. The Greek business has been written according to the EU directive for Freedom of establishment, while the Polish – according to the EU directive for Freedom of services and UK- temporary permission regime following Brexit.

Main non-motor lines of business reported growth: Accident and Travel (188%), as a significant role for this increase is the reported income from Travel assistance in the UK and Liability (12%). MTPL grew by 11% and Motor Hull by 3% compared to 2020. The increase of the sales in Poland was behind the MTPL growth, where Euroins Bulgaria reported gross premiums of BGN 72 million for 2021 compared to BGN 63 million for 2020. Assistance raiders to the MTPL in Poland in the amount of BGN 8 million for 2021 (2020 - BGN 6 million) were also successfully placed.

Net earned premiums amounted to BGN 161 million (2020- BGN 146 million), while net incurred claims reached BGN 80 million (2020- BGN 65 million).

The main ratios that define the profitability in 2021 are as follows:

Loss ratio: 58% (2020- 52%)

Combined ratio: 99% (2020- 94%)

Net acquisition costs increased by 49% for 2021 compared to the previous year, but compared to net earned premiums decreased by 1.5%, while administrative expenses increased by 11% compared to 2020 but compared to net earned premiums remain at the same level.

The result from investment activity is a profit- BGN 2 million (2020- BGN 500 thousand profit).

Euroins Bulgaria reported a profit for Group purposes amounting to BGN 4 million before taxation (2020- BGN 7 million before taxation).

The sound financial condition of the Company was also reaffirmed by the updated Long-Term Claims Paying Ability Rating assigned by BCRA, Credit Rating Agency, in February 2021. The assigned rating is "BBB-" with Stable long-term outlook.

### Euroins Romania

On the 17th of September CITY INSURANCE stopped policy issuing. Following the bankruptcy of CITY INSURANCE, the market immediately started to reprice MTPL by increasing, significantly, the tariffs.

Starting 24th of September, Euroins Romania implemented new tariffs that were approx. 26% higher than previous tariffs.

Starting 1st of October, the Company implemented new system of commissions for brokers. The expected decrease in the average brokerage commission is 4%.

In 2021 the Company changed its accounting policy in connection with the reporting of technical provisions to present in the financial statements reliable and more relevant information about the effect of operations, taking also into account local regulatory requirements. Thus, a restatement was made in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The comparative data presented below have been recalculated as far as they are related to the change.

In 2021 Euroins Romania reported an increase in the gross written premiums by 67% respectively amounting to BGN 888 million for 2021 and BGN 530 million for 2020. MTPL GWP grew by 71% and remained the main line of business of the Company (96%).

Net earned premiums amounted to BGN 484 million (2020- BGN 262 million) and net claims incurred amounted to BGN 167 million (2020- BGN 200 million).

The main ratios that define the profitability in 2021 are as follows:

Loss ratio: 78% (2020- 91%)

Combined ratio: 77% (2020- 130%)

Net acquisition costs increased by 90% for 2021 compared to the previous year but compared to net earned premiums there was no change, which is due to the higher MTPL prices. Administrative expenses increased by 35% but compared to net earned premiums decreased only by 2%.

The result from investment activity is a profit – BGN 4 million (2020- BGN 2 million profit).

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### **Euroins North Macedonia**

In 2021 the gross premiums written by Euroins Macedonia increased by 11% reaching BGN 26 million. The Agricultural insurance, which has a main share in the portfolio of the Company reached BGN 8 million for 2021 (BGN 7 million for 2020). There was an increase in the MTPL gross written premium with 13%, which amounted to BGN 12 million and represented 48% of the total GWP for 2021.

There was an increase with 7% in the net claims incurred compared to 2020 and an increase in the earned premium with 9%.

There was a decrease in the administrative expenses with 8% compared to previous year and net acquisition expense growth of 26%.

The result from investment activity is a profit- BGN 1,4 million (2020- BGN 172 thousand profit).

The profit for Group purposes is amounting to BGN 1.7 million before taxes (2020- BGN 1.7 million before taxes).

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### **Euroins Life**

The gross written premiums of Euroins Life for 2021 amounted to BGN 9 million, which represented a growth of nearly 121% compared to 2020.

The loss ratio decreases from 28% for 2020 to 24% for 2021.

The result from investment activity is a profit- BGN 445 thousand (2020- 625 thousand profit).

However, the financial position of the Company is on break-even point for 2021. The main reason is the increase of the acquisition costs. The acquisition ratio increased from 60% to 72% imposed due to the change in sales strategy from direct sales to the use of distribution channels – non- banking financial institutions and brokers.

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### **Euroins Ukraine**

Non-adjusting events after the reporting period related to Euroins Ukraine have been disclosed in accordance with IAS 10. The results below are presented based on the going concern principle.

In 2021 the Company reported written gross premiums amounting to BGN 35 million, which represented an increase of 62% compared to 2020. All main lines of business increased: MTPL- 58%, Casco- 22%, Cargo- 20%, Health- 211%, Liabilities- 34% and Property- 50%.

The loss ratio increased from 34% for 2020 to 40% for 2021.

Administrative expenses incurred in 2021 increased by 18% compared to 2020 but compared to net earned premiums decreased by 4% while the acquisitions increased by 61%, which is largely related to the reported higher revenues of the Company but compared to the net earned premiums increased only by 2%.

The result from investment activity is a profit – BGN 401 thousand (2020- BGN 2.5 million profit). The main financial investments of the Company are in government bonds and deposits.

The Company reported a loss for Group purposes amounting to BGN 740 thousand before taxation (2020- BGN 2.3 million profits before taxes).

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### **EIG Re**

In 2021 EIG Re reported gross premiums of BGN 21 million or an increase compared to 2020 amounting to BGN 10 million due to an increase in the share of active reinsurance in the structure of the insurance portfolio. In the second half of 2020 EIG RE signed new intragroup active reinsurance quota share contracts, that cover Property, Cargo, Marine and Carrier Liability.

The main share of the active reinsurance portfolio of the Company falls on Property (27%), Cargo (17%) and Agriculture (16%). All of them marked a significant increase compared to 2020.

The Company reported a profit for Group purposes amounting to BGN 873 thousand before taxation.

The strategy of the management of Euroins Insurance Group and EIG Re is for the Company to continue its development as a reinsurer and participating in the optimization of the capital requirements of the Group and its subsidiaries in the context of Solvency II.

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### **European Travel Insurance, Ukraine**

Non-adjusting events after the reporting period related to European Travel Insurance have been disclosed in accordance with IAS 10. The results below are presented based on the going concern principle.

European Travel Insurance is one of the top Travel insurers in Ukraine and is the only one that specializes only in these insurance products by offering them both individual and corporate clients. In its portfolio ETI offers tailor made products developed for its partners in banking and tourist business sectors such as travel agencies and tour operators. The Company relies on innovative products offered via extremely well-developed distribution channels.

In 2021 the Company had written gross premiums of BGN 27 million, which was a significant change compared to 2020 (BGN 12 million), which is due to the decrease of the Covid-19 travel restrictions in the summer months and led to a higher tourist travel. Travel Assistance retain the largest share in the Company's portfolio or 80%.

The Company reported a profit for Group purposes amounted to BGN 6 million before taxation (2020- BGN 2 million before taxation).

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### **Euroins Georgia**

Insurance Company Euroins Georgia is specialized in Accident and Health. For 2021 this line of business formed app. 48% of the insurance portfolio of the Company, while the rest is split between Motor Hull (20%), Agriculture (16%), etc. Total gross premiums written in 2021 amounted to BGN 13 million, which represented an increase of 2%. In 2021 the participation in state tenders in connection with Casco insurance has been cancelled due to a high loss ratio. The premium earnings coming from the new business written predominantly in Motor Hull were not sufficient.

The financial result for Group purposes is a loss amounting to BGN 436 thousand before taxation (2020- 339 thousand profit before taxation).

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### **Euroins Belarus**

Non-adjusting events after the reporting period related to Euroins Belarus have been disclosed in accordance with IAS 10. The results below are presented based on the going concern principle.

EIG has been consolidating the Company since the beginning of May 2020. The gross premiums for 2021 were amounting to BGN 16 million and the profit before taxes reported for the period is BGN 205 thousand. The largest share of the written premiums falls on Casco insurance or 60% of the Company's portfolio.

### **Euroins Russia**

Non-adjusting events after the reporting period related to Euroins Russia have been disclosed in accordance with IAS 10. The results below are presented based on the going concern principle.

The largest share in the Company's portfolio falls on Accident and Travel Assistance- 32% and Motor Third Party Liability - 31%.

In 2021 the Company, which is associate to EIG reported written gross premiums of BGN 73 million compared to BGN 62 million for 2020 and a profit before taxation amounting to BGN 5 million (2020- BGN 1.9 million profits before taxation). The exchange rates used as at December 31, 2021 and the date of this report due to the unusually large change represent a non-adjusting event after the reporting date according to the applicable accounting standards.

### **EUROINS INSURANCE GROUP AD (EIG). BUSINESS OVERVIEW**

Euroins Insurance Group AD is one of the largest private insurance groups operating in the region of Central and South-eastern Europe. Euroins Insurance Group operates mainly in Bulgaria, Romania, North Macedonia, Greece, Ukraine, Georgia, Russia, and from 2020 in Belarus. Also, through the Bulgarian insurance company IC Euroins AD, the group operates in Poland, Spain, Italy, Greece (through a branch), and recently in the UK, the Netherlands and Germany, offering insurance services distributed under the right to freedom of establishment and freedom to provide services. At present, the insurance subholding owns 10 subsidiaries and 1 associated company, which have a total of over 250 regional offices and over 3 million customers.

The insurance group offers insurance products in the field of non-life and life insurance.

The long-term strategic goal of Euroins Insurance Group AD is to achieve a diversified, profitable and sustainable market share in the region of Central and Southeast Europe, as well as to expand the portfolio of the insurance business by offering a full range of insurance products - non-life and life insurance. The strategy for entering a country is based on the risks, the levels of regulation and the proximity to the main markets of the insurance group.

Euroins Insurance Group is the only independent insurer among the largest players in the region, providing the company with more flexibility and focus.

The short-term strategy will be focused mainly on the development of insurance companies part of the Euroins Insurance Group AD. The aim of Eurohold Bulgaria AD is to focus efforts on sustainability and organic growth of the market positions of insurers by developing new products, both in existing insurance classes and in developing new products in order to diversify the insurance portfolio, meeting the changed expectations of the clients and the accordingly changed business environment caused by the COVID-19 pandemic, strengthening of processes for exchange of know-how in managerial, business and corporate practices between the companies, as well as concentration in digitalization of the whole system and online product offering.

More information about Euroins Insurance Group and its subsidiaries can be found on the website of the insurance sub-holding [www.eig.bg](http://www.eig.bg).

## EASTERN EUROPEAN ELECTRIC COMPANY II B.V. (EEEC II) - ENERGY

EASTERN EUROPEAN ELECTRIC COMPANY II B.V. (EEEC II) reports for the first time the results of newly acquired energy companies, taking into account:

- » The results achieved by these companies from the activity and generated profits for the period from the date of their acquisition to the end of the reporting period, namely from 01 August 2021. (Date accepted for accounting purposes) until 31 December 2021.
- » Their financial condition and cash flows at the end of the reporting period December 31, 2021

### Financial results of energy companies

The newly acquired energy companies (also referred to in this report as the "CEZ energy companies") for the period from 01.08.2021 (the period from which the companies are part of the Eastern Europe Energy Company II B.V. group - referred to as the EEEEC group) to 31.12.2021 generate an operating profit of BGN 179.8 million and a net profit of BGN 21.8 million.

The CEZ energy companies for the two months in which they are part of the Eurohold Group generated total operating income of BGN 328 million.

*Total revenues from energy activities allocated according to their nature and type:*

	<i>000'BGN</i>
Open market customers	722,130
Household consumers	326,361
Business consumers	137,847
Revenues from user connection fees	12,108
Penalties for late payments	1,319
Revenues from services for research, repair and maintenance of electricity distribution network and commercial metering devices	3,225
Revenues from information, communication, technological services (ICT) and others	1,863
Revenues from the Power System Security Fund	719
Other incomes	5,523
<b>Total income from energy activity (01.08.2021 – 31.12.2021)</b>	<b>1,211,095</b>

The two public companies CEZ Distribution Bulgaria AD (electricity distributor) and CEZ Electro Bulgaria AD (electricity supplier), as well as the electricity trader CEZ Trade Bulgaria EAD, which generate total operating income, have the largest contribution to the consolidated results of energy activity amounting to BGN 327.1 million and a profit for the group of BGN 8.4 million.

The operating costs of CEZ energy companies amount to BGN 273 million.

*Total costs of energy activity distributed according to their nature and type:*

	<i>000'BGN</i>
Costs for purchased electricity	(963 078)
Technological costs for electricity transmission	(42 041)
Balancing energy	(25 025)
Costs for transmission and access services	(1 140)
Other expenses	(47)
<b>Total energy costs (01.08.2021 – 31.12.2021)</b>	<b>(1 031 331)</b>

The realized profit of the CEZ energy companies amounted to BGN 54.5 million.

At the same time, the holding company Eastern Europe Electricity Company II B.V. and the specially created companies Eastern Europe Electricity Company III B.V. and Eastern Europe Electricity Company B.V. - combining the activities of the energy business of Eurohold - realised a loss on operations of BGN 31 million. The loss was realised in relation to accrued interest expenses on the financing raised for the acquisition of

the CEZ Energy Assets and consulting expenses totalling BGN 21.6 million and accrued interest income of BGN 1.9 million.

The net profit of the energy holding company Eastern Energy Company II B.V. before consolidation into Eurohold Bulgaria S.A. amounted to BGN 21.8 million.

The assets of the energy group EEES amounted to BGN 1.7 million. The companies have cash and cash equivalents of BGN 77 million, receivables from customers and suppliers of BGN 350 thousand after impairment, other receivables of BGN 94 thousand after impairment. The CEZ energy companies own tangible fixed assets of BGN 838 thousand, of which machinery, plant and equipment of BGN 663 thousand, land buildings and structures of BGN 110 million, vehicles of BGN 8 million, acquisition costs of BGN 39 million and other fixed assets of BGN 2 million.

The liabilities of the EEES Group amounted to BGN 1.2 million. Total long-term liabilities amount to BGN 741 million and represent mainly liabilities on borrowed financing in the total amount of BGN 897 million, of which liabilities to banks amount to BGN 638 million and loans from non-financial institutions to BGN 213 million.

Short-term liabilities amount to BGN 324 million, of which short-term liabilities to financial institutions amount to BGN 3.7 million and trade and other payables amount to BGN 227.7 million.

### **EASTERN EUROPEAN ELECTRIC COMPANY II B.V. BUSINESS OVERVIEW**

Eastern European Electric Company II B.V. is a holding company registered in the Netherlands with a sole owner of the capital Eurohold Bulgaria AD and subject of activity - participation, management, control and financing of companies. The company was established to consolidate Eurohold's energy operations.

Eastern European Electric Company II B.V. is the sole owner of the capital of Eastern European Electric Company III B.V. (The Netherlands), which in turn owns 100% of its subsidiary Eastern European Electric Company BV. (The Netherlands).

Eastern European Electric Company B.V. (EEES), the company acquired at the end of July the assets of CEZ's energy companies in Bulgaria, namely:

- » 67% of CEZ Distribution Bulgaria - the largest electricity distributor in Bulgaria (with 40% market share);
- » 67% of CEZ Electro Bulgaria - the largest supplier of electricity;
- » 100% of CEZ Trade Bulgaria - the largest licensed electricity trader;
- » 100% of CEZ ICT Bulgaria - the company for IT services,
- » 100% of Free Energy Project Oreshets-photovoltaic Park,
- » 100% of Bara Group - the company for production of electricity from biomass;
- » 100% of CEZ Bulgaria - coordinates and manages the activities of all CEZ companies in Bulgaria.

As of the date of this report, as a result of completed tender offers and after the completion of transactions with the shareholders who have accepted the bids, the majority owner of CEZ Distribution Bulgaria AD and CEZ Electro Bulgaria AD - Eastern European Electric Company B. V., increased its shares in both companies, respectively to 88.2% (by acquiring an additional 408,552 shares or 21.2%) of the capital of CEZ Distribution Bulgaria AD and 69.3% (by acquiring an additional 117 shares or 2.3%) of the capital of " CEZ Electro Bulgaria AD.

### **Brief information about the acquired energy companies CEZ:**

#### **CEZ Distribution Bulgaria AD**

##### ***History***

CEZ Distribution Bulgaria AD is a joint stock company registered in the Commercial Register at the Registry Agency under UIC 130277958 with registered office and address of management in the Republic of Bulgaria, Sofia, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre.

The company was established during the transformation of the National Electric Company AD (NEK AD) through a spin-off as of April 24, 2000.

According to the privatization contract for sale on January 18, 2005, CEZ a.s. acquires from the Republic of Bulgaria 129,176 ordinary shares issued by Elektrorazpredelenie Stolichno AD, Elektrorazpredelenie Pleven AD and Elektrorazpredelenie Sofia District AD, representing 67% of the capital of the Company.

The company is the legal successor of Elektrorazpredelenie Stolichno AD, Elektrorazpredelenie Pleven AD and Elektrorazpredelenie Sofia District AD. On November 2, 2007, Elektrorazpredelenie Pleven AD and Elektrorazpredelenie Sofia District AD merged with Elektrorazpredelenie Stolichno AD.

As of January 29, 2008 the name of the Company was changed from Elektrorazpredelenie Stolichno AD to CEZ Distribution Bulgaria AD.

The capital of the Company is BGN 1,928,000 (one million nine hundred and twenty-eight thousand), divided into 1,928,000 (one million nine hundred and twenty-eight thousand) ordinary, registered, dematerialized and freely transferable voting shares with a nominal value of BGN 1 (one) each of them.

CEZ Distribution Bulgaria AD is a public company, and as of October 29, 2012 its shares were introduced for trading on the BSE with the stock exchange code CEZD.

CEZ Distribution Bulgaria AD is the sole owner of the capital of CEZ Information and Communication Technologies Bulgaria EAD.

### ***Scope of activity***

The Company carries out its activity on the basis of the license No. Л-135-07/13.08.2004 issued by EWRC for execution of the activity of "distribution of electric power". The licence is issued for a 35-year term.

The Company's activity is carried out in accordance with the legal requirements of the energy sector in Bulgaria, regulated by the Energy Act, Renewable Sources Energy Act, the subordinate legislative acts on their application, The Public Offering of Securities Act (POSA), the Public Procurement Act (PPA), the Protection of Competition Act (PCA), Spatial Development Act (SDA), as well as in accordance with the current Bulgarian legislation.

The state body that performs regulatory functions regarding the activity of CEZ Distribution Bulgaria AD is the Energy and Water Regulatory Commission (EWRC).

The subject of activity of the Company is: Operation of the electricity distribution network, representing a set of power lines and electrical installations with medium, low and high voltage, which serves for transmission and distribution of electricity for transportation to end customers connected to the electricity distribution network of the Company (ERM) on the territory on which it carries out its activity in the presence and maintenance of a valid license for carrying out distribution activity on the determined territory.

The Company's main activity is the provision of access to and distribution of electricity along the electricity distribution grid and the connection of new users to the electricity distribution grid. The Company uses, maintains, repairs and develops the electricity distribution grid, as well as the auxiliary equipment and networks, and distributes electricity via its network to the end customers.

Within the scope of the activity, the Company provides services for access to the HV electricity distribution grid and transmission along the HV electricity distribution grid and the services of collecting a fee for access to the electricity distribution grid from producers of energy from renewable sources, which is due from the producers of electricity from solar and wind energy connected to the electricity transmission and electricity distribution grid.

CEZ Distribution Bulgaria AD purchases the necessary quantities of electricity for technological costs from an organized electricity exchange market at freely negotiated prices through the trading platform of the Bulgarian Independent Energy Exchange EAD (IBEX) from market segments: Centralized market for bilateral contracts, Day ahead, and within the day.

For the period from January 1 to September 30, 2021, CEZ Distribution Bulgaria AD has distributed through its electricity distribution network 7,600,639 MWh of electricity, of which the technological costs amount to 506,524 MWh or 6.66%. EWRC determines on an annual basis the maximum levels of technological costs as a percentage of the transmitted electricity. The amount recognized by EWRC for technological cost as of 30.09. 2021 is 7.5%.

As of 31.12.2021, 2,718 employees have been appointed in the Company.

More information about CEZ Distribution Bulgaria AD you can find on the company's website [www.cez-rp.bg](http://www.cez-rp.bg).

### **CEZ Electro Bulgaria AD**

#### ***History***

CEZ Electro Bulgaria AD (CEZ Electro, the Company) is a joint stock company, established by CEZ, a.s., Czech Republic and the Republic of Bulgaria in compliance with the Council of Ministers' decision No 569/28.07.2006 for state participation in a joint stock company. The Company is registered in the Registry Agency on 4 February 2008 under company ID No 175133827 with registered office in Sofia and address of management: Sofia 1784, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre.

The Company was established in compliance with the obligation under §17, Para. 2 of the Transitional and Final Provisions of the Energy Act (EA) for the purpose of unbundling the activity related to distribution of electricity and operational management of distribution grids, in legal and organizational respects, from the electricity supply and the other activities of the electricity distribution companies. CEZ Electro is a successor of the legal relations connected to the activity of 'public electricity supply' implemented by Elektrorazpredelenie Stolichno AD, Elektrorazpredelenie Sofia Oblast AD, and Elektrorazpredelenie Pleven AD, which are transferred as a result of the three companies' reorganization.

The registered capital of the Company is BGN 50 000 (fifty thousand leva), divided into 5 000 (five thousand) ordinary, registered, non-materialized shares with voting rights and freely transferrable with nominal value of BGN 10 (ten) each.

CEZ Electro Bulgaria AD is a public company, and as of October 29, 2012 its shares were introduced for trading on the BSE with the stock exchange code CEZE.

### ***Scope of activity***

The Company has a license for Public Supply of electricity No. Л-135-11/29.11.2006 and a license for Electricity trade No. Л-229-15/17.05.2007 issued by the State Commission for Energy and Water Regulation, currently named Energy and Water Regulatory Commission (EWRC). With Decision Л-409 of EWRC dated 01.07.2013 to the Company was issued a license by the EWRC. According the latest license, the Company supplies electricity to customers who have not chosen another supplier or to customers whose supplier does not perform the supply for reasons beyond the customer's control.

The subject of activity of the Company is public supply of electricity according to the EA after obtaining and in compliance with the conditions of the obtained license for Public Supply of electricity and any other activity, not prohibited by law and/or by the license of Public Supply of electricity.

The main activity of the Company is Public Supply and supply as End Supplier, supply as Last Resort Supplier of electricity to low- and medium-voltage customers, and sale of electricity on the free market, according to: the Energy Act, the license for Public Supply, the Last Resort Supplier license and the Trader license.

The company operates in a highly regulated environment. EWRC determines both the purchase and sale prices of electricity for the Company (under the public supply license) and many other normative documents determining the activity of the Company.

As of 31.12.2021, 239 employees have been appointed in the Company.

More information about CEZ Electro Bulgaria AD you can find on the company's website <https://www.cez.bg/bg/home/investitori/cez-electro.html>.

### **CEZ Trade Bulgaria EAD**

#### ***History***

CEZ Trade Bulgaria EAD is a sole proprietorship joint stock company registered in the Commercial Register at the Registry Agency under UIC 113570147, with registered office and address of management Republic of Bulgaria, Sofia 1000, 2 Positano Square, 7th floor, office 7.

The registered capital of the Company is BGN 500,000 (five hundred thousand), divided into 500,000 (five hundred thousand) ordinary, registered, dematerialized voting shares and freely transferable, with a nominal value of BGN 1 (one) each one.

The Company is registered at Electricity System Operator EAD (ESO) on the end customer electricity market, on the wholesale market and as a standard balance group coordinator with electricity identification number EIC 32XCEZ-TRADE-BG3, as well as a market participant on the Independent Bulgarian Power Exchange Plc.

### ***Scope of activity***

The Company is licensed for electricity trading with license No Л-191-15/04.07.2005 r., issued by the State Energy and Water Regulatory Commission (SEWRC), presently Energy and Water Regulatory Commission (EWRC). The license was amended by the SEWRC with Decision No И2-Л-191 from 06.10.2014 with the rights and obligation of "combined balance group coordinator". The validity of the licenses was extended by the SEWRC with Decision No И3-Л-191 from 06.10.2014 until 04.07.2025.

The Company operates in compliance with the regulatory basis of the energy sector regulation in Bulgaria, enacted by the Energy Act (EA), Rules on energy trade, Rules on allocation of transmission capacity for

cross-system control areas of ESO and neighbouring system operators, and other applicable secondary legislation.

The Company's scope of activity develops in two main areas:

- Trade in electricity, heating power, gas fuels, and all other types of energy sources after obtaining of the relevant license, in case such a license is required;
- Research, consulting, designing, financing and construction of energy projects, delivery of energy efficient services, delivery of services under contracts with guaranteed results – ESCO contracts, construction and assembly works, repair works, delivery of materials and equipment;
- as well as any other activity not prohibited by the law.

As of 31.12.2021, 40 employees have been appointed in the Company.

More information about CEZ Trade Bulgaria EAD you can find on the company's website [www.cez-trade.bg](http://www.cez-trade.bg).

### **CEZ ICT Bulgaria EAD**

#### ***History***

CEZ Information and Communication Technologies Bulgaria EAD (the Company) is a sole proprietorship joint stock company registered in the Commercial Register at the Registry Agency under UIC № 203517599 with registered office in Sofia and address of management: Sofia 1784, Mladost district, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre.

The sole owner of the capital of CEZ Information and Communication Technologies Bulgaria EAD is CEZ Distribution Bulgaria AD.

The capital of the company amounts to BGN 6,000 thousand, corresponding to 60,000 ordinary registered available shares with a nominal value of BGN 100 and an issue price of BGN 100.

#### ***Scope of activity***

The scope of activity of the Company is trading with integrated information and communications technology systems, providing information, communication and technology services, as well as other technical and advisory services and activities not explicitly prohibited by law.

CEZ ICT Bulgaria EAD provides complex information, communication and technological services, mainly to related parties, according to contracts concluded between the companies.

CEZ ICT Bulgaria EAD provides ICT services which include access, exploitation, maintenance and management, as follow:

- Provides the needed hardware and communication equipment, technical solutions, system and specialized software and database including administrative services and expert assistance on its exploration, negotiation and delivery, as well as on the management of the licenses needed for providing the services;
- Provides maintenance of equipment, with or without warranty, technical solutions and specialized software and database, including:
  - Installations, system administration, hardware and software maintenance, specialized software and equipment updates, administrative services to the end users, their profiles and access rights;
  - Eliminating operational problems when using specialized software and equipment; managing the configurations and the changes concerning the infrastructure in use;
  - Monitoring and control over the capacity and productivity of the specialized software and equipment in use.

As of 31.12.2021, 50 employees have been appointed in the Company.

### **CEZ Bulgaria EAD**

#### ***History***

CEZ Bulgaria EAD is a sole proprietorship joint stock company registered in the Commercial Register at the Registry Agency under UIC № 131434768, with registered office in Sofia and address of management: Sofia 1784, Mladost district, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre.

The capital of the Company amounts to BGN 200 000 (two hundred thousand Bulgarian leva) allocated in 200 000 (two hundred thousand) ordinary, registered, voting shares with nominal value BGN 1 (one Bulgarian leva) each of them.

**Scope of activity**

The scope of activity of CEZ Bulgaria EAD includes business services, purchasing and sale of equipment and materials as well as any other activity not prohibited by law. The Company is incorporated for an unlimited term.

The Company provides consultancy services, purchase and sale of equipment and materials for the needs of related parties as well as for its own needs.

As of 31.12.2021, 295 employees have been appointed in the Company.

More information about CEZ Bulgaria EAD you can find on the company's website [www.cez.bg](http://www.cez.bg).

**Free Energy Project Oreshets EAD****History**

Free Energy Project Oreshets EAD is a sole proprietorship joint stock company registered in the Commercial Register at the Registry Agency under UIC № 201260227, with registered office in Sofia, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre.

The registered capital of the Company is BGN 160,200, which represents 1,602 registered available voting shares with a nominal value of BGN 100 each one.

**Scope of activity**

The company operates in accordance with the legislation of the Republic of Bulgaria for the energy sector, regulated by the Energy Act (EA), the Renewable Energy Sources Act (RESA) and the bylaws on their implementation.

The subject of activity of Free Energy Project Oreshets EAD is production, construction and operation of power systems and power plants, related to renewable energy resources; production of and trading with energy from renewable resources; purchase of real estate for the purposes of construction, lease or sale; construction and entrepreneur services; marketing researches, consultancy; import and export; commercial representation and intermediary services of Bulgarian and foreign natural persons and legal entities, as well as any other activity non-prohibited by the Bulgarian law.

As of 31.12.2021 the Company has no appointed staff.

**Bara Group OOD****History**

Bara Group EOOD is a sole proprietorship with limited liability, entered in the Commercial Register at the Registry Agency under UIC № 120545968, and with registered office in Sofia and address of management: Sofia 1784, Mladost district, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre.

The capital of the Company is BGN 5 000 (five thousand), distributed in 500 shares with nominal value of BGN 10 each one.

**Scope of activity**

The scope of activity of the Company is: Construction, maintenance and exploitation of energy sites for production of electric power from renewable energy sources and alternative energy sources (after obtaining of the respective licence and permits); electric power production from renewable energy sources and alternative energy sources (after obtaining of the relevant licenses and permits), internal and external trade, purchase and sale of real estate, construction, commercial representation, intermediation and agency of local and foreign individuals and legal entities; transport and forwarding activities, as well as any other activities not prohibited by law.

As of 31.12.2021, the Company has no appointed staff.

## AVTO UNION - AUTOMOTIVE

### Financial results of automotive companies

The consolidated financial result of the Group, including income and expenses for the reporting period, was materially affected by the sale (with an effective date of 02.08.2021) by the parent company - Auto Union of 3 /three/ subsidiaries, namely the companies N Auto Sofia EAD - dealer of Nissan cars, Espas Auto EOOD - dealer of Renault and Dacia cars and EA Properties Ltd - owning a showroom and service facility.

The consolidated financial result of the Group for the period from 01.01.2021 to 31.12.2021 is a profit of BGN 13 473 thousand. (2020 - profit of BGN 1,541 thousand). The reported financial result for the owners of the parent company for the same period is a profit of BGN 11,979 thousand, which compares to a profit of BGN 94 thousand for the same period in 2020. The main reason for the large deviation between the results for the current and the previous reporting period is due to the sale of subsidiaries (described above).

For the reporting period, the consolidated profit of BGN 13 473 thousand was generated from. Profit for the Group from the sale of the above mentioned 3 /three/ companies in the amount of BGN 11 558 thousand; 2. Consolidated profit from operating activities of the Group companies in the amount of BGN 1 915 thousand.

For the period under review of this Activity Report, the subsidiary Espas Auto EOOD (until 02.08.2021) has distributed a dividend of BGN 969 thousand to its parent company (N Auto Sofia EAD). These dividend distributions have been eliminated for the purposes of the consolidated financial statements of the Group as at 31.12.2021 and do not participate in the Group financial result.

### SALES

The number of vehicles sold by the Group in the fourth quarter of 2021 cumulatively decreased by 27.7% compared to the same period in 2020.

The number of vehicles sold by the Group for the period from 1 January 2021 to 31 December 2021 cumulatively decreased by 27.7% compared to the same period in 2020, representing a decrease of 929 vehicles. Separately, Revenue from sales of vehicles, spare parts, oil and fuel decreased by 10.7%. Revenue from sales of services decreased by 10.8%, compared to the same period in 2020.

For the period ending December 31, 2021, sales of new passenger cars and light commercial vehicles by Auto Union, the automotive holding company in the Eurohold Bulgaria Group, amounted to 2,421 units compared to 3,350 units sold in the same period of 2020, a decrease of 27.7%.

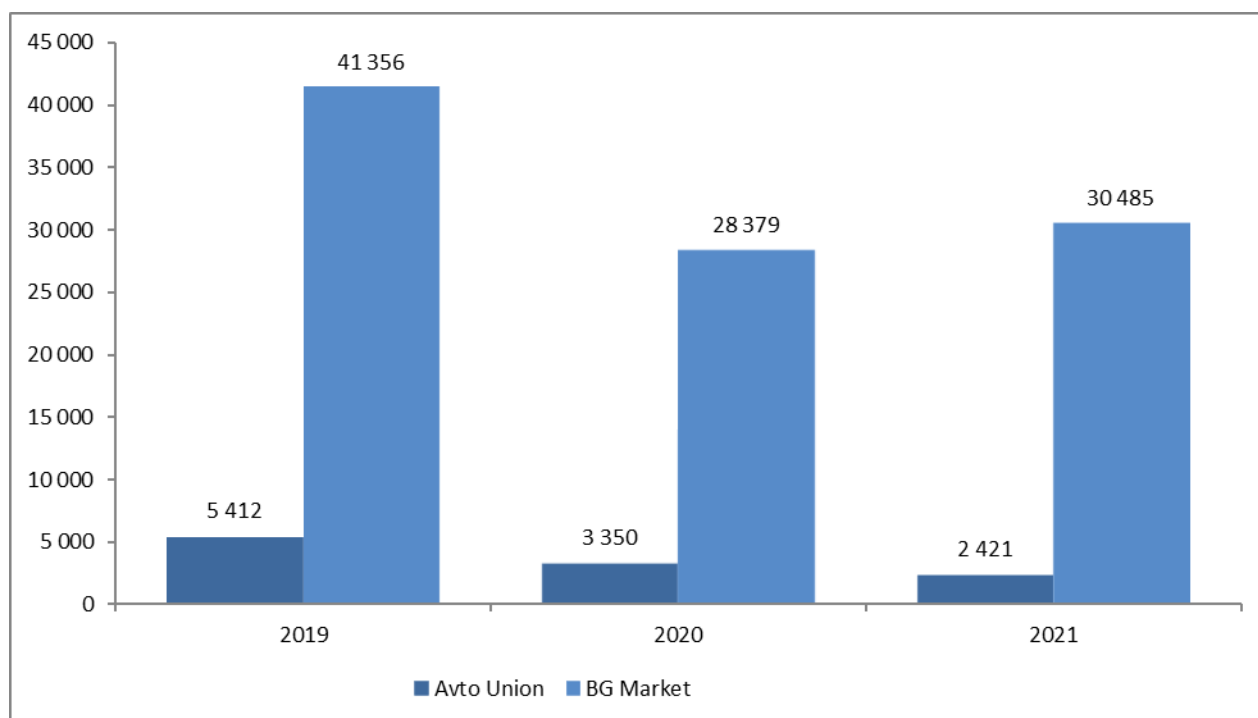
Opel sales were down 44.4% in Sofia and up 32.8% in Varna. Auto Italia EAD decreased its sales of Fiat branded cars by 68.6% and those of Alfa Romeo branded cars by 75.9%. During the reporting period, 115 GAZ brand vehicles were also sold. Sales of the Maserati brand of luxury cars from Auto Italia grew by 7.7% year-on-year. Star Motors recorded an increase of 52.0% in its sales of new Mazda vehicles compared to the period under review last year. Sales of Nissan, Renault and Dacia branded vehicles recorded a significant decrease due to the sale of the dealer companies of these brands implemented with the 02.08.2021 date.

### Group vehicles sold by quarter:

Auto Union Group	Sales		%
	Q4 2021	Q4 2020	Change
January - December (With accumulation)	2 421	3 350	- 27.7%
By quarter:			
first quarter (Jan-Mar)	713	754	-5.4%
second quarter (Apr-Jun)	981	568	72.7%
third quarter (July-Sept)	479	1 089	-56.0%
fourth quarter (Oct-Dec)	248	939	-73.6%

### Market share

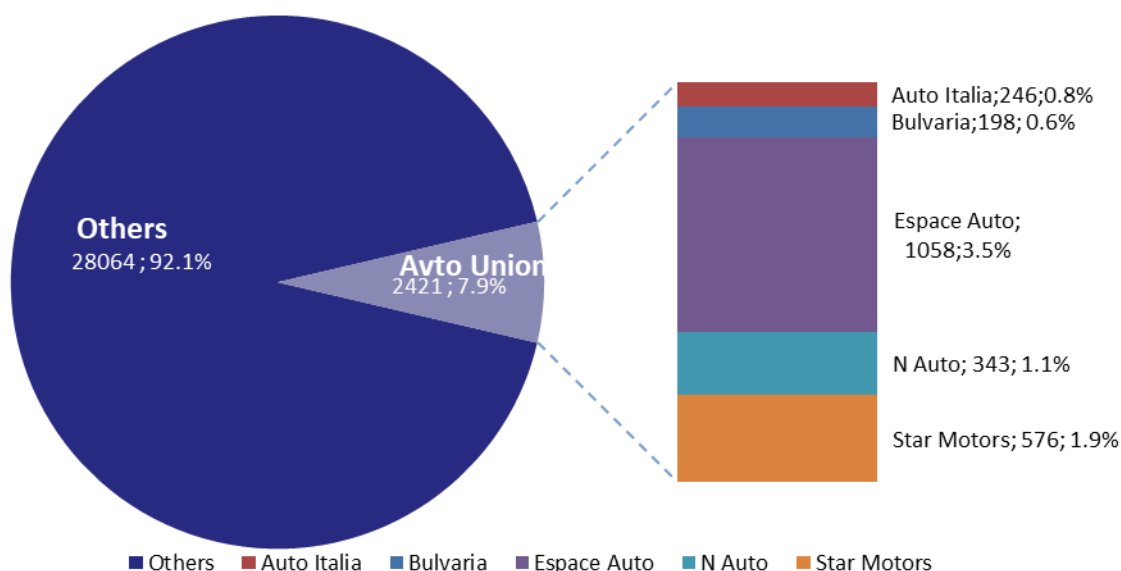
Auto Union Group's market share for the period was 7.9% decreasing by 3.9% compared to the same period in 2020.



**Auto Union's new car sales for 2021 compared to the Bulgarian market, pcs.**  
12 YTD 2019, 12 YTD 2020 and 12 YTD 2021

**Source:** The Association of Automobile Manufacturers and their Authorized Representatives in Bulgaria" (AAR)

By comparison, according to data from the Union of Automobile Importers in Bulgaria (UIA), the Bulgarian market for new cars and light trucks for the fourth quarter cumulatively for 2021 will grow by 7.4% compared to the same period in 2020.



The structural changes implemented in the Auto Union Group in 2021 (see "Significant events for the Auto Union Group occurring during the reporting period affecting the results in the consolidated financial statements as at 31 December 2021") logically have a negative impact on the vehicle sales figures for 2021.

## Expenses

Operating expenses for the fourth quarter of 2021 decreased by 6% compared to the same period of 2020, or by BGN 1,763 thousand, as a result of the structural changes implemented in the Group on the one hand

and the efforts of the Group's management to take measures to minimize the negative impact of the Covid-19 (Coronavirus) pandemic on the other hand. The main ones include:

- ☑ optimization of the staff structure and increase of the efficiency of the work process;
- ☑ centralising procurement and further optimising costs.

With the application of IFRS 16, the Auto Union plc Group recorded depreciation expenses of assets with right of use of leased properties and buildings under operating lease in the amount of BGN 2 423 thousand in the reporting period and BGN 2 977 thousand in 2020. Accordingly, the Company's total depreciation expense in the fourth quarter of 2021 amounts to BGN 5,332 thousand, compared to BGN 6,586 thousand in 2020.

The cost of materials decreased by 4.9% or BGN 81 thousand, the same was observed in the personnel expenses, where the decrease was 5.5% or BGN 706 thousand. A decrease of 1.6% or 105 thousand leva was observed in the Cost of services. An increase was observed in Other Expenses, which was 22% or BGN 383 thousand.

A decrease of 3.2% or BGN 235 thousand compared to the same period of the previous year was observed in financial expenses. With the application of IFRS 16, the Auto Union plc Group recorded in the reporting period interest expenses on assets used with right of use of leased properties and buildings under operating lease conditions in the amount of BGN 483 thousand, compared to BGN 669 thousand as at 31.12.2020. In this regard, the Company's total interest expense for the fourth quarter of 2021 amounts to BGN 2,458 thousand and for 2020 BGN 2,672 thousand. Financial income, on the other hand, increased its level compared to the same period of 2020, marking an increase of BGN 342 thousand.

## AVTO UNION. BUSINESS OVERVIEW

The main activity of Avto Union AD is the sale of new motor vehicles, motorcycles and scooters, the sale of original spare parts, lubricants and accessories, as well as the redemption of motor vehicles. Avto Union AD also offers to its clients leasing and insurance services, which it provides through companies from the related sub-holdings of Eurohold Bulgaria AD - Eurolease Group AD and Euroins Insurance Group AD.

### Overview of the activity in 2021

On **11.12.2020** the Board of Directors of Avto Union AD at its meeting adopted a decision to enter into a Revolving Credit Line Agreement with Bulgarian Bank for Development AD for the purpose of providing working capital to finance the operations of its subsidiaries. The parameters of the loan have been defined and the Executive Director has been authorized to take the necessary actions for the preparation and conclusion of the agreement. On 12.02.2021 the drawdown of the agreed credit line was started. As of 30.09.2021, the amount drawn amounts to EUR 980 thousand.

On **12.03.2021** a change was registered in the Board of Directors of the subsidiary "Daru Kar" EAD - Mr. Assen Asenov was deleted as a member of the Board and in his place was registered the long-standing manager in the company - Mr. Stoyno Tsanev. The latter has also been elected as Executive Director and legal representative of the company.

The management of Auto Union is always looking for new opportunities to develop its portfolio of brands and services offered on the Bulgarian market. In this direction, the subsidiary Auto Italia EAD has signed a contract with **Ferrari S.p.A.**, according to which it will be authorized to offer used models of the brand certified by the Italian company, as well as services for them. In this way, Auto Italia EAD continues to develop its strategy of niche positioning in the market of luxury Italian super-cars, becoming the first official representative of the world-famous brand in Bulgaria. In this regard, in 2020 and early 2021, the company will be the first brand in the automotive industry to launch a new brand. Auto Italia EAD has made expenditures in the approximate amount of BGN 350 thousand for the construction of a new showroom and a new service base, specially adapted to meet all the requirements of the luxury Italian manufacturer.

On **29.04.2021** an Annex to the agreement with First Investment Bank for a revolving credit line was signed. The Annex increases the permitted limit from EUR 1,200,000 to EUR 2,400,000. As of 30.09.2021, the amount drawn amounts to EUR 2 240 thousand.

On **10.06.2021**, the amount of the credit facility was increased by EUR 240 million. On 20/20 2021, Auto Union AD entered into a sale agreement with N Auto Sofia EAD for the transfer of the ownership of the 25,500 shares in the capital of EA Properties Ltd. held by Auto Union AD.

On **21.06.2021** at an extraordinary General Meeting of Auto Union AD Kiril Ivanov Boshov was dismissed from the position of a member of the Board of Directors. Stefan Lyubomirov Boyadzhiev was elected as a

new member of the Board of Directors. The change was registered in the Commercial Register of the Republic of Bulgaria on 28.06.2021.

On **28.20.2028** Auto Union AD signed a preliminary agreement for the sale of its subsidiary N Auto Sofia EAD to Bulpharma Ltd.

On **02.07.2021** the Board of Directors of Avto Union AD at its meeting decided to increase the capital of Star Motors EOOD from BGN 1,500 thousand to BGN 3,500 thousand by issuing new 40,000 shares with a nominal value of BGN 50 for each share. The instalment in the amount of BGN 2 million has been transferred to the bank account of the Company.

On **26.07.2021** Decision 736 / 15.07.2021 of the CPC was published, by which the Commission gives permission for the transaction for acquisition of direct sole control of Bulpharma OOD over N Auto Sofia EAD and indirect joint control over Espas Auto OOD and EA Properties Ltd. All 4,418,528 shares of the capital of N Auto Sofia EAD in favour of Bulpharma OOD were transferred by endorsement dated 02.08.2021.

On **05.08.2021** the Manager of Star Motors EOOD, acting as sole owner of the capital of Star Motors DOOEL, decided to increase the capital of the subsidiary Star Motors DOOEL by BGN 1,649,742.60. The entire instalment was transferred to the bank account of the Company.

On **24.08.2021** the Board of Directors of Avto Union AD decided to participate in the establishment of a joint stock company China Motor Company AD. The Constituent Meeting was held on August 25, 2021. Avto Union AD subscribes shares representing 80% of the company's capital. The statutory minimum contribution in the amount of 25% of the subscribed capital has been paid into the accumulation account of China Motor Company AD. The company was entered in the Commercial Register of the Republic of Bulgaria on September 2, 2021.

On **30.08.2021** the Board of Directors of Avto Union AD decided to acquire all shares in the capital of Motohub OOD. On 31.08.2021 contracts for purchase and sale of shares were signed with the two partners in Motohub OOD. Auto Union AD acquires 100% of the capital of Motohub.

On **03.09.2021** a change of the company of Bulvaria Varna EOOD was registered, UIC 813102397, as the name was changed to Bulvaria EOOD.

On **16.11.2021** Auto Union AD, as the sole owner of the capital of Star Motors Ltd., signed a preliminary agreement for the sale of the company in question, which is the official importer of Mazda cars in Bulgaria and through its subsidiary Star Motors DOOEL in the Republic of North Macedonia. The buyer is M Trax Bulgaria Ltd. At present, the Commission for Protection of Competition has published a decision on 14.01.2022 clearing the concentration and the transaction is expected to be finalized shortly.

On **06.12.2021** at the AGM of Auto Union AD, a new registered auditor of the company for 2021 was appointed, namely Grant Thornton Ltd.

More information about the sub-holding Avto Union and its subsidiaries can be found on the website of the automotive sub-holding [www.avto-union.bg](http://www.avto-union.bg).

## EUROLEASE GROUP – LEASING

### Financial results

According to a contract signed on 01.12.2021 and registration in a Commercial Register on 07.12.2021 Eurolease Group became a sole owner of the capital of Mogo Bulgaria EOOD.

The main activity of Mogo Bulgaria is financial lease of used cars in the country. With the acquisition of Mogo Bulgaria EOOD Eurolease AD aims to expand its group on the leasing market in Bulgaria.

Eurolease Group reports consolidated profit at BGN 2,239 thousand, compared to BGN 536 thousand loss in 2020.

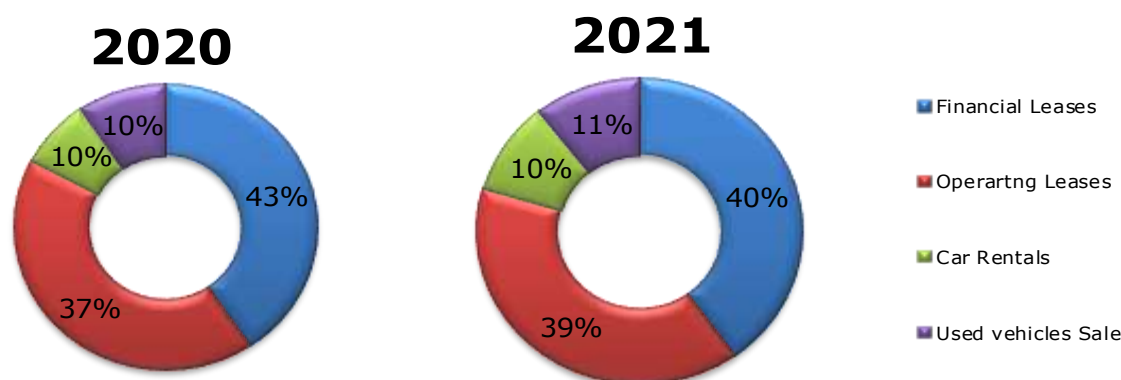
The positive change is mainly due to the generated profit (BGN 2,088 thousand), as a result of the acquisition of subsidiary - Mogo Bulgaria EOOD.

Revenues generated from contracts with customers and operating leases increase by 10% compared to the comparative period (from BGN 9,265 thousand as of 31.12.2020 to BGN 10,212 thousand as of 31.12.2021).

According to the Impairment policy, for 01.01.2021-31.12.2021 impairment costs of BGN 1,159 thousand have been recognized (against BGN 1,572 thousand in the comparable period a year earlier).

Fourth quarter of 2021 was marked by a new highly contagious variant of COVID-19 called Omicron. "Green certificate" is required for all indoor activities, including restaurants and entertainment places, hotels, cinemas, theatres, concerts, fitness centres, clubs and for non-food stores with area more than 300 square meters too. The vaccination rate in Bulgaria is low - only 29.4% of the population is fully vaccinated, 9.7% have received booster doses.

The consolidated revenues of the company are formed by the different business lines of the subholding, namely: revenue from financial and operating leases, rent-a-car services and sale of used cars, the distribution of which is shown in the following graphics.



The observed change in the shares of the business lines is due to the following:

- During the reporting period total revenues of the different business lines amount at BGN 20,0531 thousand against BGN 18,017 thousand for 2020.
- Financial leasing - In absolute terms, the revenues from financial leasing amount to BGN 8,040 thousand compared to BGN 7,307 as of 31.12.2020.
- Operating lease - the amount of revenues from this area reports an increase. As of 31.12.2021 their amount is BGN 7,916 (against BGN 7,600 thousand for 2020), which is mainly due to the establishment of the Simple brand and the increased demand in the new services of Sofia Motors EOOD – Simple and Ready to go.

- Short-term rent - the amount of revenues increased by 25% to BGN 1,760 thousand compared to BGN 1,408 thousand as of 31.12.2020. The improved economic activity has a positive effect on the tourism in Bulgaria.
- Sale of used cars - the relative share of revenues from the sale of used cars increases by 22%. In absolute value they are BGN 2,081 thousand.

An increase is also observed in the operating expenses, which amount to BGN 14,836 thousand at the end of December, 2021 compared to BGN 13,351 thousand for the same period of 2020.

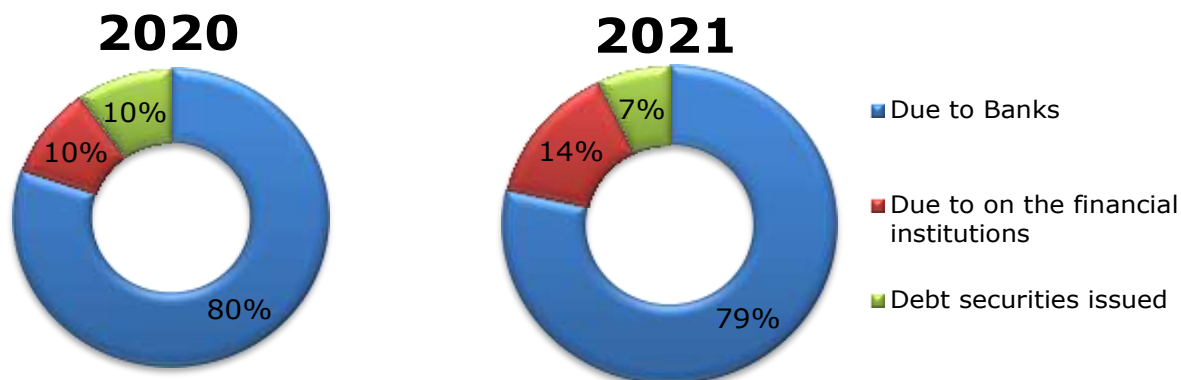
The consolidated assets amount to BGN 126,790 thousand compared to BGN 119,273 thousand as of December 31, 2020.

Consolidated net investment in finance lease declines slightly by 8% to BGN 83,290 thousand from BGN 77,343 thousand in the end of 2020.

At the end of December, 2021 consolidated fixed assets amount at BGN 26,952 thousand compared to BGN 26,494 thousand in the end of 2020.

At the end of December 2021, the following changes in the relative share of the type of funding used are observed:

- Liabilities to banks as of 31 December 2021 amount at BGN 81,101 thousand compared to BGN 81,244 thousand in the end of 2020;
- Liabilities to other financial institutions stand at BGN 14,847 thousand (increase by 47% compared to the comparative period). The amount is mainly due by Eurolease Rent a Car to lease companies financing company's fleet and Mogo Bulgaria to a non-financial institution financing its activity;
- At the end of December, 2021 debt securities issued decreased by 27% and stand at BGN 7,310 thousand from BGN 9,993 thousand in the end of 2020. The decline is mainly due to a repayment of Eurolease Auto's bond in July, 2021.



Eurolease Group individual financial result in the end of 2021 is loss at BGN 739 thousand compared to loss at BGN 825 thousand a year ago.

Company's assets amount at BGN 37,958 thousand.

#### ➤ Eurolease Auto Bulgaria

The financial result of Eurolease Auto at the end of December, 2021 is a profit at BGN 778 thousand against BGN 835 thousand a year earlier.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Eurolease Auto EAD does not fall within the eligible industries for financing, due to which the Company has not benefited from state aid.

The impairment costs as of 31.12.2021 is in the amount of BGN 122 thousand, compared to BGN 358

thousand as of 31.12.2020.

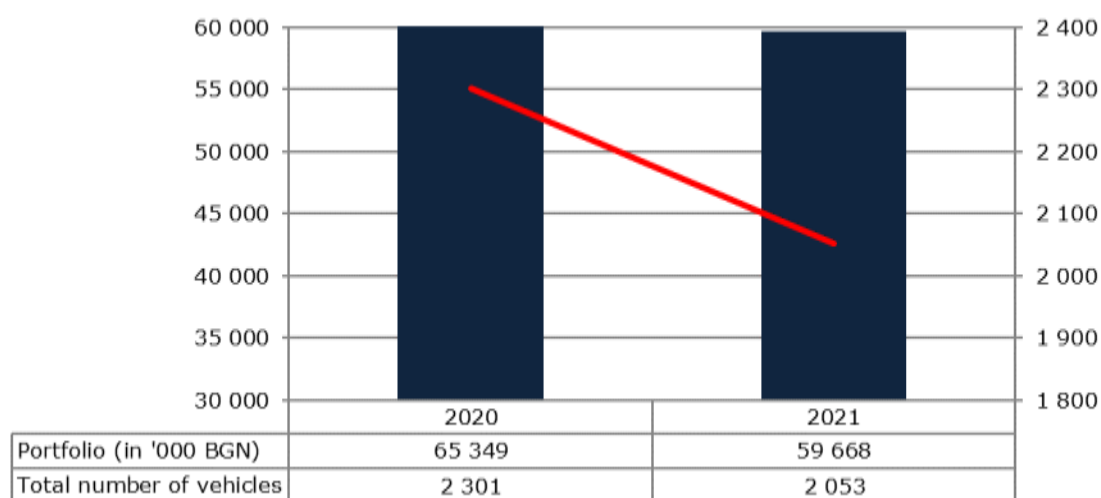
The interest income amounts to BGN 4,575 thousand as of 31.12.2021, the interest expense amounts to BGN 1,905 thousand and respectively the net interest income amounts to BGN 2,670 thousand at the end of December, 2021. The interest margin as of 31.12.2021 is 58.36% against 54.36% a year earlier.

The administrative expenses of the company at the end of the reporting period increased to BGN 2,340 thousand, compared to BGN 1,971 thousand at the end December 2020.

As of the end of December 2021 company's assets stand at BGN 79,127 thousand compared to BGN 83,318 thousand in the end of 2020.

The net investment in financial leasing amounts to BGN 59,668 thousand compared to BGN 65,349 thousand at the end of 2020 (decrease by 9%).

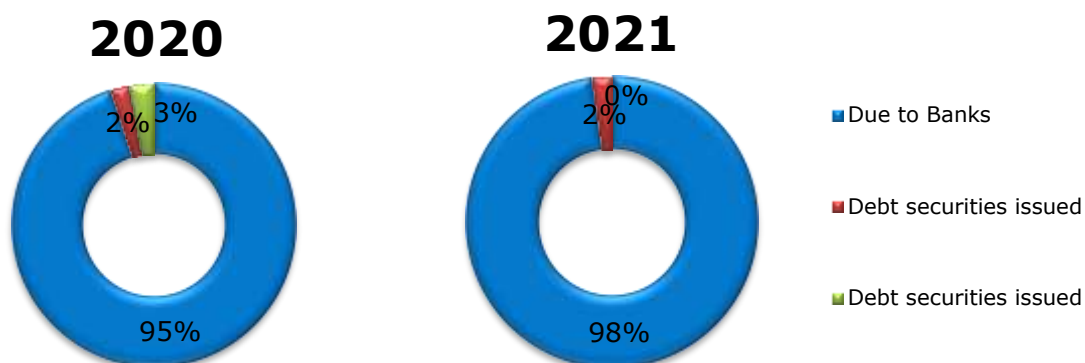
The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.



As of December 2021, company's equity stands at BGN 22,552 thousand; at year end 2020 equity was BGN 21,774 thousand.

As of the end of the reporting period company's liabilities amount at BGN 56,575 thousand compared to BGN 61,544 thousand in the end of 2020.

Eurolease Auto finances its activities through borrowed funds in the form of bank loans from local and international financing institutions and issuance of debt instruments. The following table shows the distribution of the funding used by the company.



During the reporting period the following changes have occurred in the liabilities structure:

- Bank loans – as of the end of December 2021 they amount at BGN 51,869 thousand;
- Liabilities to other financial institutions amount to BGN 1,170 thousand;
- Company's liabilities on debt instruments are fully repaid.

➤ **Eurolease Auto North Macedonia**

Eurolease Auto Macedonia realized interest income in the end of 2021 in the amount of BGN 819 thousand, compared to BGN 578 thousand a year earlier. The growth is due to a steady rise in new business. The interest expense of the company increases with BGN 133 thousand – from BGN 451 thousand as of 31.12.2020 to BGN 584 thousand as of 31.12.2021. As a result, the net interest income increases do BGN 235 thousand in comparison with BGN 127 thousand a year earlier.

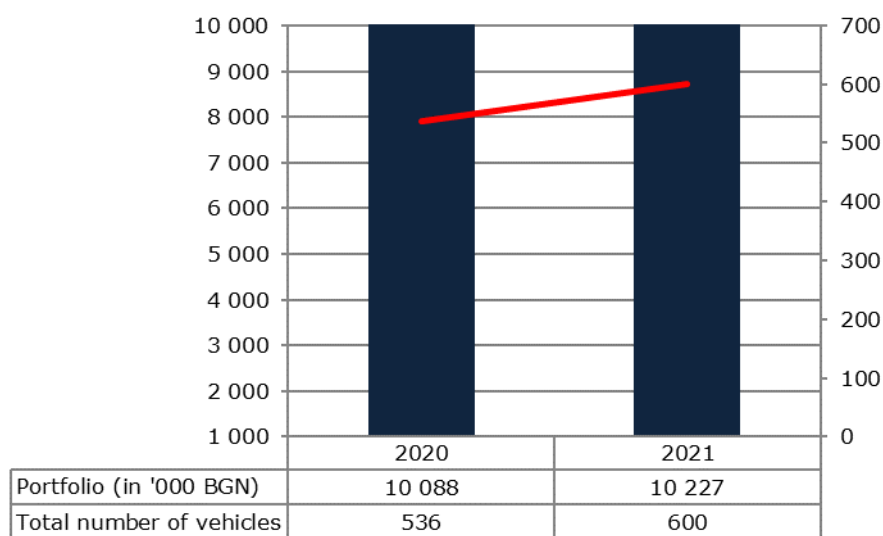
Revenues from fees and commissions as of 31.12.2021 are at the level of BGN 139 thousand, compared to BGN 128 thousand as of 31.12.2020. Revenues from operating leases marked an increase to BGN 192 thousand compared to BGN 154 thousand the previous year.

The administrative expenses of Eurolease Auto Macedonia in the end of 2021 amount to BGN 513 thousand.

Eurolease Auto Macedonia realized a profit of BGN 52 thousand in the end of 2021 compared to BGN 53 thousand profit during the previous year.

During the reporting period, the net investment in financial leasing amounts to BGN 10,227 thousand compared to BGN 10,088 thousand at the end of 2020.

The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.



As of 31.12.2021 the assets of the company amount to BGN 12,333 thousand compared to BGN 11,959 thousand as of December 31, 2020.

The bank liabilities of Eurolease Auto Macedonia amount to BGN 10,058 thousand compared to BGN 9,726 thousand as of 31.12.2020.

➤ **Amigo Leasing**

The main activity of the Company is financial lease of used cars and provision of loans to individuals.

The financial result of Amigo Leasing EAD as of 31.12.2021 is a profit of BGN 178 thousand, compared to a profit of BGN 333 thousand for the comparable period in 2020.

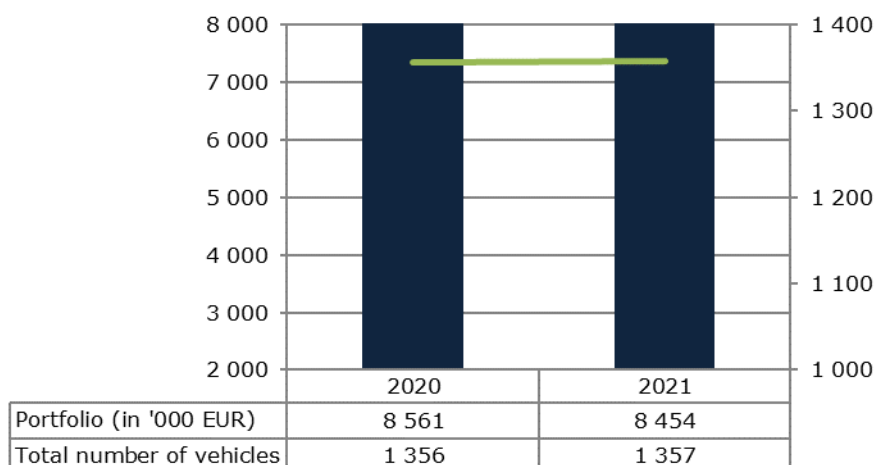
To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Amigo Leasing EAD does not fall within the eligible industries for financing, due to which the Company has not benefited from state aid.

As of 31.12.2021 Amigo Leasing realized BGN 1,873 thousand in interest income, which is an increase of 3% compared to 2020 (BGN 1,816 thousand for the period 01.01.2020 – 31.12.2020). The interest margin for 2021 reached 78.27%.

As of 31.12.2021 the impairment expense amounts to BGN 781 thousand. As of 31.12.2020 the same expense amounts to BGN 810 thousand.

The net investment in financial leasing as of 31.12.2021 is BGN 8,471 thousand compared to the size at the end of 2020 (BGN 8,561 thousand).

The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.



Loan receivables amount at BGN 88 thousand, compared to BGN 120 thousand as at 31.12.2020.

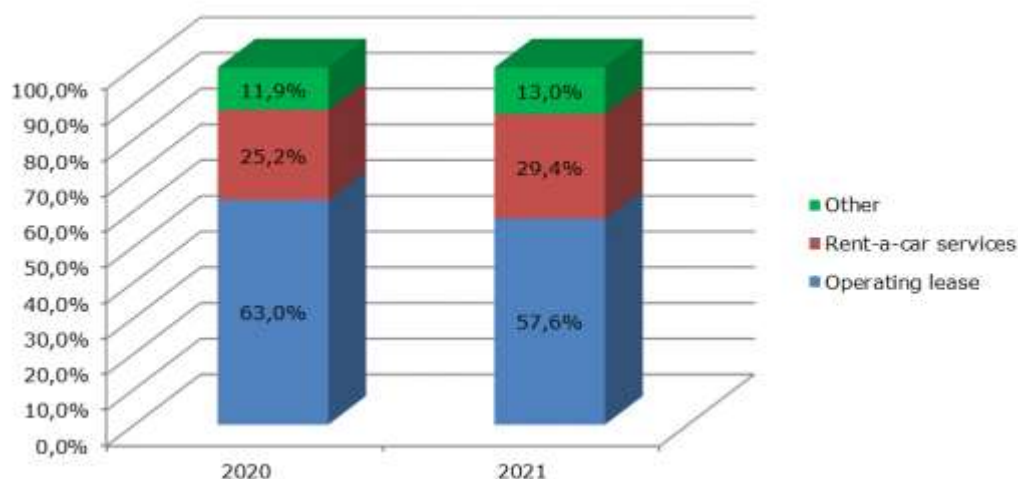
As of 31.12.2021 the Company has administrative expenses of BGN 1,259 thousand.

The company finances its activities with its own and loan funds, as bank loans in the end of 2021 amount to BGN 6,740 thousand (increase of 7% - BGN 6,272 thousand as of 31.12.2020). The amount of loans received from individuals – investors (not related to the Company) as of 31.12.2021 are fully repaid (BGN 505 thousand int the end of 2020). Liabilities to related parties are fully repaid as of 31.12.2021 (BGN 250 thousand by the end of 2020).

#### ➤ Eurolease Rent a Car

Eurolease Rent a Car is a provider of short-term and long-term rent of vehicles under AVIS and BUDGET brands.

The following chart shows the breakdown of company's revenues by business line in the end of 2021 and 2020:



As of 31.12.2021 the revenues generated by Eurolease Rent-A-Car from operating leases stay almost unchanged in comparison with the same period for 2020. Revenues from short-term rent show an increase of about 25% (BGN 1,760 thousand in the end of 2021, compared to BGN 1,408 thousand a year earlier).

The company operates in one of the sectors most affected by the covid pandemic and the operating lease revenues are relatively stable, but they cannot compensate for the decline in car rental services. Eurolease Rent a Car is a company whose revenues are characterized by seasonality and as such it is highly dependent on the number of flights and the state of the tourism industry in Bulgaria. During the summer season of 2021 better financial results in this area are observed.

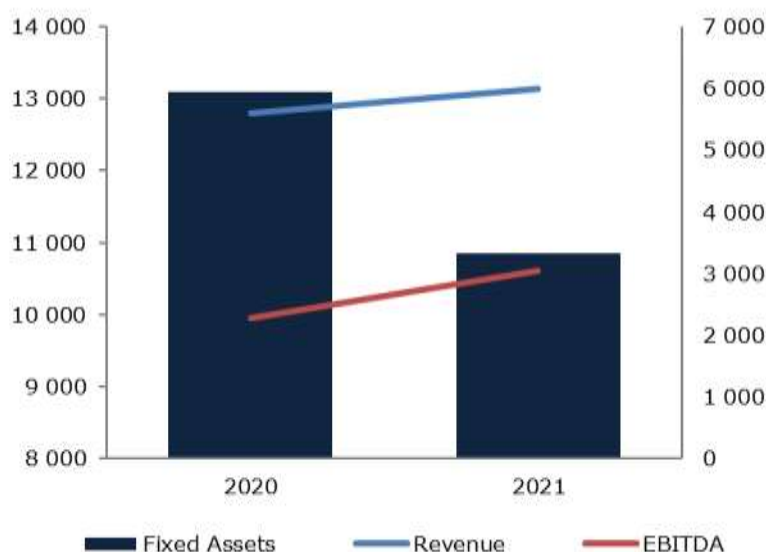
To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The company has benefited from state aid in the amount of BGN 204 thousand under the 60/40 scheme. The measure 60/40 is a short-term tool for urgent business support to maintain employment, but also to guarantee the income of employees.

As of 31.12.2021, the company's interest expenses decreased to BGN 335 thousand, compared to BGN 464 thousand a year earlier.

The administrative expenses of the Company at the end of December 2021 increased by 4% to BGN 5,749 thousand against BGN 5,520 thousand a year earlier.

The financial result of the company for the period under review is a loss of BGN 168 thousand compared to a loss of BGN 523 thousand in 2020.

The chart below presents the fixed assets of the Company, the realized revenues, as well as EBITDA in the end of 2021 and 2020.



The total assets of the company amount to BGN 12,243 thousand as of 31.12.2021, compared to BGN 14,459 thousand a year earlier.

Liabilities to financial and non-financial institutions as of 31.12.2021 marked a decrease from BGN 8,481 thousand at the end of 2020 up to BGN 6,918 thousand as of 31.12.2021

Liabilities under bank loans decreased to BGN 2,976 thousand (compared to BGN 3,096 thousand as of 31.12.2020).

#### ➤ **Sofia Motors**

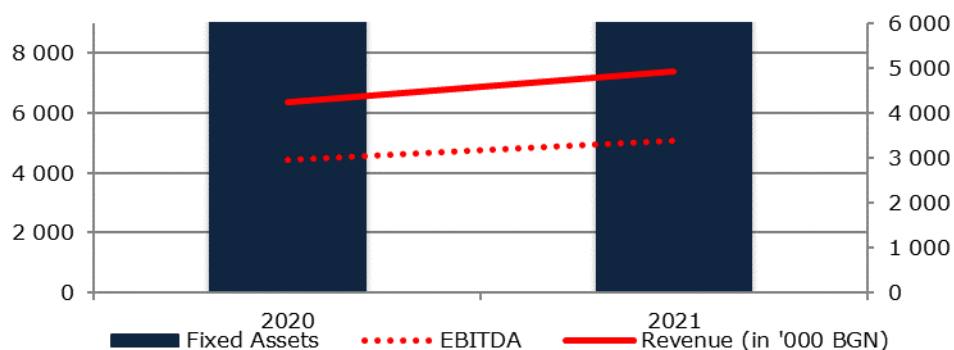
The main activity of Sofia Motors is related to the rental of vehicles to individuals and small and medium enterprises.

The financial result of Sofia Motors in the end of 2021 is a profit of BGN 74 thousand compared to a loss of BGN 173 thousand for the comparative period. In recent months, the interest of customers in the cars offered by the Company with full service included has increased. The company focuses on building good

contacts with car dealers, advertising the new service through various communication channels and adding different types of cars in order to increase future revenues.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Sofia Motors EOOD does not fall within the eligible industries for financing, due to which the Company has not benefited from state aid.

The chart below shows the relationship between the company's fixed assets, revenue and EBITDA.



As of December 30, 2021 the company's assets amount to BGN 12,795 thousand, compared to BGN 11,892 thousand as of December 31, 2020.

Company's liabilities amount at BGN 12,024 thousand compared to BGN 11,585 thousand as of 31 December 2020.

In accordance with its Trade Receivables Impairment Policy, the Company recognizes expected credit losses in the amount of BGN 224 thousand.

Leasing liabilities as of 31.12.2021 of BGN 6,697 thousand increase by 13% compared to 31.12.2020 - BGN 5,935 thousand.

Liabilities under bank loans as of 31.12.2021 amount to BGN 3,350 thousand compared to BGN 3,573 thousand at the end of 2020.

#### ➤ Autoplaza

The main activity of Autoplaza EAD involves sale of vehicles returned from lease, rent-a-car and "buy-back". The company operates in close cooperation with Auto Union, Eurolease Auto Bulgaria and Eurolease Rent Car. Autoplaza experts participate in international tender procedures aiming to be able to offer their clients a larger variety of automobiles as brands and level of equipment. In the last year Autoplaza affirmed its reputation as a preferred client and loyal partner in the tender procedures.

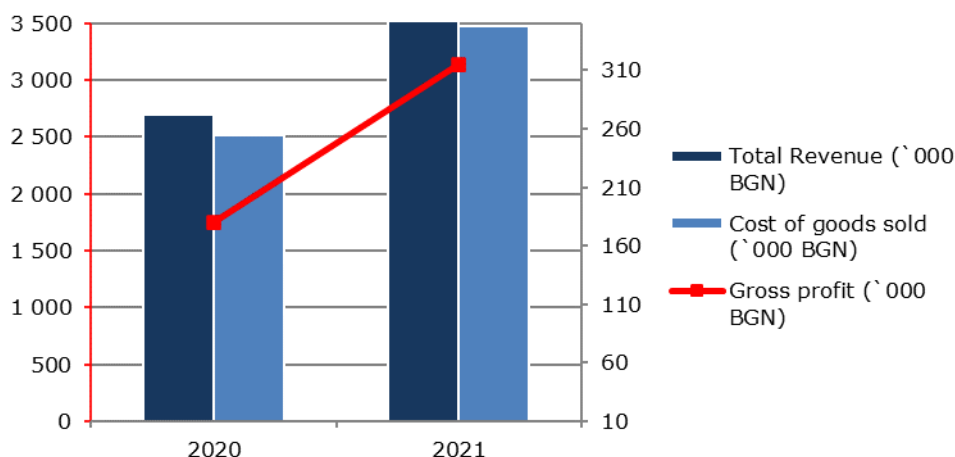
The financial result of Autoplaza as of 31.12.2021 is a profit of BGN 22 thousand compared to a loss of BGN 125 thousand for the same period of 2020. The positive change in the financial result of the company is mainly due to the significant growth in sales of goods - from BGN 2,631 thousand to 31.12.2020, they reach BGN 3,699 thousand as of 31.12.2021 (or 41%). Gradually, the company returns to its normal volume of sales.

In recent months, the demand from customers in the service provided by the Company - import of new and used cars to individual order. The cars are imported mainly from Germany and Belgium.

During the reporting period, Autoplaza realized a gross profit from the sale of goods and services in the amount of BGN 315 thousand, compared to BGN 180 thousand in the comparable period.

To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The company has benefited from state aid in the amount of BGN 52 thousand under the 60/40 scheme. The measure 60/40 is a short-term tool for urgent business support to maintain employment, but also to guarantee the income of employees.

The chart below shows the change in total revenue, the carrying amount of assets sold and the company's gross profit. Gradually, the company returns to its normal volume of sales.



The assets of the company amount to BGN 1,470 thousand as of 31.12.2021, compared to BGN 1,813 thousand at the end of 2020 (decrease of 19%). The company still acts cautiously when buying cars given the situation in the country. The value of cars for sale as of 31.12.2021 amount BGN 539 thousand (decrease of 56% - BGN 1,215 thousand in the comparable period).

At the end of December 2021, the liabilities of the Company on received bank loans decrease to BGN 1,108 thousand, compared to BGN 1,358 thousand at the end of the previous 2020.

#### ➤ Mogo Bulgaria

As of 31.12.2021 Mogo Bulgaria reports a profit of BGN 76 thousand.

### EUROLEASE GROUP AD. BUSINESS OVERVIEW

The Eurolease Group Leasing Subholding is a company uniting Eurohold's investments in the leasing sector. The companies, which are part of the Eurolease Group, offer finance and operating leasing of new and used vehicles, new cars, trucks and buses.

The Group also offers rent-a-car services, as well as the sale of repossessed used cars with proven provenance. The rent-a-car business is conducted by Eurolease - Rent a Car, which operates under the AVIS and BUDGET brand names. One of the activities of the leasing group relates to the sale of vehicles returned from lease, rent-a-car and buy-back (through the company Autoplaza EAD).

#### Highlights of important events in 2021

Pursuant to an agreement dated 1 December 2021 and an entry in the Commercial Register dated 7 December 2021, Eurolease Group plc became the sole owner of the capital of Mogo Bulgaria Ltd.

Mogo Bulgaria EOOD is a company operating in the territory of the country related to leasing of motor vehicles. With the acquisition of Mogo Bulgaria EOOD Eurolease Group AD aims to expand its presence in the leasing market in Bulgaria.

More information about the Eurolease Group sub-holding and its subsidiaries can be on the company's website [www.euroleasegroup.com](http://www.euroleasegroup.com).

## **EURO-FINANCE AD - INVESTMENT INTERMEDIATION AND ASSET MANAGEMENT (financial-investment activity)**

Euro-Finance is an investment intermediary member of the Frankfurt Stock Exchange, providing direct access to Xetra® via the EFOCS trading platform. The company also offers trading in currencies, indices, equities and precious metals via contracts for difference on the EF MetaTrader 5 platform.

The company also has the highest equity capital of all investment firms, according to FSC data.

During the reporting period, Euro-Finance plc continued to follow the activities set out in the development programme in the direction of developing online services for individual clients, increasing funds under management and participating in projects related to corporate advisory and restructuring.

The Company generates net income from operating activities for 2021 in the amount of BGN 4,638 thousand generated by:

- Interest income - BGN 467 thousand;
- Other operating income - BGN 4 171 thousand;

Expenses for the period related to the ongoing servicing of the Company amount to BGN (2 325) thousand.

### **Euro-Finance AD. Business overview**

Euro-Finance is the largest investment intermediary in Bulgaria in terms of share capital and turnover. The company is a leading investment intermediary licensed by the FSC and a full member of the Deutsche Börse Group. The full license issued by the FSC authorizes Euro-Finance AD to operate on the territory of the EU and third countries. The activity of the company meets the highest standards in the field of financial and investment services.

As an investment intermediary, Euro-Finance AD offers its clients activities such as brokerage, asset management, investment banking, merger and acquisition consulting, and other investment services for corporate and institutional clients.

Euro-Finance AD offers individual portfolio management, mainly to individual and institutional investors based in Bulgaria. The company offers three types of individual investment portfolios (conservative, balanced and aggressive). These portfolios are based on the client's risk characteristics and the asset structure that are actively managed by the company in line with the client's specific needs, as these assets typically include investments in shares, bonds, alternative investments, and money resources. Balanced portfolios can be invested up to 60% in shares and alternative investments, and aggressive portfolios can be invested up to 95% in shares and alternative investments.

In 2020, Euro-Finance laid the foundations for its cooperation with Amundi Asset Management - the largest asset management company in Europe for market capitalization of managed assets. Amundi has over 80 years of experience in managing and offering mutual funds and is among the ten largest asset management companies in the world. Amundi is a public company whose shares are traded on Euronext. Credit Agricole, the second largest banking group in France, is a majority shareholder in Amundi.

In 2020 Euro-Finance AD continued its efforts to develop and promote the segment of services focused on transactions with foreign financial instruments, focusing on updating its EFOCS e-commerce platform.

More information about Euro-Finance AD can be found on the company's website [\*\*www.eurofinance.bg\*\*](http://www.eurofinance.bg)

## **EUROHOLD BULGARIA AD – STANDALONE BASE**

### **FINANCIAL RESULT**

#### **⇒ IMPACT OF SIGNIFICANT EVENTS ON PERFORMANCE**

The year 2021 was marked by a number of transactions carried out by Eurohold Bulgaria S.A. which had an impact on the financial result for the reporting period. The more significant of these transactions are described above under "Significant events for Eurohold Bulgaria's operations" and relate to the acquisition of the CEZ assets in Bulgaria and the structuring of the financing through the engagement of a number of managers and intermediaries.

Separately, after entering a new sector market for Eurohold, namely the energy market, the Holding is also actively working towards implementing its investment policy aimed at developing its significant assets in the insurance and energy businesses and divesting its investments in the automotive and leasing businesses. As a result of these actions, the automotive subholding of Eurohold Bulgaria AD - Auto Union AD, sold its subsidiary N Auto Sofia EAD - the main dealer in Bulgaria of the Nissan brand and controlling 51% of the capital of Espas Auto Ltd, the largest distributor in Bulgaria of Renault and Dacia brand vehicles. "N Auto Sofia EAD also owns 51% of EA Properties Ltd, which owns the Nissan, Renault and Dacia land and showroom in Sofia. In November 2021, Auto Union S.A. also signed a preliminary agreement for the sale of its subsidiary Star Motors EOOD, the official importer of Mazda brand vehicles for Bulgaria and the Republic of North Macedonia. The transaction is expected to be completed in the first quarter of 2022. In addition, Eurohold Bulgaria S.A. has succeeded in attracting the European Bank for Reconstruction and Development (EBRD) as an investor in the insurance subholding by concluding a package deal for the acquisition by the bank of a minority stake in the capital of Euroins Insurance Group S.A. (EIG). As a result of the package deal, EBRD participated in the capital increase of EIG by subscribing and paying for the balance of 36,965,187 shares with a par value of BGN 1 each of the capital increase of EIG, and Eurohold also transferred to it 20,082,844 shares with a par value of BGN 1 each.

As a result of these actions and transactions, Eurohold's financial result at the end of 2021 has been significantly impacted following the recognition of a number of non-recurring costs discussed below under 'Expenses'.

In addition, it may be noted that no impairment reviews of investments in subsidiaries and other entities have been performed for the purpose of presenting these interim condensed individual financial statements for the fourth quarter. Eurohold's management has engaged external independent licensed valuers with appropriate qualifications and experience to perform fair valuations of the Holding's underlying assets, on the basis of which an assessment will be made as to whether there is any indication of impairment of investments in subsidiaries as at 31 December 2021. After the new fair value of the investments has been reported, it is possible that a revaluation may be made in any of the investments, which could further impact the financial result.

#### **⇒ INCOME**

The income of Eurohold Bulgaria AD over the reporting period amounted to BGN 1.9 million, of which:

- » Dividend income - BGN 0.2 million;
- » Income from profits from operations with investments and financial instruments and subsequent valuations totalling BGN 0.8 million, including:
  - BGN 0.2 million profit from transfer of ownership of repurchased own bonds 10,500 pcs. from the EMTN Programme in EUR with ISIN XS1731768302
  - BGN 0.26 million profit from repurchase of own bonds with ISIN BG2100013205.
- » Income from revaluations of debt instruments measured at fair value, in the total amount of BGN 0.34 million, including:
  - BGN 0.26 million from revaluation of purchased own bonds 10,500 pcs. from EMTN Programme in EUR with ISIN XS1731768302;
  - BGN 0.08 million from revaluation of purchased own bonds 900 pcs. with ISIN BG2100013205;
- » Interest expenses - BGN 0.03 million;

- » Other financial income (positive exchange rate differences) - BGN 0.8 million

For comparison, the income reported by Eurohold as of 31.12.2020 amounted to BGN 4.6 million, formed by:

- » Dividend income - BGN 0.5 million;
- » Income from profits from operations with financial instruments and subsequent valuations totalling BGN 2.4 million, including:
  - BGN 0.8 million profit from repurchase of own bonds 10,500 pcs. from the EMTN Programme in EUR with ISIN XS1731768302;
  - BGN 0.5 million profit from repurchase, repayment and write-off of trade loans in the form of Euro Commercial Papers - ECP;
  - BGN 0.1 million - other profits.
  - Income from revaluations of debt instruments, valued at fair value are BGN 1 million formed by revaluation of purchased own bonds 10,500 pcs. from the EMTN Programme in EUR with ISIN XS1731768302;
- » Other financial income (positive exchange rate differences) amounting to BGN 1.6 million.

## ⇒ EXPENSES

For the twelve months of the current year, Eurohold Bulgaria marked an increase in its operating expenses by BGN 31.5 million as they amounted to BGN 53.3 million for the reporting period, compared to BGN 21.7 million a year earlier.

As already mentioned in connection with the implementation of its investment strategy (part of which was acquired by the energy companies CEZ in the country and the acquisition by the EBRD through a package transaction of minority interest in the insurance holding) during the reporting period for Eurohold Bulgaria incurred significant costs with a one-time effect of BGN 25 million leading to a 145% increase in total operating expenses.

The operating expenses are mainly characterized by the following changes:

- » Increase in interest expenses by 23% (BGN 3.6 million) as for the twelve months of 2021 expenses in the amount of BGN 19.5 million were reported. Interest expenses are grouped into three categories, namely:
  - Interest on loans from banks and non-banking financial institutions amounting to BGN 3.2 million accounting an increase of BGN 0.5 million – the increase is due to the new bank loan disbursed in mid-2020;
  - Interest on bond issues amounting to BGN 12.8 million – with a reported increase of BGN 2.3 million due to the newly issued in November 2020 bond loan in the amount of EUR 30 million, on which interest in the amount of BGN 1.9 million was accrued for the twelve months of 2021.
  - Interests on borrowings and leasing from related and third parties amounting to BGN 2.5 million – an increase of BGN 0.9 million was reported.
- » Losses from operations with financial instruments and subsequent estimates in the total amount of BGN 21.5 million (BGN 1.9 million for 2020) representing mainly:
- » Losses from operations with investments in the amount of BGN 21.2 million
  - One-time effect in the amount of BGN 20.4 million in connection with the transfer of shares to a subsidiary as part of a package transaction;
  - BGN 0.4 million in connection with the restructuring of bonds from the EMTN Program with ISIN XS1542984288;
  - BGN 0.2 million in connection with operations with repurchased own bonds with ISIN BG2100013205;
  - BGN 0.1 million in connection with operations with repurchased own bonds from EMTN Program in EUR with ISIN XS1731768302;
  - BGN 0.08 thousand fees and commissions for services of an investment intermediary.

- » Expenses from revaluations of debt financial instruments (mainly revaluation of repurchased own bonds), measured at fair value in the amount of BGN 0.3 million with similar expenses for 2020 of BGN 1.9 million reported.
- » Increase in expenditures for external services, which amounted to BGN 9 million for the reporting period compared to BGN 2.2 million for the previous period. The realized increase in the costs for external services is mainly related to incurred current costs for the finalization of the transaction for the acquisition of the assets of CEZ Group in Bulgaria and represent consulting, intermediary services and success fees in connection with the acquisition of companies in the Energy segment. The one-off effect reported under this expenditure item in 2021 is worth BGN 7.8 million;
- » Other financial expenses increased by BGN 0.6 million up to BGN 1 million as of 31.12.2021 and represent mainly negative differences from changes in exchange rates in the amount of BGN 0.8 million;
- » Personnel expenses also increased for the reporting period, amounting to BGN 0.9 million vs. BGN 0.6 million for the comparable period.

### ⇒ RESULTS FROM OPERATING ACTIVITIES

For the reporting period of 2021, Eurohold Bulgaria realized a loss from operating activities in the amount of BGN 51.3 million, accounting an increase of the loss by BGN 34.2 million vs. the comparable period.

### ⇒ FINANCIAL RESULT

In connection with the performed operations and the reported one-off costs / losses, for the period January 1 – 31 December, 2021 Eurohold Bulgaria AD reports a financial result on an individual basis a loss of BGN 51.5 million, increased by BGN 34.8 million vs. the financial result for the previous year which was a loss of BGN 16.8 million.

When recalculating the costs / losses from one-off effects, the adjusted operating expenses are close to those for the previous 2020 (25.1 million for 2021 and 21.7 million BGN for 2020).

The adjusted loss for 2021 amounts to BGN 23.4 million or the loss actually realized by Eurohold increased by BGN 6.6 million.

**Table 1: Recalculated statement of profit or loss and other comprehensive income for 2021:**

	Notes	2021 BGN '000 (recalculated)	2021 BGN '000 (one-off effects)	2021 BGN '000	2020 BGN '000
Revenue from operating activities					
Dividend income	3	223		223	547
Gains from sale of investments and subsequent revaluation	4	819		819	2 443
Interest income	5	35		35	-
Other financial revenue	6	846		846	1 590
		<b>1 923</b>		<b>1 923</b>	<b>4 580</b>
Expenses on operating activities					
Interest expenses	7	(19 547)		(19 547)	(15 890)
Losses on sale of investments and subsequent revaluation	8	(1 131) *	(20 360) *	(21 491)	(1 911)
Other financial expenses	9	(999)		(999)	(436)
Hired services expenses	10	(1 286) *	(7 756) **	(9 042)	(2 196)
Salaries and related expenses		(897)		(897)	(606)
Depreciation	13.1, 13.2	(679)		(679)	(679)
(Expenses) / Revenue from impairment of financial assets, net	11	(609)		(609)	9

		<b>(25 148) *</b>	<b>(28 116)</b>	<b>(53 264)</b>	<b>(21 709)</b>
Profit / (Loss) from operating activities		<b>(23 225) *</b>	<b>(28 116)</b>	<b>(51 341)</b>	<b>(17 129)</b>
Other revenue/(expenses), net	12	(179)		(179)	375
Net Profit /(Loss)		<b>(23 404) *</b>	<b>(28 116)</b>	<b>(51 520)</b>	<b>(16 754)</b>
Total comprehensive income for the period		<b>(23 404) *</b>	<b>(28 116)</b>	<b>(51 520)</b>	<b>(16 754)</b>

\* On 05.10.2021 the European Bank for Reconstruction and Development (EBRD) signed an agreement for a package deal with Eurohold Bulgaria AD with the subject of acquiring a minority share in the subsidiary of the holding - Euroins Insurance Group AD (EIG). As a result of this package transaction, on 07.10.2021 Eurohold Bulgaria AD transferred to the EBRD 20,082,844 shares with a par value of BGN 1 each. The reported one-time effect of Eurohold Bulgaria AD is a loss from operations with investments in the amount of BGN 20,360 thousand.

\*\* In 2021, the main part of the costs for external services are consulting, intermediary services and fees for success in connection with the acquisition of companies in the Energy segment. Thus, reported one-off effect in 2021 is worth BGN 7,756 thousand.

## FINANCIAL POSITION

### ⇒ ASSETS

As of 31st of December 2021 the company's assets increased by BGN 151.4 million and reached to BGN 785.1 million compared to BGN 633.7 million as of the end of 2020.

### Non-current investments

The assets of Eurohold Bulgaria AD mainly represent investments in subsidiaries and other enterprises and occupy 99.6% of the Company's assets. As of the end of the current reporting period they amounted to BGN 781.9 million compared to BGN 629.5 million at the end of 2020.

The Company evaluates investments in its subsidiaries on an annual basis, using external appraisers to determine their fair values for each calendar year. As of the date of these interim condensed financial statements, the analysis of whether there are indications of impairment of investments has started, as the Company has engaged external independent licensed appraisers with appropriate qualifications and experience to prepare estimates of fair value of investments. The company will complete the review for impairment of investments after receiving the external estimates, but not later than March 31, 2022 and in case there are indications for impairment they will be reported in the audited annual individual financial statements for 2021.

According to this report, the marked increase in 2021 of investments in subsidiaries by BGN 152.4 million is due to:

- » An increase of the investment in the subsidiary Euroins Insurance Group AD to BGN 523.8 million (BGN 513.4 million as of the end of 2020), as follows:
  - The increase is in connection with the acquisition by Eurohold Bulgaria AD of another 21,989,329 shares of the capital of the subsidiary Euroins Insurance Group AD. The investments made during the twelve months of 2021 when purchasing the agreed share amount to BGN 15.7 million. The last purchase of shares was on November 3, 2021, with which Eurohold finalized the signed agreement for the acquisition of the minority share of the other shareholder in Euroins Insurance Group AD - Basildon Holding S.A.R.L., the special investment company of the South Investment Fund Eastern Europe Fund LP (SEEF), managed by the Greek investment company Global Finance. Eurohold agreed in 2018 to repurchase the fund's shares in the amount of 10.64% of the capital as of the date of concluding the repurchase agreement.
  - In September 2021 the Management Board of Eurohold Bulgaria AD decided to participate in the capital increase of Euroins Insurance Group AD, to be carried out within a procedure for simultaneous reduction and increase of the capital under Article 203 of the CA in connection with Art. 252, para. 1, item 5 of the Commercial Law. In this regard, the subsidiary issues 52,026,000 shares, of which Eurohold Bulgaria AD has subscribed and paid 15,060,813 shares at an issue value of BGN 1. At the same time, the capital of the

Company was reduced by invalidating 19,229,057 previously acquired by the company own ordinary, registered, available, non-preferred shares with a par value of BGN 1 each.

- On 05.10.2021 the European Bank for Reconstruction and Development (EBRD) signed an agreement for a package deal with Eurohold Bulgaria AD with the subject of acquiring a minority share in the subsidiary of the holding - Euroins Insurance Group AD (EIG). As a result of this package transaction on October 7, 2021, Eurohold Bulgaria AD transferred to the EBRD 20,082,844 shares with a par value of BGN 1 each.
- » Increase in investment in the subsidiary Eastern European Electric Company II B.V. by BGN 142 million.
  - Made in July 2021 capital increase of Eurohold's subsidiary Eastern European Electric Company II B.V. in accordance with the applicable provisions of Dutch law, through a cash contribution of EUR 65,600,000 through the issue of 1,000 new shares with a nominal value of EUR 1, the difference being placed in the premium reserve.
  - Made in November 2021 capital increase of Eurohold's subsidiary Eastern European Electric Company II B.V. in accordance with the applicable provisions of Dutch law, through a cash contribution of EUR 7,000,000 without the issuance of shares, the contribution being transferred to the premium reserve.
  - As of December 31, 2021, the share capital of the company consists of 2,000 shares with a total value of EUR 2,000.

### Other non-current assets

Other non-current assets include property, plant and equipment, and intangible assets. During the reporting period, the other non-current assets decreased slightly by BGN 0.7 million, which was due to a decrease in the recognized assets (properties) with the right of use by BGN 0.6 million as their value at the end of the reporting period amounted to BGN 1.4 million. Eurohold has no restrictions on the ownership of tangible fixed assets and no collateral is pledged as collateral for existing liabilities both for the reporting and the comparable period.

As of the end of 2021, Eurohold Bulgaria has provided long-term loans to subsidiaries amounting to BGN 0.2 million.

### Current assets

Current assets decreased by BGN 0.5 million and amounted to BGN 1.6 million at the end of the reporting period, they include:

- » Receivables from related parties from commercial operations and interest receivables on loans in the amount of BGN 0.8 million, reporting an increase for the period by BGN 0.3 million (after impairment of IFRS 9);
- » Other receivables and assets in the amount of BGN 0.6 million, which decreased by BGN 0.9 million (after impairment of IFRS 9);
- » Cash and cash equivalents amounting to BGN 0.1 million.

### ⇒ EQUITY

The share capital of Eurohold Bulgaria increased in the fourth quarter of 2021 by BGN 63 million as a result of the successfully completed increase of the share capital of the Company at the beginning of July 2021. The capital increase was carried out under the conditions of public offering of securities as a result of subscribed 62,974,400 new shares each with a nominal value of BGN 1 and an issue value of BGN 2.50. With such a structured increase, the amount of the share capital increases to BGN 260.5 million (BGN 197.5 million in end of 2020) and an additional premium reserve was recorded for the issuance of securities of BGN 94.5 million, which increased the total amount of the premium reserve to BGN 144 million.

The equity of Eurohold Bulgaria as of 31.12.2021 amounts to BGN 410 million compared to BGN 303.7 million at the end of 2020. The reported growth of 34.9% is due to the successfully realized increase of the share capital of the company.

## ⇒ SUBORDINATED DEBT INSTRUMENTS

In 2020 in order to strengthen the capital of the group and after reviewing the indebtedness, Eurohold Bulgaria has agreed and converted part of its loan obligations in amount of BGN 33 million as of 31.12.2020 in the form of a subordinated debt (not issued) instrument. The subordinated debt instrument represents unissued tier 1 capital and amounts to BGN 33 million due to the majority shareholder Starcom Holding for an indefinite period, but not earlier than 5 years with interest due at the end of each quarter, calculated at base fixed interest rate of 6.5%.

Following a decision of the Management Board of the Company, in the third quarter of 2021 a partial repayment of the subordinated debt instrument in the amount of BGN 26 million was made. Apart from that, a new contract for subordinated debt to Starcom Holding AD has been concluded, with a limit of BGN 50 million, as of 31.12.2021 BGN 450 thousand have been utilized, and the prepaid expenses for debt service and management amount to BGN 101 thousand.

## ⇒ LIABILITIES (NON-CURRENT AND CURRENT)

The company's liabilities (without subordinated debt instruments) reached BGN 368.3 million, increasing by 24% at the end of the reporting period.

The change in liabilities was due to the following factors:

### » Non-current liabilities

Non-current liabilities decreased by 32% compared to the end of 2020. They are formed mainly by liabilities on borrowed funds for financing, incl. loans from financial and non-financial institutions and liabilities under bonds loans with a total value as of 31.12.2021 of BGN 149.4 million, including:

#### ▪ Loans from financial and non-financial institutions

During the reporting period there was a decrease in the long-term amount of loans received from banking institutions by BGN 33.7 million and as of 31.12.2021 their amount was BGN 9 million. This change is due to the following factors:

- Reduction of the non-current liability under a second bank loan from the International Investment Bank by BGN 3 million - from BGN 12 million at the end of 2020 to BGN 9 million as of the end of reporting period due to the current part in short-term liabilities.

The loan liabilities from the International Investment Bank represent attracted funds under a second bank loan with an agreed limit of EUR 10 million and principal due as of 31 December 2021 in the amount of EUR 6.2 million, the agreed interest rate on the loan is 6.0% + EURIBOR, maturity - March 2025, secured by a pledge of shares of a subsidiary.

- As of 31 December 2021, the liability in the amount of BGN 29.6 million under a loan agreement with the International Bank for Economic Cooperation has been fully reported in current liabilities in connection with the loan maturity of less than one year.

#### ▪ Bond loans

The non-current liabilities on bond loans decreased by BGN 96.3 million and at the end of the reporting period amounted to BGN 78.2 million. The marked decrease is characterized by the following changes:

- The liability under the issued bond loan (within the EMTN Programme in PLN/EUR) has been restructured from current to long-term with extended maturity until 29.12.2026, changed currency from PLN to EUR and changed frequency of interest payments from six-month to one-year. (Information about EMTN programme conditions (EUR and PLN) is publicly available on the Irish Stock Exchange website, Bonds section.)
- The liability on issued corporate bond loan with ISIN: BG2100013205 remains unchanged. The amount of the loan liability at the end of December 2021 amounted to BGN 58.7 million. (On November 26, 2020 Eurohold Bulgaria AD issued a bond loan with ISIN code BG2100013205 in the amount of EUR 30,000,000 (BGN 58,674,900) under the terms of an initial private (non-public) offering within the meaning of Art. 205, para. 2 of the Commercial Law. The issue is the second in a row and represents 30,000 corporate bonds issued, which are ordinary, registered, dematerialized, interest-bearing, secured, non-convertible, and freely transferable of one class and with equal rights. The nominal and issue value of each bond is EUR 1,000. The maturity date of the issue is November 26, 2027, fixed nominal interest rate - 3.25% on an annual basis, interest payments are due every six months and one-time repayment of the principal at maturity. Interest payments are made every six months, as of the date of registration of the

issue (November 26, 2020), at a fixed nominal interest rate - 3.25% on an annual basis. The debenture loan is secured in favour of all bondholders with Bond Loan insurance, valid until the date of full repayment of the issue and covering 100% of the risk of non-payment by Eurohold Bulgaria AD to any and all interest and/or principal payment. Eurohold will take the necessary actions for subsequent admission of the bond issue to trading on a regulated market - Bulgarian Stock Exchange AD within 6 (six) months from the date of registration of the bond issue in Central Depository AD. At the first general meeting of the bondholders, held on 18.12.2020 as a Trustee of the bondholders for issue of corporate bonds with ISIN code BG2100013205, Financial House Ever AD was elected - performing activity as an investment intermediary. The funds raised from the issue were used according to the purposes for which it was issued, namely for repayment of short-term liabilities of the Company and additional payment of subscribed but unpaid capital of the subsidiary Euroins Insurance Group AD. On 31.08.2021 the bond issue was introduced for trading on the Bulgarian Stock Exchange AD, bond segment on 31.08.2021 with stock exchange code: EUBB.

The Notes to the interim condensed separate financial statement for the twelve months of 2021 disclose in detail the executed bond transactions for the respective reporting periods.

- **Other non-current liabilities to non-financial institutions**

- Liability on received loan, with maturity 11.2023, annual interest rate - 5.5% and limit BGN 2,000 thousand in the amount of BGN 1.5 million at the end of 2020 it was repaid in full.

- **Long-term liabilities to related parties**

In the current reporting period, the liabilities on loans received from related parties increased significantly after a loan utilized by the parent company. As of 31.12.2021 the loan amounted to BGN 59.5 million.

The total liability to related parties amounts to BGN 60.9 million compared to BGN 1.7 million at the end of 2020.

- » **Current liabilities**

In the fourth quarter of 2021, Eurohold's current liabilities increased by 185%, amounting to BGN 218.9 million at the end of the period, due to the following changes:

- **Loans from financial and non-financial institutions**

- Part of the current liability to financial institutions is on two utilized bank loans from the International Investment Bank (IIB) reported in short-term liabilities, namely:
- The first loan granted by the IIB with an agreed limit of EUR 15 million matured in December 2021 and was repaid in full.
- Under the second loan, maturing in March 2025, the current principal liabilities amount to BGN 3 million.
- A significant part of the current liability to financial institutions in the amount of BGN 30 million (includes liabilities under principal and interest) is on the bank loan disbursed by the International Bank for Economic Cooperation, which is fully transferred to current liabilities due to the approaching maturity. (The loan agreement was concluded in the third quarter of 2020, with the following parameters: principal limit - EUR 20 million, which can be disbursed in three tranches within six months (disbursed funds are currently € 15,000,000 interest rate: 6.5% on an annual basis on the utilized amount, term of the loan - the utilized principal of the loan is paid in full on the maturity date, which is 31.07.2022, but not later than 01.01.2023. ; the loan cannot be renegotiated; collateral - pledge of shares of a subsidiary.)

- **Other current liabilities to non-financial institutions**

- Eurohold Bulgaria AD has a liability of BGN 4.8 million under issued Euro Trade Shares (ECP), with a maturity of 5.2022, an annual interest rate of 2.0% and a face value of EUR 2,500 thousand.

- **Bond loans**

Current liabilities on bond loans increased by BGN 116.8 million to BGN 137 million, as the amount includes the entire liability on the principal of the loan issued under the EMTN Programme in EUR - ISIN: XS1731768302 (maturing - December 2022) in the amount of BGN 136.2 million, as well as liabilities under interest to bondholders of all issues amounted to BGN 0.8 million.

▪ **Short-term liabilities to related parties**

Current liabilities to related parties increased by BGN 6.2 million at the end of 2021 and amounted to BGN 41.6 million.

▪ **Summary information on liabilities on borrowed funds**

The table below provides detailed information on the amount of loan liabilities, their structure and nature.

Loan liabilities	Change %	31.12.2021 000'BGN	31.12.2020 000'BGN
<b>Subordinated debt instruments</b>	-78%	<b>7 201</b>	<b>32 784</b>
<b>Liabilities to financial and non-financial loans:</b>	<b>-24%</b>	<b>51 491</b>	<b>67 994</b>
▪ <b>Loans from financial institutions</b>	<b>-24%</b>	<b>46 636</b>	<b>61 692</b>
- Non-current liabilities to banks	-79%	9 006	42 747
- Current liabilities to banks	99%	37 630	18 945
▪ <b>Other borrowings</b>	<b>-23%</b>	<b>4 855</b>	<b>6 302</b>
- Other non-current borrowings	-100%	-	1 450
- Other current borrowings (Euro Commercial Papers – ECPs and borrowings from non-financial institutions)	0%	4 855	4 852
<b>Bond Loan Obligations:</b>	<b>11%</b>	<b>215 220</b>	<b>194 719</b>
- Non-current liabilities on bond loans, including:	-55%	78 233	174 531
- EMTN Programme	-83%	19 558	115 856
- Bond loan ISIN code BG2100013205	0%	58 675	58 675
- Current liabilities on bond loans (maturing principals and interests)	579%	136 987	20 188
<b>Liabilities to related parties:</b>	<b>176%</b>	<b>102 501</b>	<b>37 093</b>
- Non-current	3478%	60 926	1 703
- Current	17%	41 575	35 390
<b>Total loan liabilities</b>	<b>13%</b>	<b>376 413</b>	<b>332 590</b>

The summarized data on loan liabilities show that at the end of 2021 Eurohold increased the amount of loans received by BGN 44.8 million, representing an increase of 13% (calculated compared to the corresponding amount at the end of 2020).

▪ **Non-cash transactions**

During the reporting periods, the Company has carried out the following investment and financial transactions that do not use cash or cash equivalents and are not reflected in the cash flow statement:

**2021**

- During the period the Company performed SWAP transactions with related parties, simultaneously issuing new short-term Euro Commercial Papers (ECPs) in the amount of EUR 2 500 thousand (BGN 4 890 thousand) and repurchasing issued ECPs in the amount of EUR 2 450 thousand (BGN 4 792 thousand).
- The company has transferred a liability with a subsidiary and has committed to assume the amount of BGN 332 thousand, consisting of BGN 314 thousand principal and BGN 18 thousand interest.
- Pursuant to an Agreement for set-off of counter-liabilities with a subsidiary Eurohold Bulgaria AD has set-off a receivable in the amount of BGN 72 thousand (BGN 70 thousand principal and BGN 2 thousand interest) with a liability of BGN 332 thousand. (BGN 314 thousand principal and BGN 18 thousand interest) up to the amount of the receivable.
- Pursuant to an Agreement for set-off of counter-liabilities with a subsidiary Eurohold Bulgaria AD has set-off a receivable in the amount of BGN 14 thousand with a liability of BGN 2 thousand up to the amount of the liability.

- Pursuant to the Contract for purchase and sale of financial instruments with a subsidiary (Acquirer) Eurohold Bulgaria AD (Transferor), the receivable from the transferor with a liability to the same in the amount of BGN 5 476 thousand has been set off.
- Pursuant to an Agreement with a subsidiary Acquirer on one transaction (receivable in the amount of BGN 4 903 thousand) with Eurohold Bulgaria AD and Transferor in another transaction (liability in the amount of BGN 4 843 thousand) with Eurohold Bulgaria AD offsetting has been performed of the receivable from the transferee with a liability of the transferor in the amount of BGN 4 843 thousand. The balance after the set-off (BGN 60 thousand) remains due to the subsidiary of Eurohold Bulgaria AD as of 31.12.2021
- Pursuant to an Agreement for set-off of counter-liabilities with a subsidiary Eurohold Bulgaria AD, it has set-off a receivable in the amount of BGN 8 thousand with a liability of BGN 8 thousand.

## 2020

- In 2020, the Company, in its capacity as a borrower under two loan agreements with related parties, has set off the amount of BGN 4 150 thousand in decrease in the principal of one loan and increase the principal of the other loan, such as cash flows are settled directly between the two lenders - related parties.
- During 2020 the Company executed SWAP transactions with related parties, simultaneously issuing new short-term commercial securities (ECP) in the amount of EUR 16 366 thousand (BGN 32 009 thousand) and repurchased short-term commercial securities issued (ECP) in the amount of EUR 16,443 thousand (BGN 32 158 thousand).
- In 2020, with debt replacement agreements, the main shareholder Starcom Holding AD assumes liabilities of the Company to two subsidiaries in the total amount of BGN 13 204 thousand, including principals in the amount of BGN 12 667 thousand and interests in the amount of BGN 537 thousand. The assumed liabilities are joined to the existing liabilities of the Company to Starcom Holding AD in the total amount of BGN 19 579 thousand (including principal and interest) and form a total liability of BGN 32 784 thousand, in which the total liability interest is capitalized. The total liability thus formed (BGN 32 784 thousand) is a subordinated debt, representing Tier 1 capital, according to the applicable provisions of the current Bulgarian and Community law. The Tier 1 capital has a total value of BGN 32 784 thousand and has an indefinite repayment period, but not earlier than 5 years, and an interest rate of 6.5%, due at the end of each quarter.
- In 2020, with a debt replacement agreement the obligations of the Company under a loan agreement to a subsidiary in the total amount of BGN 328 thousand (principal BGN 314 thousand and interest BGN 14 thousand) were assumed by another subsidiary.

## CONDITIONAL OBLIGATIONS AND COMMITMENTS

### Litigations

As of 31.12.2021 no significant lawsuits have been filed against the Company.

The Company is appealing against penal decrees imposed by the Financial Supervision Commission with a general material interest in the amount of BGN 124 thousand. As at the date of this report a forecast for the probability of entry into force of the decrees cannot be made, on the same.

The company is a claimant in a case with a material interest of EUR 375 363.21. The company requests a refund of a transferred amount. The amount is completely blocked on the account in Erste Bank, Novi Sad, based on a prosecutor's order and an order of the civil court and it expects to return after a formal decision on the above case. A final decision on the case is expected within the next 12 months, but the deadline may be extended depending on the workload of the court hearing the case.

### Warranties and provided guarantees

The Company is a co-debtor of received bank loans of related parties as follows:

Business division	Amount in EUR'000 as of	Amount in BGN'000 as of	MATURITY (EUR'000)					After 2026
	31.12.2021	31.12.2021	2022	2023	2024	2025	2025	
Lease sub-holding								
Bank loans for funding of lease operations	15 252	29 830	5 791	3 870	2 906	1 643	869	173

<b>Automotive sub-holding</b>								
Working capital bank loans	14 027	27 434	13 363	45	181	181	181	76
<b>Energy sub-holding</b>								
Working capital loans	17 702	34 622	17 702	-	-	-	-	-
Corporate payment guarantee	3 500	6 845	-	3 500	-	-	-	-
Corporate guarantee to loans from a financial institution in connection with an acquisition	220 000	430 283	-	-	-	-	-	220 000
<b>Insurance sub-holding</b>								
Bond loan *	10 000	19 558	10 000	-	-	-	-	-
<b>Parent company</b>								
Working capital bank loans	6 000	11 735	6 000	-	-	-	-	-
Bank loans for investment purposes	5 000	9 779	-	-	5 000	-	-	-
	<b>291</b>							
<b>TOTAL:</b>	<b>481</b>	<b>570 086</b>	<b>52 856</b>	<b>7 415</b>	<b>8 087</b>	<b>1 824</b>	<b>1 050</b>	<b>220 249</b>

\* Fully extinguished in early 2022.

In connection with a loan of Automobile Sub-holding Eurohold Bulgaria AD has established a pledge of shares of a subsidiary.

With relation to financing under a package transaction, Eurohold Bulgaria AD has established a pledge of shares in a subsidiary.

The Company is a guarantor of issued bank guarantees to related parties as follows:

Company from:	Contracted limit in EUR'000 as of 31.12.2021	Contracted limit in BGN'000 as of 31.12.2021	MATURITY (EUR'000)	
				2022
Automotive sub-holding	3 750	7 334		3 750
Automotive sub-holding	1 050	2 054		1 050
Automotive sub-holding	6 150	12 028		6 150
<b>TOTAL:</b>	<b>10 950</b>	<b>21 413</b>		<b>10 950</b>

The liabilities of the Company guaranteed by related parties are as follows:

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as of 31.12.2021 in original currency	Maturity date
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	70 000 000	12/2022.
Euroins Insurance Group AD	EUR	Issue of bonds (EMTN programme)	10 000 000	12/2026
Euroins Insurance Group AD	EUR	Bank loan	15 000 000	07/2022

Established guarantees in favour of the Company:

Company/ Guarantor	Currency	Guaranteed liability	Guaranteed amount as of 31.12.2021 in original currency	Maturity date
Milena Milchova Cuentcheva, Procurator	BGN	Management guarantee	3 330	03/2022

## DESCRIPTION OF THE MAIN RISKS

This section describes the risk factors affecting the core business of the Eurohold Group.

In the event that any of the risks described in this section occur even partially or in combination with other risk factors or circumstances, this may have a significant adverse effect on the company's operations, the results of its operations or its financial condition. If this leads to a reduction in the market price of the shares, investors may lose part or all of their investment. Additional risks and other uncertain events that are not currently known or are considered insignificant as of the date of this report may also have a material adverse effect on the operations of Eurohold Bulgaria AD, the results of operations or its financial condition.

We warn potential investors that the future results of the company's activities may differ significantly from past results as a result of the occurrence of the described risks, or many other risk factors.

The users of this report should keep in mind that Eurohold Bulgaria AD develops its activities through its subsidiaries, in this regard its financial condition, operating results and development prospects are directly dependent on the condition, results and prospects of its subsidiaries. The most significant risks affecting the companies of the Eurohold group are listed below.

### a) **NON-SYSTEMATIC RISKS**

Non-systematic risks are associated with the overall investment risk specific to a company, as well as with the sector (industry) of the economy in which it operates.

#### **Risks related to the activity and structure of Eurohold**

As far as the activity of the Eurohold Bulgaria AD is related to the management of the assets of other companies, it cannot be related to a specific sector from the domestic economy and it is exposed to the sectoral risks of the subsidiaries. The companies from the group of Eurohold Bulgaria AD operate in the following sectors: "Insurance", "leasing", "car sales" and "investment intermediation and asset management".

The impact of the individual risks is proportional to the share of the respective branch in the structure of the long-term investment portfolio of the Company.

The development trends of the Eurohold Group are directly related to the risk factors influencing the activity and business sector of the companies of the economic group, their prospects, growth potential, the ability to generate revenues and profits and maintain a stable financial position.

The presence of companies in the portfolio, whose net sales revenues are also formed from products sold to other subsidiaries (related to the group of persons), puts the efficiency of their activities in direct dependence on the level of profitability of customers (related parties), which may reflect negatively on the profitability of the whole group.

The main risk related to the activity of Eurohold Bulgaria AD is the ability to reduce the sales revenue of the companies in which it participates in the dividends received. In this regard, this may have an impact on the company's revenue growth, as well as on the change in its profitability.

Deteriorated results of one or more subsidiaries could lead to a deterioration of the results on a consolidated basis. This in turn is related to the company's share price, as a result of investors' expectations for the prospects of the company and the Eurohold Group, as the market price of the shares takes into account the business potential and assets of the economic group as a whole.

Due to the factors described above, the risks associated with Eurohold's activities must be considered together with the specific risks for each business sector represented in its economic structure.

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#### ➤ **Insurance business**

The greatest risk is concentrated in the insurance business, united in the subsidiary sub-holding company Euroins Insurance Group AD (EIG), where a significant part of the Group's revenues is generated.

The risk categories inherent in the EIG, such as an insurance holding company, are identified and classified in accordance with the identified risk categories at the level of subsidiaries. In accordance with the lines of

business issued in the license for performing insurance activity of the undertakings, subsidiaries identify the following categories of risk:

### **Underwriting risk**

The underwriting risk reflects the risk of loss or of adverse change in the value of insurance liabilities, in respect of the covered insurance risks and the processes, used in the performance of the undertaking activities. Underwriting risk includes the following sub-risks:

- Risk associated with premiums and reserves
- Lapse risks;
- Catastrophic risks.

The identification of the underwriting risk and the risk of formation of technical provisions at the level of the Group applies an individual approach to reporting the results provided by the subsidiaries in view of their activity, scale and nature of the intrinsic risk, taking into account the following factors:

- Share of the company in relation to the total volume of activity in the Group;
- The subsidiary's local legislation and requirements for the application of the Solvency II rules;
- Other factors, approved by the Risk Management Committee.

In calculating the technical provisions, each insurance company, despite its policies, adheres to the following basic principles:

- Technical provisions are calculated in a reasonable, reliable and objective manner;
- The data for calculating the technical provisions are appropriate, complete and accurate and meet the requirements of Art. 19 of Regulation (EC) 2015/35 on completeness and quality;
- The calculation of technical provisions is subject to the principles of market coherence, i.e., the calculation is based on and consistent with the information, received from the financial markets and from the publicly available underwriting risk data.

### **Market Risk**

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the levels and volatility of market prices of the assets, liabilities and financial instruments of the subsidiaries.

Market risk includes the following sub-risks:

- Interest rate risk;
- Spread risk;
- Share-related risk
- Property risk;
- Concentration risk;
- Currency risk.

All marketable financial instruments in the Group are exposed to market risk, which represents the risk of increasing or decreasing their market value as a result of future changes in market conditions. Financial instruments are measured at fair value and any changes in market conditions are reflected directly in the financial statements. In order to avoid the risk of concentration, Euroins Insurance Group AD strives to maintain optimal diversification of investments and to make them in financial institutions with a high rating. Companies within the scope of the Group adhere to the "prudent investor".

### **Credit risk**

Credit risk reflects possible losses as a result of unexpected default or deterioration of the credit position of counterparties or debtors of subsidiaries over the next 12 (twelve) months. The Group maintains its

established relationships with leading reinsurance companies in the industry with a high credit rating, which minimizes the risk of default of the type 1 counterparty.

### Operational risk

Operational risk means the risk of loss as a result of inappropriate or malfunctioning internal processes, people or systems, or external events. The executive directors of the companies within the scope of the Group in connection with the operational risk management:

- have distributed the powers and responsibilities for operational risk management and has an approved list of employees responsible for identifying and reporting operational events;
- carry out operational control over the periodicity and completeness of the reports and assessments of the operational risk, prepared by the risk management function.

The main sources of operational risk at the group level are personnel, processes, systems, internal events. Losses from operating events that arise as a result of different combinations of factors are classified into several main categories:

- internal fraud;
- external fraud;
- customers, product and business practices;
- damage to tangible assets;
- interruption of the activity and / or failure of the information system;
- management of execution, delivery and processing.

The identification of the operational risk is carried out through constant monitoring, reporting and archiving of the operational events. The minimization of the operational risk is carried out through a set of measures aimed at reducing the probability of occurrence of an operational event and / or reducing the amount of potential loss from the operational event.

### Insurance risk management

The objective probability of damage to property or non-property goods, the realization of which is uncertain, unknown and regardless of the will of the insured person represents an insurance risk.

An insurance contract is a contract under which the Group assumes significant insurance risk on the other hand (insured person) by agreeing to compensate the insured person or other beneficiary in the event of a specific unexpected future event (the insured event) that adversely affects the insured person or beneficiary.

The property is subject to a number of risks, including theft, fire, business disruption and weather conditions. Compensation for phenomena such as storms, floods, landslides, fires, explosions, and rising crime rates occur on a regional scale, which means that each company manages the distribution of its geographical risk very carefully. In the event of an earthquake, each company expects the real estate portfolio to include high claims for structural real estate claims and large claims due to business disruptions, while transportation links are down and the property is closed due to renovations. Each company accepts the total risk exposure, which is ready to take in certain areas for a number of events such as natural disasters.

The current aggregate position is monitored during the signing of a risk and monthly reports are prepared, which show the key concentrations to which each of the Group companies is exposed. Each of the insurance companies uses different modelling tools to control concentration and simulate catastrophe losses to measure the effectiveness of reinsurance programs and their net risk exposure. During the year, "stress" and "scenario" tests are conducted using these models.

The greatest probability of significant losses for any insurance company arises from catastrophic events such as floods, damage, claims from storms or earthquakes. Each company manages its risk by concluding reinsurance contracts.

The opinion of the management regarding the concentration of risk is that efforts have been made for equal territorial distribution of the insured property. The risk is systematically assessed by the Reinsurance Director of the respective company and the accumulation of insurance amounts by regions is monitored.

The Management does not consider that at the end of the reporting period there are significant concentrations of insurance risk in the portfolio of each insurance company, part of the Group. The opinion

of the Management regarding the concentration of the insurance risk is that efforts have been made for a relatively even distribution of the insured property and cars. A systematic risk assessment is performed and the accumulation of insurance amounts is monitored both by groups of clients and by regions.

### **Reinsurance risk management**

Insurance companies, part of the Group, assign their insurance risk to limit their exposure to losses when concluding various insurance contracts that cover individual risk, group risks or certain lines of co-insurance business, which are renewable on an annual basis. These reinsurance contracts distribute the risk and minimize the effect of losses. The amount of each risk retained depends on the assessment of the specific risk of each company, which in certain circumstances reaches limits based on the characteristics of the coverage. Under the terms of the reinsurance contracts, the reinsurer agrees to reimburse the assigned amount in the event that the indemnity is paid. However, each company remains liable to its insured persons in respect of the assigned insurance if the reinsurer fails to meet the obligations it assumes. In non-life insurance, the predominant use of reinsurance aims to manage exposures to time-related events, natural events, multi-victim events, catastrophic fires and responsibilities (General Civil Liability and Motor Third Party Liability). When choosing a reinsurer, each company takes into account relative security. The security of the reinsurer is assessed on the basis of a public rating and conducted internal surveys.

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### ➤ **Energy business**

#### **Regulatory risk**

The regulatory risk is related to the impact of the existing regulatory framework or its change on the Company's activities, as well as to potential fines and sanctions due to violations of this framework.

The energy business is a highly regulated economic sector, as the financial results of the companies operating in the field of energy are directly dependent on a number of normative acts and decisions of the state regulatory body (EWRC). Companies are at risk of not taking into account all the costs associated with their normal activities when setting electricity prices by the regulator.

- Risks related to unpredictability of the changes in the regulations and possible negative impact of these changes on the activities of the Company;
- Risk of revocation of licenses;
- Risk of imposition of a fine by the CPC and EWRC;
- Risk of inability of the Company to cover all its operating costs under the final supplier license, as well as risk of lack of regulatory changes allowing their reduction;
- Risks related to the behaviour of key market participants and their impact on the electricity market;
- Risks related to increased financial requirements for companies such as mandatory guarantees and deposits from key market participants;
- Risks related to the way of organization, model, structure and vision for the development of the free electricity market;
- Risks related to the introduction of additional legal direct and indirect obligations to producers, traders, customers and network companies on the free electricity market, incl. increase and / or introduction of new fees, taxes, contributions, energy efficiency obligations.

The dynamics of regulatory changes related to the European Union's strategy for liberalization and development of energy markets is directly dependent on the political situation. Frequent changes in the political environment are a prerequisite for a more unstable and difficult to predict regulatory environment.

#### **Market risk**

Risk related to the consumption of electricity and the price for the purchase of energy for technological costs on an organized stock market due to economic, political, technological reasons and climate change, as well as the risk of liberalization of the electricity market. These are risks that arise from reasons external to the Company and the Company's ability to effectively influence the factors determining this risk is severely limited. Market risks can be characterized as:

- Risks related to competition and switching suppliers on the free market;
- Risks related to the changes in the prices of electricity on the wholesale market and their impact on the energy position and the expected trade margin of the Company;
- Risks due to the expressed volatility and unpredictability of the wholesale market and the fundamentals influencing (prices of natural gas, fuels, CO2 emissions, RES, EU policy, market mergers, climate change, etc.);
- Risks related to liquidity and adequate supply of long-term energy products on the wholesale

- market, corresponding to the consumption profile of end customers;
- Risks due to seasonality, climate change, repair programs of producers, transmission capacities, emergency shutdowns of producers, and other unforeseen events that may affect the wholesale electricity market;
- Risks related to incorrect forecasting and / or abrupt change of the wholesale market and inability of the Company to adapt the portfolio of end customers to the changes;
- Risks related to market infrastructure, data exchange systems, security and information protection;
- Risks related to the behaviour of trade participants, experience and code of ethics;
- Risks arising from leaving open positions of other participants in the balancing group of the Company;
- Risk of non-renewal of contracts with end customers due to internal and external factors;
- Risk of changes in the regulatory framework, respectively impossibility to fully or partially transfer the purchase costs on the selling prices to end customers.

### Operational risks

The companies are exposed to a number of risks related to its business activities and processes, incl. risks of default by third parties, on which the Company relies for the performance of its activity; risks of direct and indirect losses; risks related to the staff and the organization of the internal processes and others.

Specific operational risk for companies arises after the entry into force of Regulation 2016/679 of 25.05.2018, related to the protection of personal data. As controllers of personal data, they are obliged to maintain information systems that cover all standards of information security, and to apply reliable technical and organizational procedures, rules and measures to ensure the security of processing, including the prevention of unauthorized access to personal data. data of customers and contractors.

Part of the operational risks is the security risk - the risk of losses due to intentional illegal actions by outsiders or employees of the company.

Other operational risks are related to unregulated use of electricity. In order to detect and prevent them, inspections of various facilities on the network are carried out in order to identify points where illegal actions related to electricity consumption are performed. A number of methods are used to identify checkpoints where risk illegal actions are possible.

### Other risk specific to the activity and industry of energy companies are:

- Risk that the activity will be adversely affected by a reduction in electricity consumption due to economic, political or technological reasons;
- Businesses are at risk from climate change;
- The activity is exposed to the risk of increase in the price of electricity as a result of rising prices of primary energy resources and stricter standards for CO2 emissions;
- Liberalization of the electricity market in the Republic of Bulgaria and strengthening of competition;
- Risks related to interruptions in the supply of electricity;
- Litigation or other out-of-court procedures or actions may have an adverse effect on business, financial condition or results of operations;
- Risk of choosing an inappropriate market strategy;
- Risk of impossibility to detain and hire quality staff;
- Strikes or other industrial actions, as well as negotiations with trade unions may disrupt the activity or increase its operating costs;
- Risks related to the obligation of the Company under the Energy Efficiency Act;
- Risk of impossibility or limitations in the provision of attracted resources, including a significant increase in the cost of financing and changes in interest rates.

### ➤ Automotive business

The automobile sub-holding Avto Union AD operates mainly in the field of sale of new cars, warranty and post-warranty servicing of cars, sale of spare parts and oils, fuel card operator.

### Risks related to withdrawal of permits and authorizations

The activity is directly dependent on the availability of permits and authorizations that the respective car manufacturers have provided to the companies in the group of Avto Union AD, the termination or revocation of such rights can dramatically reduce the sales of the car group. This is particularly important in the context

of global restructuring of the automotive industry. The business environment in the automotive industry is also influenced by purely internal factors related to the general purchasing power, access to financing, business tendencies, inventory levels, etc.

#### **Risks related to non-compliance by suppliers or other interruptions of different origins**

The market sale of cars and spare parts subject to distribution by the subsidiaries of Avto Union AD may be affected by non-performance by suppliers or other interruptions of various origins. Such difficulties can be both of a legal nature and of a technical nature and they could have a serious effect on the sales volume and hence on the group profits of Avto Union AD.

#### **Dependence on norms and standards**

The ever-increasing environmental and safety standards for cars in the EU determine the sale of only new cars that comply with changing regulations (technical, environmental and tax). Any incompatibility or contradiction with such regulations could limit the sales of companies in the automotive group.

#### **Other systematic and non-systematic risks of particular importance**

The business environment in the automotive industry is significantly influenced by the risk factors related to the purchasing power of the population, access to finance, business sentiment, stocks and others.

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### ➤ **Leasing business**

#### **Risk of lack of attracted external debt financing at reasonable prices**

Access to borrowed capital is essential for the successful development of the business of the Eurolease Group AD. Historically, borrowed capital has been raised by local and international banks and financial institutions or through the issuance of corporate bonds, most of which are publicly traded on the local regulated market.

The long-term successful development of the leasing business is directly dependent on the ability of the Eurolease Group to attract sufficient borrowed resources at an affordable price, the lack of which could have a significant adverse effect on its prospects, results and/or financial condition.

#### **Risk that the leasing group will not be able to fulfil its obligations under the borrowed funds**

This is the risk arising from the inability of Eurolease Group AD and/or its subsidiaries to meet their obligations under the borrowed funds. This risk is associated with delayed, partial or complete failure of matured obligations to pay interest and principal on borrowed funds. The credit risk also represents the risk that a counterparty will not pay its obligation to any of the companies in the group. The Group is exposed to this risk in connection with various financial instruments, such as in the event of receivables from customers, the provision of loans, deposits and others.

The policy, adopted by the Group in order to minimize the risk of non-payment, is to assess preliminary the creditworthiness of customers and to require additional collateral on leasing contracts – insurance of leased assets, preservation of original documents for property ownership, registration of leasing contracts in the Central Register of Special Collaterals, third party guarantees or promissory notes. The Group's policy in this area is aimed at providing leasing services to customers with appropriate credit reputation and securing the claim by preservation of the legal ownership of the leased asset. Concentration of credit risk arises from customers with similar economic characteristics, where it's possible changes in economic or other conditions to reflect simultaneously on their ability to meet their obligations.

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### ➤ **Investment intermediation and asset management**

The activity of investment intermediation and asset management in the Group is represented by the investment intermediary Euro-Finance AD. The risk in the sector of financial intermediation and asset management is related to the high volatility of the debt and capital markets, the changes in financial tendencies and the investment culture of the general public.

#### **Market and credit risk**

The financial results of Euro-Finance AD depend on market risk and credit risk, respectively, given the fact that a large part of the assets of Euro-Finance AD are invested in publicly traded securities with fixed yield,

denominated in several currencies, whose market value changes daily. Euro-Finance AD is definitely a very well-capitalized company, given the current regulatory requirements, but sharp and significant failures in the financial markets, as well as the credit profile of the specific issuers of securities in whose instruments Euro-Finance AD has invested capital, could have a significant adverse effect on the prospects of Euro-Finance AD, its results and/or financial condition.

#### **Risk in settlement and clearing of transactions**

As a leading and active local financial broker with a large local business in the management of financial assets and the provision of brokerage services, which serves both institutional and individual investors, Euro-Finance AD daily settles and clears many transactions with many counterparties. Risk of communication error in the settlement process, which, although currently completely minimized, exists and may limit the company's ability to effectively serve its customers, which could have a significant adverse effect on the prospects of Euro-Finance AD, its results and / or financial condition.

#### **Risk of change in the regulatory framework**

Euro-Finance AD operates in a highly regulated environment and is obliged to perform activities in full compliance with the current legislation under the supervision of the relevant regulatory authority in Bulgaria (Financial Supervision Commission). As a supervised entity of the Financial Supervision Commission, Euro-Finance AD is obliged to fully comply with the mandatory rules and regulations, including newly adopted ones, of the local regulator. Any non-compliance or even delay in the implementation of mandatory regulations could have a significant adverse effect on the prospects of Euro-Finance AD, its results and / or financial condition.

#### **Risks in the transmission and processing of information**

Euro-Finance AD performs all stock exchange transactions, asset management, currency trading and settlement activities only electronically and is therefore exposed to the risk of loss of information transfer or theft of personal and confidential information. Failure to ensure continuity and the necessary level of protection of the flow of information may jeopardize the company's internal securities trading system, its databases and day-to-day transactions, which in turn may damage the company's image in the eyes of its clients and contractors. Any loss of full control over the information flow could have a significant adverse effect on the prospects of Euro-Finance AD, its results and/or financial condition.

#### **Risks related to Eurohold's development strategy**

Eurohold's future profits and economic value depend on the strategy chosen by the company's senior management and its subsidiaries. The choice of inappropriate strategy may lead to significant losses.

Eurohold Bulgaria AD tries to manage the risk of strategic errors through continuous monitoring of the different stages upon implementation of its marketing strategy and the results thereof. This is extremely important, so that they can react in a timely manner, in case a change in the strategic development plan is needed at a certain stage. Untimely or inappropriate changes in the strategy can also have a considerable negative effect on the activity of the Company, its operating results and financial position.

#### **Risks associated with future acquisitions and their integration in the structure**

At present, the economic group of Eurohold Bulgaria AD develops its operations mainly in Bulgaria and other European countries such as Romania, Northern Macedonia, Ukraine, Georgia, Greece, Belarus and Russia through acquisitions of companies and assets. The Issuer expects that such acquisitions will continue in the future. The Group intends to implement a strategy for identifying and acquiring businesses, companies and assets with a view to expanding its operations. The risk for Company is the uncertainty as to whether it will succeed and, in the future, identify the appropriate acquisition and investment opportunities. On the other hand, there is uncertainty as to the evaluation of the profitability of future asset acquisitions and whether they will lead to comparable results with the investments made so far. Also, investments in new acquisitions are subject to a number of risks, including possible adverse effects on the performance of the economic group as a whole, unforeseen events, as well as difficulties in integrating and optimizing operations and complementary businesses.

#### **Risks related to the management of Eurohold. Operating risk**

Operating risk is the risk of direct and indirect losses to the Group arising from various internal factors related to the Group's operations, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal requirements and generally accepted rules for corporate ethics.

The risks related to the management of the Company are the following:

- making wrong decisions for the current investment management and liquidity of the Company and the Group as a whole, both by the senior management and the operative employees of Eurohold;
- the inability of the management to start the implementation of planned projects or lack of suitable employees for the specific projects;
- possible technical errors in the unified management information system;
- possible errors in the internal control system;
- key employees leaving the Company and inability to employ personnel with the necessary qualities;
- risk of excessive increase in the expenses for management and administration, which leads to a decrease in the total profitability of the Company.

The Group defines the operating risk as: the risk of loss or non-realization of profits, which is caused by non-functioning or not implemented internal control systems or by factors external to the Group, such as economic condition, changes in the insurance environment, technical progress and others. Legal risk is part of operational risk and arises as a result of non-compliance or misapplication of legal and contractual commitments that would have an adverse effect on operations. The definition does not include strategic risk and goodwill risk.

### **Risks related to the inability of Eurohold to raise capital to finance its strategic objectives**

The opportunities of Eurohold Bulgaria AD to grow and implement its strategies depend to a large extent on the ability to attract capital. The instability of financial markets, as well as the possible apparent lack of trust between financial institutions, could make it significantly more difficult to attract long-term capital on reasonable terms.

The management of the Eurohold Bulgaria AD supports the efforts of the subsidiaries in the Group for borrowing bank resources for investment and using the opportunities this type of financing gives for the provision of cash. The volume of these borrowings is maintained at certain levels and they are resolved after proving the economic effectiveness of each Company.

Some of Eurohold's subsidiaries, in particular leasing and automotive companies, due to the nature of their activities, use a significant attracted resource. The lack of resources for their financing can lead to disruption of the rhythm of their activities and to the realization of negative financial results, and this directly affects the group financial condition of Eurohold.

Management's policy is to raise financial resources from the market in the form of mainly equity securities (shares), debt instruments (bonds) and loans from banking and non-banking institutions, which it invests in its subsidiaries to finance their projects, by increasing their capital or lending. Apart from that, Eurohold Bulgaria AD monitors the capital structure of each company and takes actions to maintain the regulatory capital requirements for each business segment by increasing their capital.

### **Risks related to recruiting and retaining qualified staff**

The business of Eurohold Bulgaria AD is highly dependent on the contribution of a number of persons, members of the management and supervisory bodies, senior and middle management managers of the parent company and the subsidiaries of the main business lines. It is uncertain that these key employees will continue to work for Eurohold in the future. Eurohold's success will also be linked to its ability to retain and motivate these individuals. The inability of the Company to maintain sufficiently experienced and qualified personnel for managerial, operational and technical positions may have an adverse effect on the activities of the economic group as a whole, its operational results and its financial condition.

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### **Risk of concentration**

There is a risk of concentration, which is the possibility that the company may incur a loss due to the concentration of financial resources in the business sector or related parties. This risk is expressed in the possibility that the invested funds will not be fully recovered due to a recession in the business invested.

### **Risk of lack of liquidity**

The liquidity risk is related to the possibility that Eurohold Bulgaria AD, is not able to repay its liabilities in the amount agreed and/or within the stipulated deadline. The issuer seeks to minimize this risk through optimal cash flow management within the group. The Group applies an approach which should provide the liquid resource needed to cover the liabilities which have occurred from normal or exceptional conditions, without realizing unacceptable losses or damaging the reputation of the separate companies and the business group as a whole.

Subsidiaries make financial planning that seeks to meet the payment of expenses and current liabilities for a period of ninety days, including the servicing of financial liabilities. This financial planning minimizes or excludes completely the potential effect from occurrence of exceptional circumstances.

**Risk of possible transactions between the companies in the group, whose conditions differ from the market ones, as well as risk of dependence on the activity of the subsidiaries**

The relationships with related parties result from contracts for temporary financial assistance for the subsidiaries and transactions related to the ordinary commercial activity of the subsidiaries.

The risk of possible realization of transactions between the companies in the Group, under conditions which differ from the market conditions, is the risk of achieving low profitability from the provided inter-group financing. Another risk which may be assumed is not obtaining enough revenue from the inter-group commercial transactions, and subsequently not making good profit for the respective Company. On a consolidated level, this might have a negative impact on the profitability of the whole group.

Within the Eurohold are performed transactions between the Parent Company and the subsidiaries, as well as between the subsidiaries themselves, which originate from the nature of their main activity. All transactions with related parties are made under conditions which do not differ from the usual market prices and in compliance with IAS 24 "Related party disclosures".

Eurohold Bulgaria AD operates through its subsidiaries, which means that its financial results are directly dependent on the financial results, development and prospects of the subsidiaries. Bad results of one or several subsidiaries may lead to aggravation of the financial results on a consolidated basis.

**a) SYSTEMATIC RISKS**

**Macroeconomic risk**

Macroeconomic risk is the risk of shocks, which can affect economic growth, household income, supply and demand, the realization of profits by economic entities and others. These shocks include global economic and business conditions, fluctuations in national currencies, political developments, changes in legislation and regulatory requirements, the priorities of national governments, and more. Trends in the macroeconomic environment affect market performance and the final results of all sectors of the economy. Bulgaria has an open economy and its development depends directly on international market conditions.

Macroeconomic trends affect market performance, as well as the performance of all sectors of the economy.

The outcome of the realization of some risks related to the international environment will largely depend on the plans and preventive measures of individual countries and international institutions, which is evident from the recent global economic crisis and the COVID-19 pandemic. The risk of the impact of the international environment on companies cannot be diversified and affects all players, but on the other hand it can become an engine for the development and application of innovation, which dramatically change and increase business efficiency on a global scale.

The macroeconomic situation and economic growth worldwide are essential for the development of Eurohold Bulgaria AD and its subsidiaries, including the state policies of the respective countries in which it operates and in particular the regulations and decisions taken by the respective Central Banks, which affect monetary and interest rate policy, exchange rates, taxes, GDP, inflation, the budget deficit and external debt, the unemployment rate and the income structure.

Macroeconomic trends such as the impact of the force majeure circumstance of the globally declared COVID-19 pandemic in early 2020 and the measures taken by the governments of the countries concerned; the global economic crisis; slowdown in economic growth; the risk of systematic global financial fluctuations; periodic fiscal imbalances; changes in exchange rates to certain currencies; instability in the prices of energy products; economic and political insecurity in some regions of the world; the reduction of economic and consumer activity; may have an adverse effect on the Group's business results, financial condition, profit and profitability or expected growth.

The development of the Bulgarian economy faces the risk of external influences and depends directly on international market conditions. Existence of unfavourable macroeconomic conditions in Bulgaria, including rising unemployment and inflation, as well as fiscal instability may have a significant adverse effect on the Company's business, financial condition and/or results of operations.

The Eurohold Group operates in Bulgaria, Romania, Northern Macedonia, Ukraine, Greece, Spain, Italy, Poland, Georgia, Belarus and Russia and other European countries, respectively its overall financial position and the results of its operations are affected by economic, legal and political conditions in these countries. Any deterioration in macroeconomic conditions in such countries or in the wider CEE/SEE region may adversely affect certain products and services offered by the group and lead to lower revenues than originally planned. In addition, general changes in government policy and regulatory systems in any such jurisdiction may lead to an increase in the Group's operating costs and capital requirements. Any future periods of economic slowdown or slow economic growth in each of the markets in which the Group operates, could have an adverse effect on the Group's business, financial condition, cash flows, results of operations or prospects.

We are currently witnessing a macroeconomic risk posed by the scale and spread of the coronavirus pandemic (COVID-19), which has affected the entire world and dramatically impacted global macroeconomics and economic growth. Due to the COVID-19 pandemic, at the end of the first quarter and throughout the second quarter of 2020, much of the global economy slowed down and activity in some sectors was almost completely suspended. As a result of the measures imposed by governments, a significant part of international trade was hampered. At the global level, the consequent effects on business of the economic disruption caused by the pandemic were: a worsened economic outlook, a significant increase in expected credit losses and other impairments, and a reduction in revenues driven by lower volumes and reduced customer activity.

The effects of the COVID-19 crisis on the global automotive industry (at the end of the first and the beginning of the second quarter of 2020) are significant, in some countries there has been a sharp reduction in production and even a halt in the production process. As a result of the pandemic, car manufacturers in the whole world realized significant losses. This also affected the car sales business of the Company due to disruption of the supply chain and reduced consumer activity. All this had a negative impact on the activity of the companies from the leasing division of the Company, whose services and products are mainly related to financial leasing of new and used cars, renting cars for short-term ("rent-a-car") and long-term (operating leasing) rental and sale of used cars.

Eurohold Bulgaria AD strives to monitor the likelihood of macroeconomic risk and develops group measures to mitigate as much as possible the impact of the effects that may have the presence of this risk. However, the Issuer cannot completely exclude and limit its influence on business, financial condition, profits and cash flows at the group level. There is also the possibility that the occurrence of this risk may exacerbate other risks or a combination of risks.

### **Risk of occurrence of force majeure circumstances**

Force Majeure shall mean all natural disasters and other cataclysms such as sudden climatic changes, floods, earthquakes, civil disobedience, clashes, strikes, acts of terrorism and hostilities and the like which are of an unforeseeable nature. Force majeure may also be failures of material facilities of a mechanical nature due to human or systematic error. The occurrence of such events may disrupt the Group's normal operations until the damage caused is repaired. They may also lead to an unforeseeable change in investor attitude and interest in relation to the market for Eurohold's equity and debt securities.

Force majeure may also occur and have a strong impact on the overall macroeconomic and international environment. An example of such a risk is the 'Pandemic' declared by the World Health Organisation from the outbreak of acute respiratory syndrome associated with a new coronavirus (COVID-19) developing in early 2020.

As of the date of this report, a new force majeure event is in place that could affect the entire world and business activities from all sectors of the economy in one way or another. This circumstance is caused by military actions taken on 24.02.2021 by Russia against Ukraine.

As a result of the war, a number of countries around the world, including European Union countries, have taken sanctions against Russia, where the Group has a minority interest in a local insurer.

The tougher sanctions in place could exacerbate the already high uncertainty created by Covid-19, further complicating the supply chain due to restrictive and logistical issues. This could lead to a sharp increase in the prices of raw materials and supplies, petroleum products, food and agricultural products, which in turn would increase inflation and could affect overall economic activity and stability at the global level. The stock

markets also reacted with lightning speed to the news of the war, with share prices on stock exchanges around the world falling and the rouble beginning to collapse. It is also important to assess the information from a number of European and international bodies warning of imminent cyber attacks. This war could also lead to a humanitarian crisis as tens of thousands of Ukrainians, mainly women and children, leave their country and head for Ukraine's neighbouring countries.

Eurohold Bulgaria owns, through its subsidiary Euroins Insurance Group AD, investments in two insurance companies in Ukraine. Eurohold's management has been following with concern the development of the military conflict and assessing its impact on the Group's business, and has focused its efforts on providing assistance and support to staff in Ukraine and their relatives. Eurohold Insurance Group's holdings in the two Ukrainian companies are insignificant with assets of BGN 49,195 thousand and represent less than 1.3% of Eurohold Bulgaria AD's assets and approximately 2.4% of Euroins Insurance Group's assets, which in itself does not represent a material risk at Eurohold level. The companies themselves are financially sound and capital-backed. For 2021, their aggregate profit amounts to BGN 4,750 thousand. (representing 4.48% of EIG's total profit) and their total income represents only 3% of total insurance income.

Euroins Insurance Group AD owns a minority interest in a Russian insurance company, which is not subject to full consolidation but is accounted for in the equity method asset and amounts to BGN 7,985 million. (Eurohold Bulgaria's management is assessing the impact of sanctions on its minority interest in the Russian insurance company).

Euroins Insurance Group AD also owns an interest in an insurance company in Belarus, which also has strong financial results and is capital-backed, but is insignificant in terms of business size. Its assets account for 0.6% of Eurohold's assets and 1% of EIG's assets. For 2021, the insurer generated a profit of BGN 0.2 thousand. (representing 0.2% of EIG's total profit), while the company's total income represents only 0.8% of all insurance income.

In general, the military situation that has been created at the moment is a non-adjusting event, at the same time it is extremely dynamic and the leadership at this stage cannot make a qualitative and quantitative assessment of the impact of the war on the Group, as it will be assessed over time depending on its development and duration, as well as on: the effects of the sanctions imposed on the Russian and Belarusian state and the effects of the reverse sanctions that Russia will impose on countries that do not support it.

An assessment of the military situation and its impact on the Eurohold Group will be made in the 2021 annual consolidated financial statements, unless material disclosable influences become known prior to their publication.

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### **Risk associated with COVID-19**

The outbreak of Covid-19 and its effect on the global economy has affected our customers and our performance as the future effects of pandemic development remains uncertain.

#### **Impact of the coronavirus crisis during the reporting period and in the following periods**

The outbreak of Covid-19 has had and continues to have a significant impact on businesses around the world and the economic environment in which Eurohold Group companies operate. As of the date of this report, the COVID-19 pandemic is in its fourth phase, and significant uncertainties remain in assessing the duration of the coronavirus spread and its impact. A number of countries have taken drastic new measures to contain the coronavirus infection, including Bulgaria.

The impact and duration of the Covid-19 crisis on a global scale is likely to affect our companies' business in the coming periods. Prolonged reduced economic activity as a result of the effects of coronavirus could lead to adverse business effects, lower revenues due to reduced customer activity and due to stock market volatility and a disrupted supply chain, may also have an impact on capital adequacy position and liquidity of the group.

The extent of the impact of the coronavirus crisis on the Eurohold Group depends on many factors, the most significant being the measures taken by the governments of the countries in which we operate, as well as our supplier countries (mainly cars), also depends on the purchasing power of our customers, these are factors we cannot influence.

The Company's management will continue to assess the impact of the Covid-19 crisis and will review its financial results, assess the risk accordingly and take appropriate flexible actions in the management of the business to limit the impact.

As of the date of this report, Eurohold Bulgaria AD is a stable business structure with preserved stable market positions and preserved operating profitability, able to guarantee good prospects to its shareholders

and partners in the conditions of unprecedented health and economic crisis.

### Analysis of Covid-19 (Coronavirus) risk

In connection with the pandemic wave of Covid-19 (Coronavirus), which acquired global dimensions at the end of February and beginning of March 2020 and resulted in a significant reduction in financial activity worldwide, the Group has analysed, based on currently available data, the potential effect on its financial position and in particular on the models used, in accordance with IFRS 9.

At the date of these Interim Consolidated Financial Statements, the pandemic is in its fourth wave of contagion, but economic activity has nevertheless recovered to a significant extent. At this point in time, sufficient statistical information is not yet available, both on the actual effect on the Bulgarian and global economies and on available meaningful estimates of their recovery in the coming months.

### Effect on economic growth

The table below provides information on the expected economic growth of the Republic of Bulgaria, as reported by the International Monetary Fund (October 2021: <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>), including projections following the pandemic situation related to Covid-19 (Coronavirus).

	Historical data			Forecast	Actual	Forecast		
	2017	2018	2019	2020 (Before Covid-19)	2020 (Covid-19)	2021	2022	2026
Economic GDP growth	3.5%	3.1%	3.7%	3.2%	(4.2) %	4.5%	4.4%	2.8%

The table below provides information on economic growth expectations for the Euro area countries (representing the main external market of the Republic of Bulgaria), according to the International Monetary Fund, including projections after the pandemic situation related to Covid-19 (Coronavirus).

	Historical data			Forecast	Actual	Forecast		
	2017	2018	2019	2020 (Before Covid-19)	2020 (Covid-19)	2021	2022	2026
Economic GDP growth	2.6%	1.9%	1.5%	1.4%	(6.3) %	5.0%	4.3%	1.4%

The Group's Management has also analysed the expected economic development of the countries where it operates, as the historical and forecast data from the International Monetary Fund are presented in the table below:

	Historical data			Forecast	Actual	Forecast	
	2017	2018	2019	2020 (Before Covid-19)	2020 (Covid-19)	2021	2022
Romania	7.3%	4.5%	4.1%	3.5%	(3.9)%	7.0%	4.8%
North Macedonia	1.1%	2.9%	3.2%	3.4%	(4.5)%	4.0%	4.2%
Ukraine	2.4%	3.5%	3.2%	3.0%	(4.0)%	3.5%	3.6%
Georgia	4.8%	4.8%	5.0%	4.8%	(6.2)%	7.7%	5.8%
Belarus	2.5%	3.1%	1.4%		(0.9)%	2.1%	0.5%
Russian Federation	1.8%	2.8%	2.0%	1.9%	(3.0)%	4.7%	2.9%
Greece	1.3%	1.6%	1.9%	2.2%	(8.2)%	6.5%	4.6%
Poland	4.8%	5.4%	4.7%	3.1%	(2.7)%	5.1%	5.1%
Italy	1.7%	0.9%	0.3%	0.5%	(8.9)%	5.8%	4.2%
Spain	3.0%	2.3%	2.1%	1.8%	(10.8)%	5.7%	6.4%
United Kingdom	1.7%	1.3%	1.4%	1.4%	(9.8)%	6.8%	5.0%

As can be seen from the above data, the Management takes into account the possible short-term risks to the overall economic development of the main markets where it operates. The expected reduction of the Gross Domestic Product could be significant, but there are also general expectations for rapid recovery

during the period 2021-2022 and a return to the average predicted growth levels before Covid-19 (Coronavirus).

### Effect on credit ratings

As a result of the expected economic effects of the slowdown in overall activity, some rating agencies worsened their forecast on long-term debt positions, both in terms of government debt and in terms of corporate debt positions. The table below provides information on the change in the credit rating (including forecast) assigned by Fitch to the Republic of Bulgaria and to the Parent company of the Group.

	<b>Before Covid-19</b>		<b>After Covid-19</b>	
	Rating	Forecast	Rating	Forecast
Bulgaria	BBB	Positive	BBB	Stable
Eurohold Bulgaria AD	B	Negative	B	Negative

The following is information on the change in the credit rating (including forecast) assigned by Fitch to the countries where the Group operates:

	<b>Before Covid-19</b>		<b>After Covid-19</b>	
	Rating	Forecast	Rating	Forecast
Romania	BBB	Stable	BBB	Negative
North Macedonia	BB+	Stable	BB+	Negative
Ukraine	B	Positive	B	Stable
Georgia	BB	Stable	BB	Negative
Belarus	B	Stable	B	Negative
Russian Federation	BBB	Stable	BBB	Stable
Greece	BB	Stable	BB	Stable
Poland	A-	Stable	A-	Stable
Italy	BBB	Negative	BBB-	Stable
Spain	A-	Stable	A-	Stable
United Kingdom	AA	Negative	AA-	Negative

Management continues to monitor credit risk developments in relation to the countries in which the Group operates and in relation to the underlying investments (subject to both market and credit risk) of the Group Companies.

At this time, notwithstanding the overall reduction in outlook and limited instances of credit rating deterioration, management believes that it cannot make a sufficiently robust and certain assessment of the effect that Covid-19 (Coronavirus) may have before the passage of a more significant period of time during which symptoms of deterioration in the overall credit quality of both the investments and the general environment in which the Group operates may become apparent.

### Analysis of the expected effect on the IFRS model 9

The Group (as a part of the Eurohold Bulgaria Group) applies IFRS 9 from January 01, 2018, although The Insurance business had the right to postpone its application until January 1, 2023 (joint application with IFRS 17).

The Group's management has analysed the expected effect on the overall model of IFRS 9, the results of which are presented in detail below. The focus of the analysis includes:

- The assessment of the deterioration of the credit quality of the counterparties;
- The assessment of the potential effect on the expected credit losses from the exposures to the counterparties.

The general conclusion of the Management of the Group is that at the time of issuing this consolidated financial statement in short term, no significant deterioration of the credit quality of the counterparties is expected due to:

- The measures taken by the Government of the Republic of Bulgaria, the governments of the countries where the Group operates, including the applied private and public moratoriums, which currently do not lead to additional indications of significantly deteriorated credit quality of the counterparties. Management strictly monitors the existence of long-term indications of deterioration, as the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (Coronavirus) are not considered indications of credit deterioration;
- At present, despite the overall decrease and the limited cases of credit rating deterioration, the

Management believes that before a significant period of time passes during which symptoms of deterioration in the overall credit quality of both investments and the general environment in which the Group operates, it cannot perform a sufficiently sustainable and reliable assessment of the effect that Covid-19 (Coronavirus).

With respect to the model (including the full and simplified model) for calculating expected credit losses, Management considers that no change to the overall model is necessary. Management recognises the possible short-term risks on the general economic development of the main countries in which the Company (Eurohold Group) operates, where in some markets the expected reduction in GDP would be significant, but also takes into account the general expectation of a rapid recovery in the period 2021-2022 with an expectation of a return to and above the pre-Covid-19 (Coronavirus) average projected growth levels, and has therefore decided not to review its model and update its expectations.

As sufficiently reliable, both macroeconomic statistics and information on medium-term default probability levels are available as of December 31, 2021, Management has performed an update to the model on Expected Credit Losses relative to those as of December 31, 2020.

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### Political risk

Political risk reflects the impact of the political processes in the country on the business and investment process and, in particular, on the return on investment. The degree of political risk is determined by the likelihood of adverse changes in the direction of the government's long-term economic policy, which may have a negative impact on investment decisions. Other factors related to this risk are possible legislative changes and changes in the tax system affecting the business and investment climate in the country.

The Republic of Bulgaria is a country with political and institutional stability based on modern constitutional principles, such as a multi-party parliamentary system, free elections, ethnic tolerance and a clear system of separation of powers. Bulgaria is a member of NATO and since 1 January 2007 a member of the European Union (EU). The desire for European integration, the existence of a dominant political formation, the pursuit of strict fiscal discipline and the adherence to a moderate deficit create predictability and minimise political risk.

In the longer term, no sharp deterioration in the political environment is expected as there is political and public consensus on the factors underpinning long-term stability in the economy and a stable macroeconomic framework.

Changes are also not expected in the current tax policy on income taxation of individuals and legal entities, including in relation to their capital market transactions, as it is essential to attract foreign investment.

Notwithstanding these expectations, there may also be changes that affect the country's policies to a greater or lesser extent. In 2021, Bulgaria was in a relatively volatile political environment in the short term. This environment is conditioned by the holding of regular parliamentary elections in April 2021 and early elections in July 2021. The resulting parliament could not elect a government. This necessitated the appointment of a caretaker government by the President of the Republic and the scheduling of a third parliamentary election in a year, which was held in mid-November together with a regular presidential election won by the incumbent President. The third parliamentary elections, held on 14 November 2021, led to an agreement on joint governance and the formation of a coalition government between the first-placed parliamentary group and three of the other parliamentary groups represented in Parliament (coalition partners). Uncertainty about the future governance of the country is a significant risk that could affect the economic development of the country. Also, the impossibility to form a stable government poses risks that have not yet manifested themselves.

On 10 July 2020, the European Central Bank announced that Bulgaria was officially accepted into the ERM II currency mechanism and the BNB entered into the so-called close cooperation with the ECB, which is the access to the banking union for non-euro area countries. The central rate of the Bulgarian lev is fixed at 1 euro = 1.95583 leva. Following a careful assessment of the adequacy and sustainability of the currency board in Bulgaria, it was decided that Bulgaria joins the exchange rate mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB. The agreement on the participation of the Bulgarian lev in the Currency Mechanism II (CM II) is accompanied by a firm commitment of the Bulgarian authorities to pursue prudent economic policies in order to preserve economic and financial stability and achieve a high degree of sustainable economic convergence.

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### Risk of high unemployment rates

Unemployment risk is characterized by a decline in labour demand, influenced by real aggregate demand in the economy, as a result, the real purchasing activity of some of the economic entities decreases.

High levels of unemployment can severely jeopardize economic growth in the country, which in turn can lead to a collapse in consumption and a decrease in revenues generated by businesses in the country, including income generated by the Company and its subsidiaries.

According to the National Statistical Institute (NSI) for the fourth quarter of 2021 the following indicators are reported:

- The economic activity rate for the population aged 15-64 is 71.8%.
- The employment rate for the population aged 15-64 is 68.5%.
- The unemployment rate is 4.5%.
- Discouraged persons aged 15-64 years were 56.3 thousand or 4.6% of economically inactive persons in the same age group.

**Source:** [www.nsi.bg](http://www.nsi.bg)

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### Credit risk of the country

Credit risk is the probability of a country's international credit ratings deteriorating. Low credit ratings of a country can lead to higher interest rates, more difficult financing conditions for economic entities, including Eurohold.

On 30.11.2021, Standard & Poor's affirmed Bulgaria's long-term and short-term foreign and local currency credit ratings at 'BBB/A-2'.

According to the rating agency, the economic consequences of the pandemic are manageable, despite the significant health impact. Recovering domestic demand, especially private consumption, and increasing absorption of EU funds will boost growth prospects over the medium term. Bulgaria's allocations from the previous and current EU Multiannual Financial Framework, as well as the additional funds under the new EU Next Generation Instrument that will be available to the country, are estimated at around 40% of expected GDP in 2021.

**Source:** [www.minfin.bg](http://www.minfin.bg)

On 22 January 2022, Fitch Ratings affirmed Bulgaria's long-term foreign and local currency sovereign credit rating at 'BBB' with a positive outlook.

The positive outlook reflects our country's plans for euro area membership. According to Fitch Ratings, the downside risks in the short term associated with the pandemic have diminished and are offset by the expected significant financial resources from the EU and the commitment to maintaining macroeconomic and fiscal stability (further supported by the inclusion of the Bulgarian lev in the Monetary Mechanism II).

**Source:** [www.minfin.bg](http://www.minfin.bg)

The adoption of a consistent and long-term economic policy in Bulgaria would be a valid reason for the potential upgrade of the country's credit rating, which in turn would have a favourable impact on Eurohold's economic group, reflected in the Group's financing opportunities. In the event of a downgrade of Bulgaria's credit rating as a result of unstable country management, there could also be a negative impact on the Group's cost of funding, unless its borrowing arrangements are at fixed rates.

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### Inflation risk

Inflation risk is associated with the likelihood that inflation will affect real investment returns. The main risks associated with the inflation outlook relate to international price dynamics and the pace of economic growth in Bulgaria. International commodity prices could rise more significantly as a result of political crises or increases in demand. The limited international supply of some agricultural commodities, especially cereals, in the context of adverse weather events may further cause higher inflation in the country.

Preliminary data from the NSI puts the consumer price index for January 2022 compared to December 2021 at 101.5 per cent, i.e., monthly inflation at 1.5 per cent. Annual inflation for January 2022 compared to January 2021 is 9.1% (Fig. 1, Table 1 of the Annex). Annual average inflation for the period February 2021-January 2022 compared to the period February 2020-January 2021 is 4.1%.

According to the NSI, the CPI for January 2022 compared to December 2021 is 101.5%, i.e., the monthly inflation rate is 1.5%. Annual inflation for January 2022 compared to January 2021 is 9.1%. The average annual inflation for the period February 2021 to January 2022 compared to the period February 2020 to January 2021 is 4.1%.

**Source:** [www.nsi.bg](http://www.nsi.bg)

Inflation may affect the amount of the Company's expenses as a portion of the Company's liabilities are interest bearing. Their servicing is linked to current interest rates, which also reflect national inflation rates. Therefore, maintaining low inflation rates in the country is seen as a significant factor for Eurohold Group's operations.

At the current time and in general, the currency board mechanism provides assurances that inflation in the country will remain under control and will not have an adverse impact on the country's economy, and in particular on the Company's and its Group's operations and hence its ability to service its debt positions.

In view of this, any investor should carefully consider and take into account both the current levels of inflation risk and the future possibilities of its manifestation.

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### Currency risk

This risk is related to the possibility for depreciation of the local currency. For Bulgaria, in particular, this is a risk of premature waiver of the terms of the Currency Board at a fixed exchange rate of the national currency. On July 10, 2020, the European Central Bank announced that Bulgaria has been officially admitted to the Exchange Rate Mechanism ERM II. The central rate of the Bulgarian lev is fixed at 1 euro = 1.95583 lev, it was assumed that Bulgaria joins the Exchange Rate Mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB.

Any significant depreciation of the lev may have a significant adverse effect on the economic entities in the country, including the Company. Risk exists also when the income and costs of an entity are formed in different currencies. Exposure of the economic entities operating on the territory of Bulgaria to the US dollar, which is the main currency of a significant part of the world markets for raw materials and products, is particularly pronounced.

The Company's activity does not involve exposure to significant currency risk, because the current bond issue is denominated in BGN and almost all its operations and transactions are denominated in BGN and EUR, and the latter has a fixed exchange rate against the BGN.

The changes in the various exchange rates did not significantly affect the activities of the Company until the moment when control participations in the countries Romania, Northern Macedonia, Ukraine, Georgia, Belarus were acquired. The financial results of these companies are presented in local currency, respectively - Romanian leu (RON), Macedonian denar (MKD), Ukrainian hryvnia (UAH) and Georgian lari (GEL), Belarusian ruble (BYR), whose exchange rate is determined almost freely on the local foreign exchange market. Consolidated revenue of Eurohold Bulgaria AD will be exposed to currency risk depending on the movement of these currencies against the euro.

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### Interest rate risk

The interest risk is related to the possibility for change in the predominating interest levels in the country. Its influence is related to the possibility for decrease in the net income of the companies as a result of the increased interest rates, at which the Issuer finances its activity. Interest risk is included under macroeconomic risks, due to the fact that the main reason for change in the interest rates is the occurrence of instability in the financial system as a whole. This risk can be managed through balanced use of different sources of financial resource.

The increase of interest rates, with other conditions remaining the same, would influence the price of the financial resource used by the Issuer in the implementation of various business projects. In addition to that, it could influence the amount of the expenses of the Company, since a large portion of the liabilities of the Company is interest bearing and their servicing is related to the current interest rates.

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### Risks related to regulatory changes. Regulatory risk

The company's results may be affected by changes in regulations. The Eurohold Group operates in a highly regulated environment in different European countries. The possibility of more radical changes in the regulatory framework, in the interpretation or practice of enforcing the legislation, as well as in the divergence in the legislation and regulations in Bulgaria and in the countries where the Company operates, may have an adverse effect on its activity as a whole, results, as well as its financial condition.

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### Risk of increased competition

All sectors in which the subsidiaries of the Eurohold Group operate have a highly competitive environment. The future success of the group will depend on the ability of Eurohold and its subsidiaries to remain competitive compared to other companies operating in the market segment. The competitiveness of the Eurohold Group is discussed in detail in item 5.6. "Competitive position".

#### **b) RISK MANAGEMENT AND RISK MINIMIZATION MECHANISMS**

The elements which define the framework for management of the different risks are directly related to specific procedures for timely prevention and settlement of possible difficulties in the operations of Eurohold Bulgaria AD. They include current analysis of the following:

- market share, pricing policy, marketing surveys and studies of the development of the market and the market share;
- active management of investments in various sectors and industries;
- overall policy for the management of the assets and liabilities of the company and the group in order to optimize the structure, quality and return of assets;
- optimizing the structure of the attracted funds in order to provide liquidity and reduce financial costs in the whole group;
- effective cash flow management at group level;
- optimization of the costs for administration, management and external services;
- human resource management.

General risk management is focused on minimizing the potential negative effects that could affect the Group's financial results. Financial risks are currently identified, measured and monitored through various control mechanisms in order to determine adequate prices for the services and products offered by the companies in the Eurohold Group and the borrowed capital attracted by them. An adequate assessment of the market circumstances, the investments made in the group and the forms of maintaining the free liquid assets is performed, without allowing an unjustified concentration of a given risk.

The occurrence of unexpected events, the incorrect assessment of current trends, as well as many other micro and macroeconomic factors may influence the judgment of the company's management team.

Sofia,  
28 February 2021

**Assen Minchev,**

*Executive director*

**Milena Guentcheva,**

*Procurator*

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of profit or loss and other comprehensive income**  
**for 2021**

<i>In thousand BGN</i>	<i>Notes</i>	2021	2020
<b>Revenue from operating activities</b>			
Revenue from insurance business	3	2 348 670	1 383 842
Revenue from energy business	5	1 211 095	-
Revenue from car sales and after sales	7	157 255	162 697
Revenue from leasing business	8	26 612	21 628
Revenue from asset management and brokerage	10	10 283	7 935
Revenue from the activities of the parent company	12	1 392	3 028
		<b>3 755 307</b>	<b>1 579 130</b>
<b>Expenses of operating activities</b>			
Expenses of insurance business	4	(2 172 089)	(1 353 844)
Expenses of energy business	6	(1 031 331)	-
Cost of cars and spare parts sold		(122 643)	(138 314)
Expenses of leasing business	9	(8 921)	(7 702)
Expenses of asset management and brokerage	11	(7 511)	(6 712)
Expenses of the activities of the parent company	13	(1 056)	(1 850)
		<b>(3 343 551)</b>	<b>(1 508 422)</b>
<b>Gross Operating Profit</b>		<b>411 756</b>	<b>70 708</b>
Other income/(expenses), net	14	6 483	2 486
Other operating expenses	15	(171 046)	(72 612)
(Accrued)/recovered impairment loss on financial assets, net	16	(9 456)	883
<b>EBITDA</b>		<b>237 737</b>	<b>1 465</b>
Financial expenses	17	(54 766)	(22 699)
Financial income	18	1 444	179
Foreign exchange gains/(losses), net	19	17	1 405
<b>EBTDA</b>		<b>184 432</b>	<b>(19 650)</b>
Depreciation and amortization	20	(60 210)	(20 683)
<b>EBT</b>		<b>124 222</b>	<b>(40 333)</b>
Tax expenses	21	(10 088)	(3 210)
<b>Net profit for the period</b>		<b>114 134</b>	<b>(43 543)</b>
Net profit, attributable to:			
Equity holders of the parent		94 855	(43 807)
Non-controlling interests		19 279	264

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 21.2.2022

**Eurohold Bulgaria AD**

**Interim condensed consolidated statement of profit or loss and other comprehensive income  
for 2021 (continued)**

<i>In thousand BGN</i>	Notes	2021	2020
<b>Net profit for the period</b>	48	<b>114 134</b>	<b>(43 543)</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified subsequently to profit or loss:</i>			
Net loss from change in the fair value of financial assets through other comprehensive income		575	1 002
Exchange differences on translating foreign operations		1 081	(11 000)
<b>Other comprehensive income for the period, net of tax</b>		<b>1 656</b>	<b>(9 998)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>115 790</b>	<b>(53 541)</b>
Total comprehensive income, attributable to:			
Equity holders of the parent		95 282	(53 294)
Non-controlling interests		20 508	(247)
		<b>115 790</b>	<b>(53 541)</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 21.2.2022

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of financial position**  
**as of 31.12.2021**

<i><b>In thousand BGN</b></i>	<i>Notes</i>	31.12.2021	31.12.2020
<b>ASSETS</b>			
Cash and cash equivalents	22	156 693	68 800
Time Deposits at banks	23	33 081	23 455
Reinsurers' share in technical reserves	24	1 066 613	523 261
Insurance receivables	25	188 714	149 128
Trade receivables	26	414 551	45 608
Other receivables	27	162 685	68 426
Machinery, plant and equipment	28, 28.3-8	752 070	46 702
Intangible assets	30	22 112	4 358
Inventory	31	34 720	26 634
Financial assets	32	417 874	341 981
Deferred tax assets	33	14 828	11 544
Land and buildings	28, 28.1-2	162 118	53 247
Investment property	29	1 969	9 652
Investments in associates and other investments	34	10 430	10 849
Other financial investments	35	950	1 861
Non-current receivables	36	82 412	51 234
Goodwill	37	269 277	190 397
<b>TOTAL ASSETS</b>		<b>3 791 097</b>	<b>1 627 137</b>

Prepared by:

/Ivan Hristov/

Signed on behalf of BoD:

/Assen Minchev/

Procurator:

/Milena Guentcheva/

Date: 21.2.2022

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of financial position**  
**As of 31.12.2021 (continued)**

<i>In thousand BGN</i>	<i>Notes</i>	31.12.2021	31.12.2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	47.1	260 500	197 526
Treasury shares	47.1	(77)	(97)
Share Premium	47.2	144 030	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(69 001)	(68 559)
Retained earnings/(losses)		(218 529)	(36 496)
Profit for the year	48	94 855	(43 807)
<b>Equity attributable to equity holders of the parent</b>		<b>219 419</b>	<b>105 776</b>
Non-controlling interests	49	178 708	29 167
<b>Total Equity</b>		<b>398 127</b>	<b>134 943</b>
<b>Subordinated debts</b>	38	<b>41 638</b>	<b>76 985</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	39	1 018 802	174 341
Obligations on bond issues	40	199 197	163 342
Non-current liabilities	41	110 215	14 345
Current liabilities	42	174 354	61 906
Trade and other payables	43	316 678	117 148
Payables to reinsurers	44	112 956	46 855
Deferred tax liabilities	45	12 006	342
		<b>1 944 208</b>	<b>578 279</b>
<b>Insurance reserves</b>	46	1 407 124	836 930
		<b>1 407 124</b>	<b>836 930</b>
<b>Total liabilities and subordinated debts</b>		<b>3 392 970</b>	<b>1 492 194</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 791 097</b>	<b>1 627 137</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 21.2.2022

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of cash flows**  
**for 2021**

<i>In thousand BGN</i>	<i>Notes</i>	2021	2020
<b>Operating activities</b>			
<b>Profit for the period before tax:</b>		<b>124 222</b>	<b>(40 333)</b>
Adjustments for:			
Depreciation and amortization	20	60 210	20 683
Foreign exchange gain/(loss)		(1 592)	(1 307)
Dividends		(140)	(44)
Change in insurance reserves, net of reinsurance		26 842	9 190
Increase in impairment loss		9 456	24 500
Revaluation of investments		-	(694)
Profit from purchase of investments in subsidiaries		(2 008)	(4 269)
Profit from sales of investments		(6 285)	(3 045)
Net investment income (interest income and expense)		36 264	4 511
Other non-monetary adjustments		(77 649)	(1 051)
<b>Operating profit before change in working capital</b>		<b>169 320</b>	<b>8 141</b>
Change in trade and other receivables		(1 077 318)	(37 694)
Change in inventory		(8 086)	15 534
Change in trade and other payables and other adjustments		867 801	8 221
<b>Cash generated from operating activities</b>		<b>(48 283)</b>	<b>(5 798)</b>
Interest (paid)/received		1 102	2 676
Income tax paid		(6 263)	(2 405)
<b>Net cash flows from operating activities</b>		<b>(53 444)</b>	<b>(5 527)</b>
<b>Investing activities</b>			-
Purchase of property, plant and equipment		(47 917)	(3 856)
Proceeds from the disposal of property, plant and equipment		10 812	1 193
Loans granted		(225 068)	(84 462)
Repayment of loans, including financial leases		102 938	49 353
Interest received on loans granted		1 529	1 852
Purchase of investments		(322 566)	(319 416)
Sales of investments		240 936	252 499
Dividends received		2 903	3 540
Effect of exchange rate changes		38	558
Acquisition of a subsidiaries in business combination, net of cash acquired		(570 267)	-
Other proceeds/(payments) from investing activities, net		4 237	3 051
<b>Net cash flows from investing activities</b>		<b>(802 425)</b>	<b>(95 688)</b>

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/Milena Guentcheva/

Date: 21.2.2022

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of cash flows**  
**for 2021 (continued)**

<i>In thousand BGN</i>	<i>Notes</i>	2021	2020
<b>Financing activities</b>			
Proceeds from the issue of securities		196 401	-
Proceeds from loans		1 073 659	175 910
Repayment of loans		(256 812)	(59 301)
Lease repayments		(16 499)	(22 039)
Payment of interest, charges, commissions on investment loans		(27 252)	(16 171)
Dividends paid		(293)	(317)
Other proceeds/(payments) from financing activities, net		(25 442)	243
<b>Net cash flows from financing activities</b>		<b>943 762</b>	<b>78 325</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>87 893</b>	<b>(22 890)</b>
Cash and cash equivalents at the beginning of the period	22	68 800	91 690
<b>Cash and cash equivalents at the end of the period</b>	22	<b>156 693</b>	<b>68 800</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 21.2.2022

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of changes in equity**  
**For 2021**

<i>In thousand BGN</i>	Share capital	Share premium	General reserves	Revaluation and other reserves	Retained earnings/(losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
<b>Balance as of 1 January 2020</b>	<b>196 173</b>	<b>49 568</b>	<b>7 641</b>	<b>(52 943)</b>	<b>(43 164)</b>	<b>157 275</b>	<b>33 423</b>	<b>190 698</b>
Issue of capital	-	-	-	-	-	-	-	-
Treasury shares repurchased	1 256	-	-	-	-	1 256	-	1 256
Dividends	-	-	-	-	-	-	(637)	(637)
Change in non-controlling interest due to transactions without change of control	-	-	-	(912)	191	(721)	(3 451)	(4 172)
Profit for the period	-	-	-	-	(43 807)	(43 807)	264	(43 543)
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	(10 433)	-	(10 433)	(567)	(11 000)
Change in reserve for subsequent valuations of associates	-	-	-	946	-	946	56	1 002
Changes in the fair value of financial assets through other comprehensive income	1 256	-	-	-	-	1 256	-	1 256
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9 487)</b>	<b>-</b>	<b>(9 487)</b>	<b>(511)</b>	<b>(9 998)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9 487)</b>	<b>(43 807)</b>	<b>(53 294)</b>	<b>(247)</b>	<b>(53 541)</b>
<b>Balance as of 31 December 2020</b>	<b>197 429</b>	<b>49 568</b>	<b>7 641</b>	<b>(68 559)</b>	<b>(80 303)</b>	<b>105 776</b>	<b>29 167</b>	<b>134 943</b>
<b>Balance as of 1 January 2021</b>	<b>197 429</b>	<b>49 568</b>	<b>7 641</b>	<b>(68 559)</b>	<b>(80 303)</b>	<b>105 776</b>	<b>29 167</b>	<b>134 943</b>
Issue of capital	62 974	94 462	-	-	-	157 436	-	157 436
Treasury shares repurchased	20	-	-	-	-	20	-	20
Dividends	-	-	-	-	-	-	(931)	(931)
Change in non-controlling interest due to transactions with change of control	-	-	-	-	-	-	276 693	276 693
Change in non-controlling interest due to transactions without change of control, other changes	-	-	-	(869)	(138 226)	(139 095)	(146 792)	(285 824)
Profit for the period	-	-	-	-	94 855	94 855	19 279	114 134
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	542	-	542	33	575
Changes in the fair value of financial assets through other comprehensive income	-	-	-	(115)	-	(115)	1 196	1 081
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427</b>	<b>-</b>	<b>427</b>	<b>1 229</b>	<b>1 656</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427</b>	<b>94 855</b>	<b>95 282</b>	<b>20 508</b>	<b>115 790</b>
<b>Balance as of 31 December 2021</b>	<b>260 423</b>	<b>144 030</b>	<b>7 641</b>	<b>(69 001)</b>	<b>(123 674)</b>	<b>219 419</b>	<b>178 708</b>	<b>398 127</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 26.2.2022

Interim condensed consolidated statement of profit or loss by business segments  
for 2021

In thousand BGN

		2021	2021	2021	2021	2021	2021	2021	2021
	Notes	Consolidated	Insurance business	* Energy business	Automotive	Leasing business	Asset management and brokerage	Parent company	Eliminations
<b>Revenue from operating activities</b>									
Revenue from insurance business	3	2 348 670	2 351 704	-	-	-	-	-	(3 034)
Revenue from energy business	5	1 211 095		1 211 095	-	-	-	-	-
Revenue from car sales and after sales	7	157 255	-	-	164 056	-	-	-	(6 801)
Revenue from leasing business	8	26 612	-	-	-	27 727	-	-	(1 115)
Revenue from asset management and brokerage	10	10 283	-	-	-	-	12 048	-	(1 765)
Revenue from the activities of the parent company	12	1 392	-	-	-	-	-	1 669	(277)
		<b>3 755 307</b>	<b>2 351 704</b>	<b>1 211 095</b>	<b>164 056</b>	<b>27 727</b>	<b>12 048</b>	<b>1 669</b>	<b>(12 992)</b>
<b>Expenses of operating activities</b>									
Expenses of insurance business	4	(2 172 089)	(2 180 280)	-	-	-	-	-	8 191
Expenses of energy business	6	(1 031 331)	-	(1 031 331)	-	-	-	-	-
Cost of cars and spare parts sold		(122 643)	-	-	(122 643)	-	-	-	-
Expenses of leasing business	9	(8 921)	-	-	-	(9 046)	-	-	125
Expenses of asset management and brokerage	11	(7 511)	-	-	-	-	(7 444)	-	(67)
Expenses of the activities of the parent company	13	(1 056)	-	-	-	-	-	(21 491)	20 435
		<b>(3 343 551)</b>	<b>(2 180 280)</b>	<b>(1 031 331)</b>	<b>(122 643)</b>	<b>(9 046)</b>	<b>(7 444)</b>	<b>(21 491)</b>	<b>28 684</b>
<b>Gross profit</b>		<b>411 756</b>	<b>171 424</b>	<b>179 764</b>	<b>41 413</b>	<b>18 681</b>	<b>4 604</b>	<b>(19 822)</b>	<b>15 692</b>
Other income/(expenses), net	14	6 483	-	4 001	2 199	257	71	-	(45)
Other operating expenses	15	(171 046)	(47 361)	(81 509)	(22 242)	(8 931)	(2 101)	(10 646)	1 744
(Accrued)/recovered impairment loss on financial assets, net	16	(9 456)	-	(7 012)	(622)	(1 220)	7	(609)	-
<b>EBITDA</b>		<b>237 737</b>	<b>124 063</b>	<b>95 244</b>	<b>20 748</b>	<b>8 787</b>	<b>2 581</b>	<b>(31 077)</b>	<b>17 391</b>
Financial expenses	17	(54 766)	(6 598)	(28 091)	(2 998)	(62)	(44)	(19 821)	2 848
Financial income	18	1 444	-	595	1 095	-	-	-	(246)
Foreign exchange gains/(losses), net	19	17	-	-	(40)	-	-	57	-
<b>EBTDA</b>		<b>184 432</b>	<b>117 465</b>	<b>67 748</b>	<b>18 805</b>	<b>8 725</b>	<b>2 537</b>	<b>(50 841)</b>	<b>19 993</b>
Depreciation and amortization	20	(60 210)	(7 644)	(39 862)	(5 332)	(6 486)	(224)	(679)	17
<b>EBT</b>		<b>124 222</b>	<b>109 821</b>	<b>27 886</b>	<b>13 473</b>	<b>2 239</b>	<b>2 313</b>	<b>(51 520)</b>	<b>20 010</b>
Tax expenses	21	(10 088)	(3 816)	(6 065)	-	4	(211)	-	-
<b>Net profit for the period</b>		<b>114 134</b>	<b>106 005</b>	<b>21 821</b>	<b>13 473</b>	<b>2 243</b>	<b>2 102</b>	<b>(51 520)</b>	<b>20 010</b>

\*for the period 1.8.2021 - 31.12.2021

Interim condensed consolidated statement of profit or loss by business segments  
for 2020

In thousand BGN

		2020	2020	2020	2020	2020	2020	2020	2020
	Notes	Consolidated	Insurance business	Energy business	Automotive	Leasing business	Asset management and brokerage	Parent company	Eliminations
<b>Revenue from operating activities</b>									
Revenue from insurance business	3	1 383 842	1 385 699	-	-	-	-	-	(1 857)
Revenue from energy business	5	-	-	-	-	-	-	-	-
Revenue from car sales and after sales	7	162 697	-	-	170 301	-	-	-	(7 604)
Revenue from leasing business	8	21 628	-	-	-	22 613	-	-	(985)
Revenue from asset management and brokerage	10	7 935	-	-	-	-	9 101	-	(1 166)
Revenue from the activities of the parent company	12	3 028	-	-	-	-	-	3 836	(808)
		<b>1 579 130</b>	<b>1 385 699</b>	<b>-</b>	<b>170 301</b>	<b>22 613</b>	<b>9 101</b>	<b>3 836</b>	<b>(12 420)</b>
<b>Expenses of operating activities</b>									
Expenses of insurance business	4	(1 353 844)	(1 362 969)	-	-	-	-	-	9 125
Expenses of energy business	6	-	-	-	-	-	-	-	-
Cost of cars and spare parts sold		(138 314)	-	-	(138 451)	-	-	-	137
Expenses of leasing business	9	(7 702)	-	-	-	(7 927)	-	-	225
Expenses of asset management and brokerage	11	(6 712)	-	-	-	-	(6 710)	-	(2)
Expenses of the activities of the parent company	13	(1 850)	-	-	-	-	-	(1 911)	61
		<b>(1 508 422)</b>	<b>(1 362 969)</b>	<b>-</b>	<b>(138 451)</b>	<b>(7 927)</b>	<b>(6 710)</b>	<b>(1 911)</b>	<b>9 546</b>
<b>Gross profit</b>		<b>70 708</b>	<b>22 730</b>	<b>-</b>	<b>31 850</b>	<b>14 686</b>	<b>2 391</b>	<b>1 925</b>	<b>(2 874)</b>
Other income/(expenses), net	14	2 486	-	-	2 240	227	20	-	(1)
Other operating expenses	15	(72 612)	(37 910)	-	(22 751)	(8 195)	(1 865)	(3 197)	1 306
(Accrued)/recovered impairment loss on financial assets, net	16	883	2 800	-	(324)	(1 572)	(30)	9	-
<b>EBITDA</b>		<b>1 465</b>	<b>(12 380)</b>	<b>-</b>	<b>11 015</b>	<b>5 146</b>	<b>516</b>	<b>(1 263)</b>	<b>(1 569)</b>
Financial expenses	17	(22 699)	(5 062)	-	(3 241)	(62)	(48)	(16 251)	1 965
Financial income	18	179	-	-	755	-	-	-	(576)
Foreign exchange gains/(losses), net	19	1 405	-	-	(34)	-	-	1 439	-
<b>EBTDA</b>		<b>(19 650)</b>	<b>(17 442)</b>	<b>-</b>	<b>8 495</b>	<b>5 084</b>	<b>468</b>	<b>(16 075)</b>	<b>(180)</b>
Depreciation and amortization	20	(20 683)	(7 727)	-	(6 586)	(5 620)	(192)	(679)	121
<b>EBT</b>		<b>(40 333)</b>	<b>(25 169)</b>	<b>-</b>	<b>1 909</b>	<b>(536)</b>	<b>276</b>	<b>(16 754)</b>	<b>(59)</b>
Tax expenses	21	(3 210)	(2 781)	-	(368)	(8)	(53)	-	-
<b>Net profit for the period</b>		<b>(43 543)</b>	<b>(27 950)</b>	<b>-</b>	<b>1 541</b>	<b>(544)</b>	<b>223</b>	<b>(16 754)</b>	<b>(59)</b>

## Notes to the Interim Condensed Consolidated Financial Statements for 2021

Founded in 1996, Eurohold Bulgaria operates in Bulgaria, Romania, Northern Macedonia, Ukraine, Georgia, Greece and Belarus. The company owns a large number of subsidiaries in the insurance, energy, financial services and car sales sectors.

### 1. INFORMATION ABOUT THE ECONOMIC GROUP

Eurohold Bulgaria AD (parent company) is a public joint stock company established by virtue of article 122 of the Public Offering of Securities Act and article 261 of the Commerce Act.

The parent company is registered in Sofia City Court under corporate file 14436/2006 and is established by merger of Eurohold AD registered under corporate file № 13770/1996 as per the inventory of Sofia City Court and Starcom Holding AD registered under corporate file № 6333/1995 as per the inventory of Sofia City Court.

The seat and registered address of Eurohold Bulgaria AD are as follows: city of Sofia, 43 Christopher Columbus Blvd.

The parent company has the following managing bodies: General Meeting of Shareholders, Supervisory Board /two-tier system/ and Management Board, with the following members as of 31.12.2021:

#### Supervisory board:

Asen Milkov Christov, Country:Bulgaria – Chairman;  
Dimitar Stoyanov Dimitrov, Country:Bulgaria – Deputy Chairman;  
Radi Georgiev Georgiev, Country:Bulgaria – Member;  
Kustaa Lauri Ayma, Country:Finland – Independent Member;  
Ivaylo Krasimirov Angarski – Independent Member;  
Louis Gabriel Roman, Country:USA – Independent Member.

Mandate until 09.05.2022.

#### Management board:

Kiril Ivanov Boshov, Country:Bulgaria - Chairman, Executive Member;  
Asen Mintchev Mintchev, Country:Bulgaria – Executive Member;  
Velislav Milkov Hristov, Country:Bulgaria – Member;  
Assen Emanouilov Assenov, Country:Bulgaria – Member;  
Razvan Stefan Lefter, Country:Romania – Member.

Mandate until 14.08.2022.

As of 31.12.2021 the Company is represented and managed by Kiril Ivanov Boshov and Asen Minchev Minchev, Executive Directors, and Milena Milchova Gencheva - Procurator, only jointly by the two executive directors or by one executive director and procurator.

The Audit Committee supports the work of the Management board and plays the role of those charged with governance who monitor and supervise the Parent Company's internal control, risk management and financial reporting system.

As of 31.12.2021, the Audit Committee of the Parent Company comprises the following members:

Ivan Georgiev Mankov, Country:Bulgaria – Chairman;  
Dimitar Stoyanov Dimitrov, Country:Bulgaria – Member;  
Rositsa Mihaylova Pencheva, Country:Bulgaria – Member.

## 1.1 Scope of Activities

The scope of activities of the parent company is as follows: acquisition, management, assessment and sales of participations in Bulgarian and foreign companies, acquisition, management and sales of bonds, acquisition, assessment and sales of patents, granting patent use licenses to companies in which the parent company participates, funding companies, in which the Parent company participates.

## 1.2 Structure of the economic group

The investment portfolio of Eurohold Bulgaria AD comprises three economic sectors: insurance, finance and automobile. The insurance sector has the biggest share in the holding's portfolio, and the automobile sector is the newest line.

### Companies involved in the consolidation and percentage of participation in equity

#### Insurance Sector

Company	% of participation in the share capital 31.12.2021	% of participation in the share capital 31.12.2020
<b>Euroins Insurance Group AD (EIG AD) *</b>	<b>90.10%</b>	<b>94.41%</b>
<b>Indirect participation through EIG AD:</b>		
Insurance Company Euroins AD, Bulgaria	98.63%	98.63%
Euroins Romania Asigurare-Reasigurare S.A., Romania	98.54%	98.51%
Euroins Osiguruvanje AD, North Macedonia	93.36%	93.36%
Insurance Company Euroins Life EAD, Bulgaria	100.00%	100.00%
Insurance Company EIG Re AD, Bulgaria	100.00%	100.00%
Euroins Ukraine PrAT, Ukraine	92.62%	92.62%
Euroins Ukraine PrAT, Ukraine through European Travel Insurance PrAT, Ukraine	5.74%	5.74%
Euroins Claims I.K.E., Greece	100.00%	100.00%
Insurance Company Euroins Georgia JCS, Georgia	50.04%	50.04%
European Travel Insurance PrAT, Ukraine	99.99%	99.99%
CJSC Insurance company Euroins, Belarus (former CJSC IC ERGO)	100.00%	93.12%

\*direct participation

#### Automobile Sector

Company	% of participation in the share capital 31.12.2021	% of participation in the share capital 31.12.2020
<b>Avto Union AD (AU AD)*</b>	<b>99.99%</b>	<b>99.99%</b>
<b>Indirect participation through AU AD:</b>		
Avto Union Service EOOD, Bulgaria	100.00%	100.00%
Daru Car AD, Bulgaria	100.00%	100.00%
Auto Italy EAD, Bulgaria	100.00%	100.00%
Bulvaria EOOD, Bulgaria (former Bulvaria Varna EOOD)	100.00%	100.00%
Bulvaria Sofia EAD, Bulgaria	100.00%	100.00%
Star Motors EOOD, Bulgaria	100.00%	100.00%
Star Motors DOOEL, North Macedonia through Star Motors EOOD	100.00%	100.00%
Star Motors SH.P.K., Kosovo through Star Motors DOOEL	100.00%	100.00%
Motohub EOOD, Bulgaria	100.00%	51.00%
Motobul EAD, Bulgaria	100.00%	100.00%
Benzin Finance EAD, Bulgaria	100.00%	100.00%
Bopar Pro S.R.L., Romania through Motobul EAD	99.00%	99.00%
China Motor Company AD, Bulgaria	80%	-
N Auto Sofia EAD, Bulgaria – until 2.8.2021	-	100.00%
Espace Auto OOD, Bulgaria through N Auto Sofia EAD – until 2.8.2021	-	51.00%
EA Properties EOOD, Bulgaria through N Auto Sofia EAD – until 2.8.2021	-	51.00%

\*direct participation

On August 2, 2021, Auto Union AD, which consolidates the investments of Eurohold Bulgaria AD in the automotive sector, finalized the sale of N Auto Sofia EAD, a major dealer of Nissan, together with its subsidiaries Espas Auto OOD and EA Properties OOD.

Auto Sofia EAD controlled 51% of the capital of Espas Auto OOD, a distributor of Renault and Dacia cars, and 51% of EA Properties OOD, which owns the terrain and showroom of Nissan, Renault and Dacia in Sofia.

#### Finance Sector

Company	% of participation in the share capital 31.12.2021	% of participation in the share capital 31.12.2020
<b>Euro-Finance AD, Bulgaria*</b>	<b>99.99%</b>	<b>99.99%</b>
*direct participation		

Company	% of participation in the share capital 31.12.2021	% of participation in the share capital 31.12.2020
<b>Eurolease Group EAD*</b>	<b>90.01%</b>	<b>90.01%</b>
<b>Indirect participation through Eurolease Group EAD:</b>		
Eurolease Auto EAD, Bulgaria	100.00%	100.00%
Eurolease Auto Romania AD, Romania	77.98%	77.98%
Eurolease Auto Romania AD through Euroins Romania Asigurare-Reasigurare S.A., Romania	20.45%	20.45%
Eurolease Auto DOOEL, North Macedonia	100.00%	100.00%
Eurolease Rent A Car EOOD, Bulgaria	100.00%	100.00%
Amigo Leasing EAD, Bulgaria	100.00%	100.00%
Autoplaza EAD, Bulgaria	100.00%	100.00%
Sofia Motors EOOD, Bulgaria	100.00%	100.00%
Mogo Bulgaria EOOD, Bulgaria - Acquisition date: 1.12.2021	100.00%	-
*direct participation		

#### Energy sector

Company	% of participation in the share capital 31.12.2021	% of participation in the share capital 31.12.2020
<b>*Eastern European Electric Company II B.V., The Netherlands</b>	<b>100.00%</b>	<b>100.00</b>
<b>Indirect participation through Eastern European Electric Company II B.V.:</b>		
Eastern European Electric Company III B.V., The Netherlands, owned by Eastern European Electric Company II B.V., The Netherlands	100.00%	-
Eastern European Electric Company B.V. (EEEC B.V.), The Netherlands, owned by Eastern European Electric Company III B.V. III, The Netherlands	100.00%	100.00%
CEZ Distribution Bulgaria AD, Bulgaria, owned by EEEEC B.V., the Netherlands - Acquisition date: 27.07.2021	88.19%	-
CEZ Information and Communication Technologies AD through CEZ Distribution Bulgaria AD, owned by CEZ Distribution Bulgaria AD, Bulgaria - Acquisition date: 27.07.2021	100.00%	-
CEZ Electro Bulgaria AD, Bulgaria, owned by EEEEC B.V., the Netherlands - Acquisition date: 27.07.2021	69.34%	-
CEZ Bulgaria EOOD, Bulgaria, owned by EEEEC B.V., the Netherlands - Acquisition date: 27.07.2021	100.00%	-
CEZ Trade Bulgaria EAD, Bulgaria, owned by EEEEC B.V., the Netherlands - Acquisition date: 27.07.2021	100.00%	-
Free Energy Project Oreshets EOOD, Bulgaria, owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021	100.00%	-
Bara Group EOOD, Bulgaria, owned by EEEEC B.V., the Netherlands - Acquisition date: 27.07.2021	100.00%	-
*direct participation		

## 2. SUMMARY OF THE GROUP'S ACCOUNTING POLICY

### 2.1. Basis for Preparation of the Interim Consolidated Financial Statement

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

In preparing these interim consolidated financial statements, the same accounting policies, accounting techniques and calculation methods and basic assumptions have been applied as in the last consolidated annual financial statements for 2020.

The interim condensed consolidated financial statements for the period ending 31 December 2021 should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2020, prepared in accordance with all International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS adopted by the EU). For the purposes of paragraph 1 (8) of the Supplementary Provisions of the Accounting Act applicable in Bulgaria, the term "IFRS adopted by the EU" means International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and the Council.

The consolidated financial statements have been prepared in accordance with the going concern assumption.

Eurohold Bulgaria as a holding company does not carry out regular commercial activity.

### ACCOUNTING POLICY

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

The consolidated financial statements have been prepared in accordance with the principles for measuring the individual types of assets, liabilities, income and expenses, in accordance with IFRS. The measurement bases are disclosed in detail further in the accounting policy to the interim consolidated financial statements.

It should be noted that accounting estimates and assumptions have been used in preparing the consolidated financial statements. Although they are based on information provided to management at the date of preparation of the consolidated financial statements, the actual results may differ from the estimates and assumptions made.

### 2.2. Comparative data

The interim condensed consolidated financial statements have been presented in accordance with IAS 1 "Presentation of Financial Statements". The Group agreed to present the consolidated statement of profit or loss and other comprehensive income in a single statement.

The consolidated statement of financial position presents two comparative periods when the Group:

- a) apply accounting policies retrospectively;
- b) retrospectively recalculates items in the consolidated financial statements; or
- c) reclassifies items in the consolidated financial statements.

and this has a material effect on the information in the consolidated statement of financial position at the beginning of the prior period.

### 2.3. Consolidation

The interim condensed consolidated financial statements include an interim condensed consolidated statement of financial position, an interim condensed consolidated statement of profit or loss and other comprehensive income, an interim condensed consolidated cash flow statement and an interim condensed consolidated statement of changes in equity as of 31.12.2021. These statements include the Parent Company and all subsidiaries. A subsidiary is consolidated by the Parent Company by holding, directly or indirectly, more than 50% of the voting shares of the capital or by the ability to manage its financial and operating policies in order to obtain economic benefits from its activities.

The full consolidation method is applied. Reports are aggregated in order, with items such as assets, liabilities, property, income and expense aggregated. All domestic transactions and balances between the companies in the group are eliminated. There is an elimination of opposing elements: capital, financial, commercial, reputation calculation at the date of acquisition.

The non-controlling interest in the net assets of the subsidiaries is determined by the shareholder structure of the subsidiaries at the date of the consolidated statement of financial position.

For business combinations covering enterprises or businesses under common control, the Group has opted to apply the purchase method in accordance with IFRS 3 Business Combinations. The Group has made an accounting policy choice regarding these transactions as they are currently outside the scope of IFRS 3 and do not contain guidance for them in existing IFRSs. According to IAS 8, in the absence of a standard or explanation that is specifically applicable to an operation, other events or conditions, management uses its own judgment to develop and apply accounting policies.

### Principles of consolidation

Business combinations are reported as accounting using the purchase method. This method requires the acquirer to recognise separately from goodwill the acquired identifiable assets, liabilities assumed and participation which does not constitute control in the acquiree. Expenses not directly related to the acquisition relate to profit or loss for the period.

The identifiable assets acquired and the liabilities assumed and contingent liabilities in a business combination are measured at fair value at the acquisition date regardless of the extent of the non-controlling interest. The Group has the ability to measure participations that do not represent control of the acquiree either at fair value or as a pro rata share in the identifiable net assets of the acquiree.

The excess of the acquisition cost over the acquirer's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree is recognized as goodwill. If the cost of acquisition is lower than the investor's interest in the fair values of the net assets of the company, the difference is recognized directly in the consolidated statement of profit or loss and other comprehensive income for the period.

Self-recognized goodwill on the acquisition of subsidiaries is tested for impairment at least annually. Impairment losses on goodwill are not reversed. Gains or losses on disposal (disposal) of a subsidiary of the Group also includes the carrying amount of the goodwill, the deductible for the (released) company.

Each recognized goodwill is identified as belonging to an object generating cash proceeds when a business combination is realized, and this object is applied when carrying out the impairment tests. In determining the cash-generating entities, the entities that were expected to benefit from future business combinations in the business combination and for which the goodwill itself arose.

### Transactions with non-controlling interest

Non-controlling operations are treated by the Group as transactions with entities owning the equity instrument of the Group. The effects of the sale of units of the Parent Company without loss of control to non-controlling interests are not treated as components of the Group's current profit or loss but as movements in the components of its equity. Conversely, in the case of purchases by the Parent Company of non-controlling interests of any non-controlling interests, any difference between the amount paid and the corresponding share of the net book value of the subsidiary's net assets is recognized directly in the consolidated statement of changes in equity, usually to the "unallocated profit / (uncovered loss)" line.

When the Group ceases to have control and significant influence, any remaining minority investment as a share in the capital of the company concerned is remeasured at fair value, the difference to carrying amount being recognized in current profit or loss, respectively all amounts previously recognized in other components of comprehensive income are accounted for, as in the case of a direct exemption operation, of all those associated with the initial investment (in the subsidiary or associate).

## 2.4. Functional and reporting currency

Transactions in foreign currency are reported in the functional currency of the respective company by the Group at the official exchange rate as of the date of the transaction (announced fixing of the Bulgarian National Bank). Foreign exchange gains and losses arising from the settlement of these transactions and the revaluation of foreign currency positions at the end of the reporting period are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions (not revalued). Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date that the fair value was determined.

The functional currency of the individual companies of the Group has not changed during the reporting period.

In the consolidated financial statements, all assets and liabilities are translated into Bulgarian leva at the closing rate as of the date of the consolidated financial statements. Income and expenses are translated into the presentation currency of the Group at the average exchange rate for the reporting period. Foreign exchange differences lead to an increase or decrease in other comprehensive income and are recognized in the allowance for translation into equity. In case of disposal of a net investment in a foreign operation, the accumulated foreign exchange differences from restatements recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on the sale. Goodwill and adjustments related to the determination of fair values at the acquisition date are treated as assets and liabilities of the foreign enterprise and are translated into BGN at the closing rate.

## 2.5. Accounting assumptions and approximate accounting estimates

The presentation of the interim condensed consolidated financial statements in accordance with International Financial Reporting Standards requires the Group's management to make the best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, income and expenses, and the disclosure of contingent receivables and payables at the reporting date. These estimates, accruals and assumptions are based on information available at the date of the consolidated interim financial statements, so future actual results could differ (as in a financial crisis, the uncertainties are more significant).

### Significant judgments

#### Deferred tax assets

##### Tax loss

The assessment of the probability of future taxable income for the use of deferred tax assets is based on the last approved estimate, adjusted for significant non-taxable income and expense, and specific restrictions on the transfer of unused tax losses or loans. If a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases where the asset can be used without a time limit, the deferred tax asset is recognized as a whole. Recognition of deferred tax assets that are subject to certain legal or economic constraints or uncertainties is judged by the management on a case-by-case basis based on the specific facts and circumstances.

#### Revenue from contracts with customers

When recognizing revenue under contracts with customers, the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts.

## 2.6. Uncertainty of accounting estimates

In preparing the consolidated financial statements, management makes a number of assumptions, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates and assumptions and, in rare cases, are consistent with previously estimated results.

Information about the significant assumptions, estimates and assumptions that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

#### **Evaluation of the pending payment reserve**

The Reserve for Outstanding Payments includes RBNS claims as at the date of the consolidated financial statements as well as unrecognized claims (IBNR).

Liabilities on claimed but unpaid claims are individually assessed for each claim based on the best estimate of expected cash outflows for them.

The assessment of the liabilities for the IBNR is based on the assumption that the Group's experience in the development of claims from past years can be used to predict the future development of claims and their ultimate obligations. The development of claims is analyzed by year of the event. Additional qualitative judgment is made to assess the extent to which past trends may not be applicable in the future.

The nature of the business makes it difficult to accurately determine the likely outcome of particular damage and the overall amount of damage sustained. Any damage claimed is individually reviewed due to the circumstances, the information provided by damage experts and the historical data on the amount of such damage. Estimates of damage are reviewed and updated regularly with new information available. Reserves are based on the current available information.

The final amount of liabilities, however, may differ as a result of subsequent events and catastrophic cases. The impact of many circumstances that determine the final cost of settling the damage is difficult to predict. Difficulties in assessing reserves vary from one business class to another, depending on the insurance contracts, the complexity, the volume and the significance of the damage, the date of occurrence of the damage and the delay in making the claim.

The reserve for incurred but unproven damages is calculated based on statistical and actuarial methods. The key method used or a combination of methods depends on the business class and the observed historical level of the loss ratio. The biggest share in this reserve is Motor Third Party Liability (civil liability of a motor vehicle).

The actuarial approach with regards to reserving is in line with commonly accepted actuarial practices and targets a unified approach to assessing the reserve for incurred and not reported claims for Motor Third Party Liability (MTPL) in all companies in the Group. The methodology applies the chain ladder method, which is based on the aggregated amount of paid claims for a period of not less than 3 years. The amount of the provision for claims incurred but not claimed is calculated based on the expected final loss taking into account the expectations for the development of the claims during the respective year of occurrence.

#### **Claims on recourse claims**

Claims on recourse claims by insurance companies and other individuals (physically and legally) are recognized as an asset and income when recourse is made to the extent that future economic benefits to the Group are expected. Receivables are reviewed on an individual basis on recognition and subsequently on any impairment indications.

The Group has the practice of settling claims on regressions from insurance companies by offsetting its claims on recourse claims.

#### **Share of reinsurers in technical provisions**

The insurance companies of the Group are a party to quota reinsurance contracts that provide for the transfer of a share in the existing technical reserves upon the entry into force of the contract. IFRS does not provide specific reporting requirements for such contracts. Due to the specific nature of this type of contract, the Group has made an analysis of the degree of risk transfer to the reinsurer and the results show that there is such a transfer, contracts meet the objective criteria for reinsurance. For the analysis, a commonly agreed stochastic model was used and the accepted reinsurer risk limit of 1%.

The Group has adopted an accounting policy for accounting for reinsurance contracts that at the date of entry into force of the contract, the Group recognizes the reinsurers share of the technical provisions as an asset and the corresponding change in the reinsurer's share of the technical provisions in the consolidated statement of profit or loss and other comprehensive income; other comprehensive income and the liabilities to reinsurers under these contracts are recorded in the subsequent periods of the contracts.

During the effective time of contracts in the subsequent periods, the Group will cede to the reinsurers the respective percentage of its premiums and claims for Motor third party liability insurance. When the reinsurance contracts expire or are terminated the reinsurers' share in the technical reserves will be released or transferred to other reinsurers. The terms of these contracts are indefinite and, by their nature, the contracts are with an indefinite period of validity. Due to the contingencies related to the future development of contracts and the cash flows the Group's management considers that the adopted accounting policy is appropriate.

### **Inventories - Impairment**

At the end of the reporting period, the management reviews the available inventories - materials, commodities to determine whether there are those with a net realizable value below their carrying amount. In determining net realizable value, management takes into account the most reliable information available at the date of the estimate.

### **Impairment of property, plant and equipment**

In accordance with IAS 36, at the end of the reporting period, an estimate is made as to whether there is any indication that the value of an asset in property, plant and equipment is impaired. In the case of such indications, the recoverable amount of the asset is calculated and the impairment loss is determined.

### **Actuarial assessments**

In determining the present value of long-term employee retirement liabilities, calculations of certified actuaries based on mortality assumptions, staff turnover rates, future salary levels, and discount factors have been used, which assumptions have been judged by management to be reasonable and relevant for the Group.

### **Impairment of goodwill**

The Group performs an impairment test of goodwill at least once a year. The recoverable amounts of the units that generate cash are determined based on the value in use or the fair value, net of the cost of the sale. These calculations require the use of estimates.

## **Impairment of loans and receivables and net investment in finance leases**

### **◦ Net investment in finance leases**

In determining the impairment of finance lease receivables, the Group is based on a three-tier approach that seeks to reflect the deterioration in the credit quality of the financial instrument. At each reporting date after the initial recognition, the Group assesses to what extent the financial asset that is the subject of the impairment test is at which stage. The stage defines the relevant impairment requirements. The Group uses a 5-point credit rating system for each transaction, with the criteria of the system being used to consider both the leased asset, transaction parameters (initial installment, term, residual value) and the financial status of the individual client.

### **◦ Cash and cash equivalents**

The Group categorizes the banks in which it holds cash on the basis of their rating agencies (Moody's, Fitch, S & P, BCRA) and, depending on it, apply a different percentage for the expected credit losses for 12 months.

### **◦ Loans receivables**

The Group has loan receivables that are categorized depending on whether the borrower has a rating, and whether or not the receivables from such loans are overdue.

### **◦ Litigation and claims**

The Group's court and assignment receivables are categorized in Group 3, respectively as such, they are individually reviewed by the management and each such receivable is assigned an individual impairment.

### Fair value of financial instruments

The management uses techniques to measure the fair value of financial instruments in the absence of quoted prices in an active market. Details of the assumptions used are presented in the notes on financial assets and liabilities. In applying valuation techniques, management uses the market data and assumptions that market participants would use when evaluating a financial instrument. When no applicable market data is available, management uses its best estimate of the assumptions that market participants would make. These estimates may differ from the actual prices that would have been determined in a fair market transaction between informed and willing parties at the end of the reporting period.

## 2.7. Revenue

Revenue from contracts with customers is recognized when the control of the goods or services is transferred to the client in an amount that reflects the remuneration the Group expects to be entitled to in exchange for those goods or services.

The Group recognizes revenue when (or is) satisfied the obligation to perform, under the terms of the contract, by transferring the promised product or service to the client. An asset (product or service) is transferred when (or as) a customer has control over that asset.

Clients' contracts typically include a single performance obligation:

- Sales of cars (spare parts);
- Car Services.

Sales are made under contracts with clients. Sales contracts with customers meet the criteria set out in IFRS 15. Typically, the Group expects to collect the remuneration for contracts with clients.

The following table provides information on the Group's accounting policy for recognition of revenue and time to satisfy obligations for the execution of contracts with clients under IFRS 15 and IAS 18.

Type of product / service	Nature and timing of the fulfillment of performance obligations, including essential payment arrangements	Recognition of income under IFRS 15
Car sales	<p>Performance obligations satisfied at a certain point.</p> <p>Customers receive control when:</p> <ul style="list-style-type: none"> <li>1 / the client has a legal right of ownership;</li> <li>2 / The Group has transferred the physical possession of the asset;</li> <li>3 / the client carries significant risks and benefits from the asset;</li> <li>4 / The Group has an existing payment entitlement.</li> </ul> <p>The asset is derecognised at the time the control is transferred to the sold asset.</p> <p>Invoices are payable within 30-40 days.</p>	<p>Revenue from the sale of vehicles is recognized by the liability method at a specified time, in accordance with IFRS 15, when the control of the vehicle is transferred to the customer. This is usually done by passing the vehicles and the physical knowledge of them to the customer and the buyer has accepted the goods in accordance with the sales contract.</p> <p>The transaction price can be defined as a market price, reduced by discounts (net of taxes), which may include fixed remuneration and variable remuneration.</p> <p>The allocation of the transaction price to the performance obligations is based on unit sales prices (market).</p>

Type of product / service	Nature and timing of the fulfillment of performance obligations, including essential payment arrangements	Recognition of income under IFRS 15
Revenue from sales of short-term assets (spare parts and accessories)	Delivery occurs when the assets have been shipped to the customer, the risks of potential losses have been passed on to the buyer and / or he has taken the assets in accordance with the sales contract. The usual payment term is up to 30 days after delivery.	Revenues from sales of short-term assets are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the client, the risks of potential losses are passed on to the buyer and either he has accepted the assets in accordance with the sale contract.
Revenue from services	The control is transferred when the service is performed. Receipt is due immediately.	Revenue from services is recognized using the liability method over time. If, at the end of the reporting period, the service contract is not fully realized, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided as the client receives and consumes the benefits simultaneously. This is determined on the basis of actual time spent or reported time for work, in relation to the total expected time of service.
Extended warranties	Separate obligation to implement. They are deferred if the Group is the principal of the extended guarantees.  It is analyzed whether the Group is a principal or an agent.	The Group has found that, when selling extended warranties, the Group companies providing extended guarantees have the role of agent and the way of reporting extended guarantees changed. The Group considers that all sales of extended warranties and repairs should be accounted for at the expense of the manufacturer or the insurance company Car-Guarantee Vesrsicherung AG (whichever is the principal).

IFRS 15 does not have a material effect on the Group's accounting policies with respect to the other types of income it recognizes.

The transaction price is the amount of consideration the Group expects to be entitled to in exchange for the customer's transfer of the promised goods or services, except for amounts collected on behalf of third parties (eg value added tax). The consideration promised in the contract with the client may include fixed amounts, variable amounts, or both.

The Group examines whether there are other promises in client contracts that are separate performance obligations for which part of the transaction price should be allocated.

When determining the transaction price, the account is taken of the impact of variable remuneration, including price discounts, the existence of significant components of funding, non-monetary remuneration and remuneration payable to the client (if any).

In the contracts of the Group companies, there are discounts that the client receives at the sale and which are reported as a reduction of the total price. In accordance with the requirement of IFRS 15, all discounts are reported as a reduction in sales revenue, at the same time as recognizing the sale proceeds of the goods for which the respective discounts are due. The policy of recognition of due price

discounts applied so far does not differ from the requirements of IFRS 15.

The Group has reviewed its accounting policies and has assessed the areas in which there are changes from the application of IFRS 15.

- **Free goods**

For a large number of contracts, the Group provides free of charge to its customers free of charge (in the form of accessories, tires, alarms, etc.).

The provision of additional goods (in the form of an alarm, tires or accessories) is a separate obligation to perform.

In accordance with IFRS 15, the Group recognizes these free goods as variable remuneration, thereby reducing the fixed price of the products on the price list if they are provided additionally and free of charge.

- **Sales with redemption capability**

Revenue is recognized when the vehicle is sold, but the estimate of the redemption option is deducted from revenue and recognized as deferred income, as well as a liability to the customer for redemption. Similarly, the estimate of the value of the vehicle to be returned is reduced by the cost of the sale and is also deferred.

The Group has determined that there are no contractual obligations during the period in connection with the repurchase option.

### **Approach for recognizing major types of revenue under customer contracts**

Sales revenue is realized by the following:

- car sales;
- car leasing;
- services, repair services;
- sales of spare parts.

#### **Car sales revenue**

Revenue from the sale of vehicles is recognized by the method of meeting the obligations at a specific time in accordance with IFRS 15 when the control of the good is transferred to the customer.

This is usually the case with the passing of the cars and the physical knowledge to them by the customer and the buyer has accepted the goods in accordance with the sales contract.

For most contracts, there is a fixed unit price for each contract, taking into account the discounts provided to the client. The group is able to determine the distribution of the total contract price (delivery, order) for each site based on the scope of the goods / services under the contract that forms the performance obligations.

The distribution of the transaction price to the performance obligations is based on unit sales prices (contractual or market).

#### **Services revenue**

Services revenue are recognized in the period in which the services are provided. The group transfers control over the service over time and therefore satisfies the obligation to execute and recognizes revenue over time. If by the end of the reporting period, the service contract has not been fully implemented, revenue is recognized using the inputs method based on actual time spent on work, over the total expected service delivery time.

In cases where the services provided by the Group exceed the payment, an asset is recognized under the contract. If payments exceed the services provided, a liability under a contract is recognized.

#### **Revenue from sales of current assets**

Revenues from sales of short-term assets and material are recognized when the control of the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are transferred to the buyer and/or he has accepted the assets in accordance with the sale contract.

### Principal or agent

The Group is the principal when controlling the promised product or service before transferring it to the customer. The Group is an agent if the Group's obligation to perform is to arrange the delivery of the goods or services from a third party.

The signs that it is the principal includes:

- The Group has the primary responsibility for implementing the promise to provide a particular good or service;
- There is a risk to the Group's inventory before the specific good or service is transferred to the customer or after the transfer of the client's control;
- The Group has discretion in determining the price of the particular good or service.

The Group is the principal in the following transactions:

- Sales of cars;
- Sales of spare parts;
- Additional Services;
- Sales of oils.

The Group is an agent for the following transactions:

- Sales of extended guarantees;
- Sale of fuel with cards;
- Extended warranty repair services.

The Group has established that it is an agent in the sale of extended warranties and in the sale of fuels through cards. The Group accepts that all repairs carried out should be accounted for at the expense of the manufacturer/insurer party to the contracts for these guarantees.

### *Extended warranties*

In the case of car sales, an extended warranty can be purchased, which can be purchased separately.

The extended guarantees are a separate performance obligation, which should be deferred if the Group is the principal. If the extended guarantees are issued by the manufacturer, the Group is an agent and should account for the revenue from these sales as an agent on a net basis.

The group has found to be an agent and has changed its way of reporting on extended guarantees.

### Other revenues/income

Other income includes operations that are incidental to the Group's core activities and are income or income that are recognized under other standards and are outside the scope of IFRS 15.

The following table provides information about the material conditions and related policies for recognizing other earnings.

Income	IFRS / IAS - Applicable to Recognition of Revenue (Income)	Recognition approach
Net gain on the sale of property, plant and equipment and intangible assets	IAS 16 IAS 38	Gains or losses arising on the disposal of property, plant, equipment or intangible asset as a result of a sale are included in profit or loss when the asset is derecognised. The asset is derecognised at the time the control is transferred to the sold asset.
Rental income	IFRS 16	Lease income from operating leases is recognized as income on a straight-line basis over the lease term unless the Group's management considers that another systematic basis reflects the timing model in which the lessor's benefit is reduced leased asset.
Surplus assets and asset liquidation	Conceptual framework	Revenues from surplus assets are recognized when surpluses are established.

Income	IFRS / IAS - Applicable to Recognition of Revenue (Income)	Recognition approach
Income from insurance events	Conceptual framework	Revenue is recognized when the Group's right to receive the payment is established.
Income from penalties		Revenue is recognized when the Group's right to receive the payment is established.
Income from write-off of liabilities	IFRS 9	Revenue from write-offs is recognized when the liability expires or the creditor waives its rights.
Government Grants	IAS 20	Grants awarded by the State are recognized when there is reasonable assurance that they will be received and that all applicable conditions are met. Government grants are recognized in profit or loss on a systematic basis during the periods in which the Group recognizes as an expense the related costs that the grant is intended to offset.

### Interest income

Interest income is accounted for using the effective interest method, which is the percentage that accurately discounts the expected future cash payments for the expected term of the financial instrument or for a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in the financial income in the consolidated statement of profit or loss and other comprehensive income.

**Dividend income** shall be recognized when the right to receive them is established. In the consolidated statement of profit or loss and other comprehensive income, the dividends declared for the financial year by the subsidiaries are recognized as internal estimates and eliminated and therefore do not participate in the formation of the financial result.

The financial revenue generated by Eurohold Group generated stems from:

- investment operations;
- positive differences from operations with financial instruments and currency exchange operations;
- fee and commission income;
- dividends;
- interest on loans granted.

## 2.8. Expenses

Expenses in the Group are recognized at the time they are incurred and based on the principles of accrual and comparability.

Administrative expenses are recognized as expenses incurred during the year that are related to the management and administration of the Group companies, including expenses related to administrative staff, management staff, office and other external services.

Financial costs include: costs arising from investment operations, negative financial operations and currency exchange rate differences, interest expense on bank and commercial loans and debt securities, and charges for fees and commissions.

Prepayments (deferred expenses) are deferred for recognition as current expense over the period in which the contracts to which they relate are met.

Other operating income and expenses include items of a minor nature in respect of the core business of the Group companies.

## 2.9. Interests

Interest income and expense are recognized in the consolidated statement of profit or loss and other comprehensive income using the effective interest method. The effective interest rate is the one that accurately discounts the expected future cash payments and proceeds over the life of the financial asset or liability to the carrying amount of the asset or liability. The effective interest rate is determined at the initial recognition of the financial asset or liability and is not subsequently adjusted.

The calculation of the effective interest rate includes all commissions received or paid, transaction costs, as well as discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are intrinsic costs directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the interim consolidated statement of profit or loss and other comprehensive income includes: Interest recognized on an effective interest rate basis on financial assets and liabilities measured at amortized cost.

Unprofitable financial income (interest) represents the difference between the gross and net investment in the lease, the gross investment in the lease being the amount of the minimum lease payments and the unguaranteed residual value accrued to the lessor. Interest income from lease transactions (financial income) is allocated over the term of the lease and is recognized on a constant periodic rate of return on the lessor's net investment.

## 2.10. Fees and commissions

Fees and commissions income and expense that are an integral part of the effective interest rate for a financial asset or liability are included in the calculation of the effective interest rate.

Other fee and commission income, including fees for logistics services, insurance and other intermediation, are recognized through the performance of the related services.

Other charges for fees and commissions related mainly to banking services are recognized on receipt of the related services.

## 2.11 Segment reporting

An operating segment is a component of the Group that engages in revenue-generating activities and costs, including income and expense, that relate to transactions with each other of the Group's other components.

For management purposes, the Group is organized into business units based on the products and services they provide and includes the following reportable segments:

### Insurance:

- Insurance Services

### Energy:

- Sales of electricity;
- Electricity transmission;
- Electricity generation;
- Information, communication, technological and other services.

**Financial services:**

- Lease services
- Investment intermediation

**Car sales:**

- Sale of new cars
- Auto services
- Car rental services

**2.11.1. Insurance business****Recognition and measurement of insurance contracts****Non-life insurance premiums**

Non-life insurance premiums are booked on an annual basis.

Gross gross premiums written for non-life insurance are the premiums under the direct insurance or co-insurance contracts that were concluded during the year, although the premiums may be wholly or partly related to a later accounting period. Premiums are reported gross of commissions paid by intermediaries. The portion of the insurance premiums written, including unexpired insurance contracts, is recognized as income. Subscribed insurance premiums are recognized at the date of the insurance contract. Premiums paid to reinsurers are recognized as an expense in accordance with reinsurance services received.

**Health insurance premiums**

Subscribed health insurance premiums are recognized as income on the basis of the annual premium payable by insured persons for the premium period beginning in the financial year or the one-time premium payable for the entire coverage period for annual health insurance contracts concluded during the financial year.

Gross written health insurance premiums are not recognized when future cash receipts are not certain. The recorded health insurance premiums are shown gross of commissions due to agents.

**Life insurance premiums**

Subscribed life insurance premiums are recognized as income on the basis of the annual premium payable by the insured persons for the premium period commencing in the financial year or the one-time premium payable over the entire policy coverage period concluded during the financial year.

Gross written premiums are not recognized when future cash receipts are uncertain. Subscribed premiums are shown gross of commissions due to agents.

**Insurance reserves**

Insurers maintain different types of insurance reserves with which they serve their obligations to customers and cover the costs associated with the benefits paid. Since premiums are paid in advance and insurance protection covers the entire duration of the insurance, reserves are created. On this way the insurer has sufficient funds to recover the damages incurred during the insurance.

There are 2 main groups of reserves – general and technical.

The *total reserves* are those that insurers must form within the meaning of the Commercial Act.

The *technical provisions* group shall include:

- unearned premium reserve;
- reserve for upcoming payments – includes a reserve for claims arising but not claimed and a reserve for claims made but outstanding;
- reserve for unexped claims;
- other reserves - including mathematical reserve.

### ***The unearned premium reserve***

The unearned premium reserve consists of the portion of gross written insurance / health insurance premiums that is calculated to be earned in the next or further financial periods.

The unearned premium reserve includes accrued and recognized insurance premiums during the reporting period less the premiums written to reinsurers that are to be recognized in the next financial year or subsequent financial periods.

The reserve is calculated separately for each insurance / health insurance contract using a proportional daily basis method. The unearned premium reserve is calculated as net of commission to intermediaries, advertising and other acquisition costs.

### ***Reserve for upcoming payments***

The reserve for upcoming payments shall be formed to cover compensation and the related costs of incurred damages which have not been paid on the same date, whether or not they have been announced by the insurer. Includes:

- reserve for claims arising but not claimed;
- reserve for claims made but outstanding.

Their amount shall be determined by a responsible actuary authorised by the Financial Supervision Commission on the basis of statistical methods based on historical data for a sufficiently long period to cover the full cycle of their development. The valuation is individual for each claim based on the expected amount of future payments.

### ***Reserve for unexpired risks***

The reserve is formed to cover risks for the time between the end of the reporting period and the expiry date of the relevant insurance / health insurance contract in order to cover the payments and expenses expected to exceed the prepaid reserve.

***Other technical reserves*** - including reserves outside the above groups - such as mathematical reserve - are formed to meet future long-term insurance payments.

### ***Compensations arising from general insurance and health insurance and pending damages***

Compensations incurred in respect of non-life insurance and health insurance include benefits and processing costs payable during the financial year together with the amendment to the pending loss reserve.

In the opinion of management, the gross prudential reserve and the relevant share of the reinsurers' reserves are fairly presented on the basis of the information available to them at the date of the consolidated financial statements, the final obligation will change as a result of subsequent information and events and may require material adjustment of the amount initially charged. Corrections to the pending loss reserve established in previous years are recognized in the consolidated financial statements for the period in which the adjustments are made and disclosed separately if they are material. The methods to be used and the estimates to be made when calculating the reserve are reviewed on a regular basis.

### ***Reinsurance***

In its normal course of business, the insurance companies in the Group assign a risk to reinsurers in order to reduce their potential net losses through risk diversification.

Reinsurance does not cancel the direct liability of the company concerned to the insured.

Reinsurance assets include the balances due from reinsurance companies for ceded insurance liabilities. Recovery values from reinsurers are valued in a similar way as for outstanding claims reserves or terminated claims related to reinsured policies.

Premiums and losses relating to these reinsurance contracts are treated as income and expense in the same way as would be considered if reinsurance was a direct business, taking into account the classification of reinsurance business products.

Coupled (or accepted) premiums and reimbursed benefits (or paid damages) are reported in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position as gross amounts.

Contracts where substantial insurance risk is transferred are accounted for as insurance contracts. Recoverable amounts are recognized in the same year as the corresponding loss.

Premiums on long-term reinsurance contracts are accounted for in parallel with the period of validity of related insurance policies, using similar assumptions as those for accounting for the relevant policies.

The recoverable amount of receivables under reinsurance contracts is reviewed for impairment at each date of the consolidated statement of financial position. Such assets are valued if objective evidence exists as a result of an event occurring after its initial recognition.

#### **Deferred acquisition costs**

Deferred acquisition costs represent the amount of the acquisition cost deducted in the calculation of the carry-over provision reserve. They are defined as the portion of the acquisition cost under the end-of-period contracts as a percentage of the insurance technical plan and relating to the time between the end of the reporting period and the expiry date of the insurance / health insurance contract. Current acquisition costs are recognized as an expense during the reporting period.

#### **Acquisition costs**

Costs of commissions include accrued commissions to intermediaries, costs of participating in the result that are charged to the insured / health insured persons at a low loss rate. Indirect acquisition costs include advertising costs and costs arising from the conclusion or renewal of insurance / health insurance contracts.

### **2.11.2. Leasing activity**

#### **Leasing activity – The Group as lessor**

The lessor classifies each of its leases as an operating or finance lease. Lessors classify leases according to the extent to which the risks and rewards of ownership of the underlying asset are transferred under the lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset, and as an operating lease if it does not substantially transfer all the risks and rewards of ownership of the underlying asset. assets. Risks include potential losses from unused capacity or technological aging, as well as from fluctuations in returns due to changing economic conditions. The benefits can be represented by the expected profitable exploitation over the economic life of the underlying asset and the expected profit from the increase in value or realization of the residual value.

Whether a lease is a finance lease or an operating lease depends on the nature of the transaction, not the form of the lease.

The classification of the lease agreement is made on the date of entry and is revised Changes in valuations or changes in circumstances do not warrant a new classification of the lease for accounting purposes.

#### **2.11.2.1 Financial leasing**

##### **Recognition and assessment**

At the commencement date, the lessor recognizes the assets held under a finance lease in its statement of financial position and presents them as a claim equal to the net investment in the lease. The net investment in the lease is the sum of the following items, discounted by the interest rate set in the lease:

- a) lease payments received from the lessor under a finance lease; and
- b) any unsecured residual value accrued to the lessor.

The initial direct costs, other than those incurred by the lessor, are included in the initial estimate of the net investment in the lease and reduce the amount of recognised income over the the entire term of the lease agreement.

The commencement of the lease agreement is the date from which the lessee may exercise the right to use the leased asset. This is also the date on which the Group initially recognises the claim on the lease.

The underlying asset is derecognised and any difference is recognised immediately in the statement of comprehensive income as a gain/loss on the sale of the asset.

### **Subsequent valuation**

The lessor reduces the net investment in the lease for payments received. It deducts lease payments during the reporting period from the gross investment in the lease to reduce both principal and unrealized finance income. Variable lease payments that are not included in the measurement of the net investment in the lease are recognised in the income statement and other comprehensive income when received.

### **Derecognition and impairment**

The lessor applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

### **Amendments to the lease agreement**

The lessor shall report the amendment to a finance lease as a separate lease if:

- a) the amendment increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the remuneration under the leasing contract is increased by an amount commensurate with the independent price for the increase in the scope and possible adjustments of this price to reflect the circumstances of the specific contract.

An amendment to a finance lease that is not accounted for as a separate lease is accounted for by the lessor as follows:

- a) for a contract that would have been classified as an operating lease if the amendment was effective on the date of introduction, the lessor:
  - i) accounts for the amendment to the lease as a new lease from the effective date of the amendment; and
  - ii) measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the amendment to the lease;
- b) Otherwise, the lessee applies the requirements of IFRS 9.

### **Receivables on financial lease**

The leasing activity of the Group involves rent of vehicles, industrial equipment, real estate and others, mainly on finance lease agreements.

The finance lease agreement is an agreement under which the lessor gives to the lessee the right of use of a particular asset for an agreed term against reward. Lease agreement is recorded as finance when the contract transfers to the lessee all substantial risks and benefits associated with the ownership of the asset.

Typical indicators considered by the Group for determining if all significant risks and benefits have been transferred include: the present value of minimal lease payments compared to the fair value of the leased asset at the beginning of the leasing agreement; the term of the leasing agreement in comparison with the economic life of the leased asset; as well as whether the lessee will acquire the right of ownership over the leased asset at the end of the financial lease agreement. All other leasing agreements, which do not transfer substantially all risks and benefits of ownership of the asset, are classified as operating leases.

### **Minimum Lease Payments**

Minimum lease payments are the payments that the lessee will or may be required to make during the term of the leasing contract. From the Group's point of view, minimum lease payments also include the residual value of the asset guaranteed by a third party, not related to the Group, provided that such party is financially able to fulfill its commitments to the guarantee or to the contract for redemption. In the minimum lease payments, the Group also includes the cost of exercising possible option, which the lessee has for the purchase of the asset, and at the beginning of the lease agreement it is to a large extent certain that the option will be exercised. Minimum lease payments do not include conditional rents, as well as costs of services and taxes to be paid by the Group and subsequently re-invoiced to the

lessee.

### **Beginning of the lease agreement and beginning of the term of the lease agreement**

A distinction is made between the beginning of the lease agreement and the beginning of the term of the lease agreement. Beginning of the lease agreement is the earlier of the two dates – of the lease agreement or of the commitment of the parties to the main conditions of the lease agreement.

As at this date: the lease agreement is classified as a financial lease agreement or an operating lease agreement; and in the case of finance lease the amounts to be recognised at the beginning of the term of the lease agreement are determined. The commencement of the lease agreement is the date from which the lessee may exercise the right to use the leased asset. This is also the date on which the Group initially recognises the claim on the lease.

### **Initial and Subsequent Evaluation**

Initially, the Group recognizes a receivable on financial lease equal to its net investment, including present value of minimal lease payments and each residual value of the Group that is not secured. The current value is calculated by discounting minimum lease payments due by the inherent to the lease agreement interest rate. Initial direct costs are included in the calculation of the claim under financial lease. During the term of the lease agreement the Group accrues financial income (income from interest on financial lease) on the net investment. Received lease payments are treated as a reduction of net investment (repayment of principal) and recognition of financial income in a manner to ensure a constant rate of return on the net investment. Consequently, the net investment in finance lease agreements is presented net, after deduction of individual and portfolio provisions for uncollectability.

### **2.11.2.2. Operating leasing**

#### **Recognition and assessment**

The lessor recognizes lease payments under operating leases as revenue on a straight-line basis or on a systematic basis. The lessor applies another systematic basis where that basis more accurately reflects the way in which the benefit of using the underlying asset is diminished.

The lessor adds the initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes it as an expense over the lease term on the same basis as the lease income. The underlying asset subject to operating leases is amortized with the lessor's usual amortization policy for such assets. The depreciation of such an asset is recognised as an expense on the lease term on the same basis as the lease income.

#### **Amendments to the lease agreement**

The lessor considers the change in an operating lease as a new lease from the effective date of the amendment, taking into account any advance payments or accrued leases related to the original lease as part of the lease payments for the new lease.

#### **Presentation**

The lessor presents in its statement of financial position the underlying assets subject to operating leases in accordance with their nature.

#### **Impairment losses on financial leasing receivables**

Finance lease receivables presented in the balance sheet as a net investment in finance leases are reviewed for impairment based on the Company's policy. The amounts for impairment losses on lease receivables that the Company allocates for specific exposures are calculated based on the most reliable estimate of the Management for the present value of the expected cash flows. In estimating these cash flows, management makes assumptions about the debtor's financial condition and the net realizable value of available collateral. Each impaired financial asset is considered for its content, after which the Management of the Company approves the assessment of the collection of cash flows from the financial asset.

### 2.11.3. Financial intermediation activity

Financial Intermediation is related to transactions with financial instruments. They are classified as financial assets as part of an investment portfolio or as part of a trading portfolio.

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not have a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs that are reported as current expenses.

#### Financial assets at fair value through profit or loss

Financial assets for which a business model "held for contractual cash flows" or a business model "held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply.

Changes in the fair value of assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined using either quoted market prices or using valuation techniques in the absence of an active market. This category classifies the securities from the trading portfolio and the equity instruments of the investment portfolio of the firm.

According to the Risk Management Rules of the investment intermediary, subsequent valuation of financial instruments from the trading book is made on a daily basis, at easily accessible closing prices from an independent source such as stock prices or prices from market information systems, quotes from independent brokers with good reputation. In the market valuation, the more conservative of the Buy and Sell rates is used unless the investment intermediary is significant to the market participant for the respective financial instrument and can close its position at an average market price.

When market valuation is not possible, the company uses a model to evaluate its positions and portfolios.

A subsequent valuation of its assets in the trading book under the following procedures:

/1/ For Bulgarian and foreign shares and rights admitted to trading on a regulated securities market in the Republic of Bulgaria as well as Bulgarian shares and rights admitted for trading on a regulated market in Member States:

a/ at the last price of a transaction concluded with them, announced in the stock exchange bulletin, if the volume of the transactions concluded with them for the day is not less than 0.02 per cent of the volume of the respective issue or reaches the estimated volume.

b/ if a price can not be determined under (a) - the arithmetic mean of the highest bid price or short selling respectively of the orders that are valid at the time of closing the regulated market on the estimated day, and the last price of a transaction concluded with the relevant securities for the same day.

c/ in the event that for the valuation day there are no deals with securities of the respective issue, the average of the highest bid or short selling offer respectively, valid at the moment of closing the regulated market for the assessed day, and the weighted average price of the last prices of the transactions concluded with the relevant securities and the traded volumes within the last 30-day period.

d/ If it is not possible to apply the valuation methods in a-c as well as for the non-traded shares, the post evaluation shall be based on the net book value of the assets.

/2/ For units of collective investment undertakings not traded on a regulated market, including in cases of temporary suspension of redemption:

a/ at the last announced redemption price.

b/ at the last designated and announced issue value per unit, less the amount of the unit-redemption and redemption costs provided for under the fund rules, in cases where the collective investment scheme has not reached the minimum amount of the net asset value.

/3/ for derivative financial instruments - in the order indicated in /1/, and in case of impossibility to apply this method of valuation - by an appropriate model for valuation of derivative financial instruments.

/4/ for Bulgarian and foreign bonds, as well as government securities issued pursuant to BNB Ordinance No. 5 - by the method of discounted future net cash flows with a discount factor consisting of a risk-free rate and a risk premium.

/5/ for foreign securities admitted for trading on internationally recognized and liquid regulated securities markets abroad:

a/ at the last price of a transaction concluded with them on the relevant market on the day of valuation;

b/ if it is not possible to apply the valuation method under "a", the valuation shall be made at the "buy" or "sell" price, upon closing of the market on the day of the valuation announced in the electronic securities price information system;

c/ if it is impossible to apply the assessment method under letter b) the valuation shall be made at the last price of a transaction concluded with them within the last 30-day period;

/6/ In cases where there is no trading on a regulated market in working days for the country, the valuation valid for the day of the last trading session shall be accepted. In the subsequent assessment of bonds under the first sentence, the accrued interest for the respective days shall also be reported.

Price sources are regulated securities markets - the Bulgarian Stock Exchange and foreign regulated markets where the relevant securities are traded.

Quotation sources can be recognized by world news agencies such as REUTERS, BLOOMBERG, and so on.

## Derivatives

Derivatives are off-balance sheet financial instruments the value of which is determined on the basis of interest rates, exchange rates or other market prices. Derivatives are an effective tool for managing market risk and limiting exposure to a counterparty.

The most commonly used derivatives are:

- foreign exchange swap;
- interest rate swap;
- forward foreign exchange and interest rate contracts;
- futures;
- options.

All derivative financial instruments used for hedging are initially recognized at fair value and subsequently measured at fair value in the statement of financial position.

For derivatives, the same procedures for controlling market and credit risk apply as for other financial instruments. They aggregate with other exposures to monitor the total exposure to a counterparty and are managed within the limits approved for the counterparty.

Derivatives are held for trading purposes as well as hedging instruments used to manage interest rate and currency risk. Derivatives held for trading are measured at fair value and gains and losses are reported in the consolidated statement of profit or loss and other comprehensive income as a result of trading transactions.

## 2.12. Taxes

### Income tax

Current tax comprises the amount of tax to be paid on the expected taxable profit for the period based on the effective tax rate applicable at the date of preparation of the consolidated statement of financial position and any adjustments to past tax payable.

Current taxes on profits of Bulgarian companies in the Group are determined in accordance with the requirements of Bulgarian tax legislation - the Corporate Income Tax Act. The nominal tax rate for Bulgaria in 2021 is 10% (2020: 10%).

Subsidiaries abroad are taxed according to the requirements of the relevant tax laws by country at the following tax rates:

Country	Tax rate	
	2021	2020
Romania	16%	16%
North Macedonia	10%	10%
Ukraine	18%	18%
Georgia	15%	15%
Greece	24%	29%
Belarus	18%	18%

### Deferred tax

Deferred tax is calculated by applying the balance sheet method to all temporary differences between the carrying amount of the financial statements and the amounts for tax purposes.

Deferred tax is calculated on the basis of the tax rate that is expected to be incurred when the asset is realized or the liability is settled. The effect on deferred tax on change in tax rates is recognized in the consolidated statement of profit or loss and other comprehensive income except when it relates to amounts previously accrued or accounted for directly in equity.

A deferred tax asset is recognized only to the extent that it is probable that future profits will be available against which unused tax losses or tax credit can be utilized. Deferred tax assets are reduced in line with the decrease in probability of tax benefits.

The deferred taxes on the profits of the Group companies are assessed at a rate valid for 2021, which for the Bulgarian companies is 10% and for the subsidiaries abroad is as follows:

Country	Tax rate for 2021
Romania	16%
North Macedonia	10%
Ukraine	18%
Georgia	15%
Greece	24%
Belarus	18%

## 2.13. Non-current assets

### 2.13.1. Property, plant and equipment, rights of use

#### 2.13.1.1. Property, plant and equipment

Fixed tangible assets are measured at cost less the amount of accrued amortization and any impairment losses.

The Group has set a materiality threshold of BGN 700 below which the assets acquired, despite having a characteristic of a fixed asset, are reported as current expense at the time they are acquired.

### Initial acquisition

Initial valuation of tangible fixed assets is carried out:

At acquisition cost, which includes: the purchase price (including customs duties and non-recoverable taxes), all direct costs of bringing an asset into working condition in accordance with its intended purpose - for assets acquired from external sources;

At fair value: for those received as a result of a free transaction;

Under assessment: accepted by the court, and all direct costs of bringing an asset into working condition in accordance with its purpose - for assets received as an in-kind contribution.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost (cost) of that asset. All other borrowing costs are reported as current in profit or loss for the period.

### Subsequent assessment

The Group's approach to subsequent balance sheet valuation of property, plant and equipment is the cost model under IAS 16, the historical cost of acquisition, less accumulated depreciation and accumulated impairment losses.

### Subsequent costs

Subsequent repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income at the time they are performed unless there is clear evidence that their performance will result in increased economic benefits from the use of the asset. Then these costs are capitalized at the asset's carrying amount.

### Gains and losses on sale

In the case of a sale of tangible fixed assets, the difference between the carrying amount and the sale price of the asset is recognized as a gain or loss in the consolidated statement of profit or loss and other comprehensive income. Write-off of tangible fixed assets on the balance sheet is at the time of sale or when the asset is definitively disposed of and after the write-off is not expected to have any other economic benefits.

#### 2.13.1.2. Rights of use

The Group presents the right of use assets in a line item with similar own assets, but provides detailed information on own and leased assets in the notes to the financial statements.

#### 2.13.2. Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and recognized separately. For the purposes of the impairment test, goodwill is allocated to each cash-generating unit of the Group (or group of cash-generating units) that is expected to benefit from the business combination, whether or not other assets or liabilities of the acquired company is allocated to these units. Goodwill is measured at cost less accumulated impairment losses.

When a cash-generating unit is written off, the relevant portion of goodwill is included in determining the gain or loss on write-off.

#### 2.13.3. Intangible assets

Intangible assets are stated at cost, including all duties paid, non-refundable taxes and direct costs incurred in preparing the asset for use.

Subsequent measurement is performed at cost less accumulated depreciation and impairment losses.

Subsequent expenditures in respect of other intangible assets after their initial recognition are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred unless due to them the asset can generate more than originally intended future economic benefits and these expenditures can be reliably measured and assigned to the asset. If these conditions are met, the amount of the expenditures made is added to the cost of the asset.

A materiality threshold of BGN 700 is applied, below which the acquired assets, despite having the characteristics of a fixed asset, are reported as a current expense at the time of their acquisition.

The carrying amount of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not exceed their recoverable amount.

The gain or loss on disposal of the the intangible asset is determined as the difference between the disposal proceeds, and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income in line "Other operating income / costs", net.

#### 2.13.4. Depreciation methods

The Group applies a straight-line depreciation method. Depreciation of assets begins in the month following the month of acquisition. The land and assets under construction are not depreciated. Useful life by group of assets is consistent with: physical wear and tear, specifics of the equipment, future intentions for use, and the assumed obsolescence.

The defined useful life by group of assets is as follows:

Asset group	Useful life in years
Buildings	25-50
Machinery and equipment	2-25
Vehicles	2-6
Business inventory	3-25
Computers	2-5
Software	2
Intangible assets	5-7
Rights of use	over the shorter of the asset's life and the lease term on a straight-line basis

#### 2.14. Investment property

The Group accounts for investment property held for rental income and / or for capital increases using the fair value model.

Investment property is initially measured at cost, including the purchase price and any costs that are directly attributable to the investment property, such as legal fees, property transfer taxes and other transaction costs.

Investment properties are revalued on an annual basis and are included in the consolidated statement of financial position at their market values. They are determined by independent appraisers with professional qualifications and significant professional experience depending on the nature and location of the investment properties, based on evidence of market conditions.

Any gain or loss on a change in the fair value or sale of an investment property is recognized immediately in profit or loss and presented in the consolidated statement of profit or loss and other comprehensive income.

#### 2.15. Impairment tests on goodwill, other intangible assets and property, plant and equipment

In calculating the amount of impairment, the Group defines the smallest identifiable group of assets for which separate cash flows (unit generating cash flows) can be determined. As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis. Goodwill refers to the cash-generating units that are likely to benefit from the business combination and which represent the lowest level in the Group at which management monitors goodwill.

Cash-generating units to which goodwill is attributed are tested for impairment at least annually. All other separate assets or cash-generating units are tested for impairment when events or changes in circumstances indicate that their carrying amount can not be restored.

An impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. To determine the value in use, the Group's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of those cash flows. The data used in the impairment testing are based on the last approved budget of the Group, adjusted if necessary to eliminate the effect of future reorganizations and significant asset improvements. The discount factors are determined for each individual cash-generating unit and reflect their respective risk profile, assessed by the Group's management.

Impairment losses on a cash-generating unit are allocated to the reduction of the carrying amount first of the goodwill attributable to that unit and then to the other assets of the unit in proportion to their carrying amount. With the exception of goodwill for all of the Group's assets, management subsequently assesses whether there is any indication that an impairment loss recognized in prior years may no longer exist or be reduced. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

## **2.16. Pension and other payables to employees and social legislation staff**

The employment and social security relations with the employees of the Group are based on the provisions of the Labor Code and the provisions of the current insurance legislation for the companies operating in Bulgaria, the Romanian Code - for the companies in Romania, the labor legislation for the companies in Ukraine, of labor law for companies in Northern Macedonia.

### **Short-term employee benefits**

Liabilities for short-term employee benefits are measured on an undiscounted basis and are recognized as an expense when the related service is provided. Liabilities are recognized for the amount expected to be paid on a short-term cash bonus or profit-sharing plan if the Group has a legal or constructive obligation to pay that amount as a result of past service provided by an employee and the liability may be evaluate reliably.

The Group recognizes as an obligation the undiscounted amount of estimated expense paid annual leave expected to be paid to employees in exchange for their work for the past reporting period.

### **Defined contribution plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net liability for defined benefit plans is calculated by forecasting the amount of future benefits that employees have earned in return for their services in the current and prior periods, and this income is discounted to determine its present value.

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions to another person and has no legal or constructive obligation to pay additional amounts thereafter. The Government of Bulgaria is responsible for providing pensions under defined contribution plans.

Expenses on the Group's commitment to pay installments under defined contribution plans are recognized in profit or loss on an ongoing basis.

### **Termination benefits**

Termination benefits are recognized as an expense when the Group has committed itself clearly, without any real possibility of withdrawal, with a formal detailed plan either to terminate a business relationship before the normal retirement date or to provide termination benefits as a result of a proposal, made to encourage voluntary departure.

Termination benefits for voluntary departure are recognized as an expense if the Group has made a formal offer for voluntary termination, and it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are due more than 12 months after the end of the reporting period, they are discounted to their present value.

## 2.17. Financial assets and liabilities

### Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognized when the obligation specified in the contract is fulfilled or expires.

### Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not have a significant financial component.

The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs that are reported as current expenses.

The initial measurement of trade receivables that do not have a significant financial component represents the transaction price under IFRS 15.

Depending on the method of subsequent reporting, financial assets are classified into one of the following categories:

- debt instruments at amortized cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income, with or without reclassification in profit or loss, whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the following two conditions:

- the business model of the Financial Assets Management Group;
- the characteristics of the contractual cash flows of the financial asset.

All income and expenses relating to financial assets recognized in profit or loss are included in financial expenses, financial income or other financial items, except for impairment of trade receivables, which is presented in line with other expenses in the consolidated statement of profit or loss and other comprehensive income.

### Subsequent valuation of financial assets

#### Debt instruments at amortized cost

Financial assets are measured at amortized cost if the assets meet the following criteria and are not designated for fair value through profit or loss:

- The Group manages the assets within a business model that aims to hold the financial assets and to collect their contractual cash flows;
- According to the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method. Discarding is not done when its effect is insignificant. The Group classifies in this category the cash and cash equivalents / cash, trade and other receivables as well as listed bonds.

#### Financial assets at fair value through profit or loss

Financial assets for which a business model "held for contractual cash flows" or a business model "held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply (see below).

Changes in the fair value of assets in this category are reflected in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

### **Financial assets at fair value through other comprehensive income**

The Group recognizes financial assets at fair value in other comprehensive income if the assets meet the following conditions:

- The Group manages assets within a business model that aims to hold the financial assets to collect contractual cash flows and sell them; and
- According to the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal payments and interest on the outstanding amount of the principal.

Financial assets at fair value through other comprehensive income include:

- Equity securities that are not held for trading and which the Group irrevocably has chosen at initial recognition to recognize in this category.
- Debt securities where the contractual cash flows are only principal and interest and the Group's business model is aimed at both the collection of contractual cash flows and the sale of financial assets.

In case of disposal of equity instruments in this category, any value reported in the revaluation reserve of the instruments is reclassified to retained earnings.

In case of release from debt instruments in this category, any amount reported in the revaluation reserve of the instruments is reclassified to profit or loss for the period.

### **Classification and measurement of financial liabilities**

The financial liabilities of the Group include borrowings, liabilities under finance leases, trade and other financial liabilities.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group has designated a financial liability as measured at fair value through profit or loss.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for derivatives and financial liabilities that are designated for measurement at fair value through profit or loss (except for derivative financial instruments that are designated and effective as hedging tool).

All interest-related expenses and, if applicable, changes in the fair value of the instrument that are recognized in profit or loss are included in financial expenses or financial income.

### **Derivative financial instruments and hedge accounting**

Derivative financial instruments are measured at fair value through profit or loss except for derivatives designated as hedging instruments for cash flow hedges that require specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic link between the hedged item and the hedging instrument;
- the effect of credit risk is not an essential part of the changes in value that result from this economic relationship;
- the hedging relationship's hedge ratio is the same as the one resulting from the amount of the hedged item that the Group actually hedges and the amount of the hedging instrument that the Group actually uses to hedge this amount of hedged items.

All derivative financial instruments used for hedge accounting are initially recognized at fair value and are reported at fair value in the consolidated statement of financial position.

To the extent that hedging is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included in the hedge of the cash flow in equity. Any inefficiency in the hedging relationship is recognized immediately in profit or loss.

At the moment when the hedged item affects profit or loss, the gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as a reclassification adjustment to other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, gains or losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If the forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to be effective, hedge accounting is discontinued and the related gain or loss is recognized as a reserve in equity until the estimated transaction.

### **Impairment of financial assets**

IFRS 9 requires the Company to recognize a provision for expected credit losses for all debt instruments that are not carried at fair value through profit or loss and for contract assets.

Instruments under the new requirements include loans and other financial assets measured at amortized cost / fair value through other comprehensive income, trade receivables, contract assets recognized and measured under IFRS 15, and credit commitments and some financial guarantee contracts (with the issuer) that are not reported at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the occurrence of a credit loss event. Instead, the Company considers a wider range of information in assessing credit risk and assessing expected credit losses, including past events, current conditions, reasonable and supportive forecasts that affect the expected future cash flow of the instrument.

In implementing this forward-looking approach, a distinction is made between:

- financial instruments whose credit quality has not significantly deteriorated since the initial recognition or have low credit risk (Phase 1);
- financial instruments whose credit quality has deteriorated significantly since the time of initial recognition or where the credit risk is not low (Phase 2);
- "Phase 3" covers financial assets that have objective evidence of impairment at the reporting date. None of the Company's financial assets fall into this category.

12-month expected credit losses are recognized for the first category, while the expected losses over the life of the financial instruments are recognized for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Company and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or the effective interest rate corrected to the credit).

The calculation of expected credit losses is determined on the basis of the probability-weighted estimate of credit losses over the expected period of the financial instruments.

#### **○ Net investment in financial leasing**

In determining the impairment of financial lease receivables, the Group is based on a three-step approach, which aims to reflect the deterioration of the credit quality of the financial instrument. At each reporting date after initial recognition, the Group assesses at which stage the financial asset that is subject to impairment testing relates. The stage determines the relevant impairment requirements. The Group uses a 5-point system to determine the credit rating of each transaction, and the criteria of the system used consider both the leasing asset, transaction parameters (down payment, term, residual value) and the financial condition of the individual client.

#### **○ Cash**

The Group categorizes the banks in which it holds cash on the basis of a rating assigned to them by rating agencies (Moody's, Fitch, S&P, BACR) and, depending on it, applies a different percentage to the expected credit losses for 12 months.

### ◦ Receivables on loans

The Group has receivables from loans granted, which are categorized according to whether the borrower has a rating and depending on whether the receivables from such loans are overdue.

### ◦ Trade and other receivables, contracted assets

The Company uses a simplified approach to accounting for trade and other receivables as well as contract assets and recognizes impairment losses as expected credit losses over the entire period. They represent the expected shortfall in contractual cash flows, given the possibility of default at any time during the term of the financial instrument. The Company uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses through customer allocation by industry and time structure of receivables and using a maturity of provisions.

### ◦ Judicial and adjudicated receivables

The Group's judicial and adjudicated receivables are categorized in Group 3, respectively as such they are individually considered by the management and each such receivable is assigned an individual impairment percentage.

## 2.18. Inventory

Materials and goods are valued at shipping cost. Their value is the sum of all purchase costs and other costs incurred in delivering them to their current location and status.

The write-off of materials and commodities upon their consumption is based on a specific or weighted average value depending on the segments.

The net realizable value of the inventories is stated at the sale price, less the completion costs and costs incurred to realize the sale and is determined with respect to marketing, obsolescence and development at expected sales prices.

When the inventory value of inventories is higher than the net realizable value, it is reduced to the net realizable value. The decrease is recorded as other current expenses.

## 2.19. Provisions, contingent liabilities and contingent assets

Provisions are recognized when it is probable that current liabilities resulting from a past event will result in an outflow of resources from the Group and a reliable estimate of the amount of the liability can be made. The timing or amount of cash outflow may be uncertain.

A present obligation arises from the existence of a legal or constructive obligation as a result of past events, such as guarantees, legal disputes or burdensome contracts. Restructuring provisions are recognized only if a detailed formal restructuring plan has been developed and implemented or management has announced the main points of the restructuring plan to those who would be affected. Provisions for future operating losses are not recognized.

The amount recognized as a provision is calculated on the basis of the most reliable estimate of the costs required to settle a current liability at the end of the reporting period, taking into account the risks and uncertainties associated with the current liability. Where there are a number of similar obligations, the probable need for an outflow to settle the obligation is determined taking into account the group of liabilities as a whole. Provisions are discounted when the effect of time differences in the value of money is significant.

Third party benefits in respect of a liability that the Group is certain to receive are recognized as a separate asset. This asset may not exceed the value of the provision in question.

Provisions are revised at the end of each reporting period and adjusted to reflect the best estimate.

In cases where it is considered that an outflow of economic resources is unlikely to occur as a result of a current liability, a liability is not recognized unless it is a business combination (see Note 2.5). In a

business combination, contingent liabilities are recognized when the cost of acquisition is allocated to the assets and liabilities acquired in the business combination. Contingent liabilities should be subsequently measured at the higher of the comparable provision described above and the amount initially recognized less accumulated depreciation.

Possible inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets.

## **2.20. Equity and earnings per share**

### **2.20.1. Equity**

The share capital of the Parent Company is presented at its nominal value according to the court decisions for its registration.

Equity that does not belong to the economic group (non-controlling interest) is part of the net assets, including the net result for the year of the subsidiaries, attributable to interests not directly or indirectly held by the Parent Company.

### **2.20.2. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to shareholders, holders of ordinary shares by the weighted average number of ordinary shares outstanding for the period.

The weighted average number of shares is the number of ordinary shares outstanding at beginning of period, adjusted by the number of repurchased ordinary shares issued during the period multiplied by the average time factor. This factor expresses the number of days the specific shares were held in relation to the total number of days during the period.

In capitalization, bonus issue or split, the number of ordinary shares that are outstanding at the date of this event is adjusted to reflect the proportional change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the submitted the earliest period. Reduced earnings per share are not calculated as there are no dilutive potential issued shares.

## **2.21. Liabilities**

Financial liabilities are recognized over the period of the loan by the amount of receipts received, the principal, less the transaction costs. In subsequent periods, financial liabilities are measured at amortized cost equal to the capitalized value when applying the effective interest method. In the consolidated statement of profit or loss and other comprehensive income, loan costs are recognized over the period of the loan.

Current liabilities, such as payables to suppliers, group and associates and other payables, are measured at amortized cost, which usually corresponds to the nominal value.

Deferred income is recognized as liabilities includes payments received in respect of earnings for subsequent years.

## **2.22. Financial Risk Management**

### **Factors that determine the financial risk**

In carrying out its activities, the Group companies are exposed to a variety of financial risks: market risk (including currency risk, changes in the fair value of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk of change of future cash flows as a result of changes in market interest rates.

The overall risk management program focuses on the unpredictability of financial markets and aims to reduce any adverse effects on the Group's financial performance.

### **2.22.1. Currency risk**

The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities denominated in foreign currency. Foreign currency exposures result in gains or losses that are recognized in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's monetary assets that are not denominated in the currency used in the financial statements of local companies.

With the exception of the Insurance Business, the Group operates mainly in Bulgarian levs and in euro. Management believes that with the Bulgarian Currency Board operating in Bulgaria and the fixed exchange rate of the Bulgarian lev to the euro, the Group is not exposed to significant adverse effects of changes in the exchange rate.

The Group has no significant investments in countries other than the countries in which it operates - Bulgaria, Romania, Macedonia, Ukraine and Georgia. In cases where the local currency is exposed to significant currency risk, its management is achieved by investing in assets denominated in Euro.

### **2.22.2. Interest rate risk**

The Group is exposed to the risk of changes in market interest rates, mainly with respect to its short-term and long-term financial liabilities with variable (floating) interest rates. The Group's policy is to manage interest expenses by using financial instruments with both fixed and floating interest rates. The interest rates on the majority of the Group's loans to banking institutions are based on one-month and / or quarterly and / or six-month EURIBOR, which at the time of preparing this report has stable levels - 0%. The companies in the Group pay a fixed margin to it between 2% and 6.0%. Therefore, the risk of interest rate changes is negligible.

The Group's exposure to interest rate risk is concentrated mainly in its investment portfolio. The Group controls this exposure through periodic review of its active positions. Cash flow assumptions as well as the impact of interest rate fluctuations on the investment portfolio are reviewed every six months.

The purpose of these strategies is to limit large changes in assets related to changes in interest rates. The Group is also exposed to the risk of changes in future cash flows from fixed income securities resulting from changes in market interest rates.

### **2.22.3. Credit risk**

The Group's credit risk is mainly related to trade and financial receivables.

The amounts presented in the consolidated statement of financial position are on a net basis, excluding provisions for uncollectible receivables, assessed as such by management, based on previous experience and current economic conditions.

The Group holds assets in a trading portfolio in order to manage credit risk. Credit risk is the risk that one party to a financial instrument will incur a financial loss for the other party to it by failing to meet an obligation. The Group has implemented policies and procedures to mitigate the exposure of the credit risk group.

The Group's investment policy requires strict application of the diversification rules on exposure limits for each type of instrument and for an individual counterparty, set out in the insurance legislation of each country. The Group does not conduct derivative transactions.

The Group invests its own funds mainly in bank deposits, securities issued by Member States of the European Union, bonds issued by financial institutions or other companies. In order to implement its investment policy, the Group uses professional services of investment intermediaries that have received permission to conduct transactions in the country and abroad.

#### 2.22.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The policy in this area is aimed at ensuring that sufficient liquidity is available to service the obligations when they become due, including in extraordinary and unforeseen situations. The objective of the management is to maintain a constant balance between the continuity and flexibility of financial resources through the use of adequate forms of funding.

Liquidity risk management is the responsibility of the Group's management and includes maintaining sufficient cash, negotiating adequate credit lines, preparing analysis and updating cash flow projections.

#### 2.22.5 Other risks Covid-19 (Coronavirus)

Due to the pandemic wave of Covid-19 (Coronavirus), which became global in late February and early March 2020 and led to a significant reduction in financial activity worldwide, the Group analyzed on the basis of currently available data the potential effect on its financial position and in particular on the models used, according to IFRS 9.

***This disclosure complies with the requirements of IFRS 7 and IFRS 9, as well as the recommendations of the European Securities and Markets Authority (ESMA).***

As at the date of preparation of these Consolidated Annual Financial Statements, the economic activity has not yet fully recovered and sufficient statistical information is not yet available, both for the real effect on the Bulgarian and world economy and on available significant forecast data for their recovery in the coming months.

#### Development of Covid-19 Pandemic (Coronavirus)

The National Assembly of the Republic of Bulgaria declared a state of emergency dated March 13, 2020, which expired on May 13, 2020. Similar measures were taken by all Member States of the European Union, as well as by the main trading partners (outside the European Union) of the Republic of Bulgaria.

Similar measures have been introduced in other countries where the Group operates, such as Greece (March 11, 2020), Romania (March 21, 2020), Ukraine (March 14, 2020) and North Macedonia (March 18, 2020). As a result of the measures imposed by the governments, a significant part of the economic activity in the countries was suspended, also a significant part of the international trade was slow down.

Despite the subsequent drop of the measures, international financial institutions and international credit agencies expect a significant economic effect in short term, and the overall levels of economic growth are expected to recover in period 2021-2022.

The Group's management has analyzed the expected effect on both the economic growth and the credit quality of the countries (and respectively the counterparties) where it operates, and the analysis is presented below.

#### Effect on economic growth

The table below presents information on the expectations for economic growth of the Republic of Bulgaria, according to the data of the International Monetary Fund (April 2021)" <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>), including forecast data after the occurrence of the pandemic situation related to Covid-19 (Coronavirus).

	Historical data			Forecast	Actual	Forecast		
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	2021	2022	2026
Economic GDP growth	3.5%	3.1%	3.7%	3.2%	(4.2)%	4.5%	4.4%	2.8%

The table below provides information on the economic growth expectations of the euro area countries (representing the main foreign market of the Republic of Bulgaria), according to the International Monetary Fund, including forecast data after the Covid-19 pandemic (Coronavirus).

	Historical data			Forecast	Actual	Forecast		
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	2021	2022	2026
Economic GDP growth	2.6%	1.9%	1.5%	1.4%	(6.3)%	5.0%	4.3%	1.4%

The Group's Management has also analyzed the expected economic development of the countries where it operates, as the historical and forecast data from the International Monetary Fund are presented in the table below:

	Historical data			Forecast	Actual	Forecast	
	2017	2018	2019	2020 (before Covid-19)	2020 (Covid-19)	2021	2022
Romania	7.3%	4.5%	4.1%	3.5%	(3.9)%	7.0%	4.8%
North Macedonia	1.1%	2.9%	3.2%	3.4%	(4.5)%	4.0%	4.2%
Ukraine	2.4%	3.5%	3.2%	3.0%	(4.0)%	3.5%	3.6%
Georgia	4.8%	4.8%	5.0%	4.8%	(6.2)%	7.7%	5.8%
Belarus	2.5%	3.1%	1.4%		(0.9)%	2.1%	0.5%
Russian Federation	1.8%	2.8%	2.0%	1.9%	(3.0)%	4.7%	2.9%
Greece	1.3%	1.6%	1.9%	2.2%	(8.2)%	6.5%	4.6%
Poland	4.8%	5.4%	4.7%	3.1%	(2.7)%	5.1%	5.1%
Italy	1.7%	0.9%	0.3%	0.5%	(8.9)%	5.8%	4.2%
Spain	3.0%	2.4%	2.1%	1.8%	(10.8)%	5.7%	6.4%
United Kingdom	1.7%	1.3%	1.4%	1.4%	(9.8)%	6.8%	5.0%

As can be seen from the above data, the Management takes into account the possible short-term risks to the overall economic development of the main markets where it operates. The expected reduction of the Gross Domestic Product could be significant, but there are also general expectations for rapid recovery during the period 2021-2022 and a return to the average predicted growth levels before Covid-19 (Coronavirus).

#### Effect on credit ratings

As a result of the expected economic effects of the slowdown in overall activity, some rating agencies worsened their forecast on long-term debt positions, both in terms of government debt and in terms of corporate debt positions. The table below provides information on the change in the credit rating

(including forecast) assigned by Fitch to the Republic of Bulgaria and to the Parent company of the Group.

	<b>Before Covid-19</b>		<b>After Covid-19</b>	
	Rating	Forecast	Rating	Forecast
Bulgaria	BBB	Positive	BBB	Stable
Eurohold Bulgaria AD	B	Negative	B	Negative

The following is information on the change in the credit rating (including forecast) assigned by Fitch to the countries where the Group operates:

	<b>Before Covid-19</b>		<b>After Covid-19</b>	
	Rating	Forecast	Rating	Forecast
Romania	BBB	Stable	BBB	Negative
North Macedonia	BB+	Stable	BB+	Negative
Ukraine	B	Positive	B	Positive
Georgia	BB	Stable	BB	Stable
Belarus	B	Stable	B	Negative
Russian Federation	BBB	Stable	BBB	Stable
Greece	BB	Stable	BB	Stable
Poland	A-	Stable	A-	Stable
Italy	BBB	Negative	BBB-	Stable
Spain	A-	Stable	A-	Stable
United Kingdom	AA	Negative	AA-	Stable

Management continues to monitor the development of the credit risk in relation to the countries where the Group operates, as well as the main investments (subject to both markets and credit risk) of the Group companies.

At present, despite the overall decrease of forecasts and limited cases of credit rating deterioration, the Management believes that before a significant period of time passes during which symptoms of deterioration in the overall credit quality of both investments and the general environment where the Group operates, it cannot perform a sufficiently sustainable and reliable assessment of the effect that Covid-19 (Coronavirus).

#### Analysis of the expected effect on the IFRS model 9

The Group (as a part of the Eurohold Bulgaria Group) applies IFRS 9 from January 01, 2018, although The Insurance business had the right to postpone its application until January 1, 2023 (joint application with IFRS 17).

The Group's management has analyzed the expected effect on the overall model of IFRS 9, the results of which are presented in detail below. The focus of the analysis includes:

- The assessment of the deterioration of the credit quality of the counterparties;
- The assessment of the potential effect on the expected credit losses from the exposures to the counterparties.

The general conclusion of the Management of the Group is that at the time of issuing this consolidated financial statement in short term, no significant deterioration of the credit quality of the counterparties is expected due to:

- The measures taken by the Government of the Republic of Bulgaria, the governments of the countries where the Group operates, including the applied private and public moratoriums, which currently do not lead to additional indications of significantly deteriorated credit quality of the counterparties. Management strictly monitors the existence of long-term indications of deterioration, as the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (Coronavirus) are not considered indications of credit deterioration;
- At present, despite the overall decrease and the limited cases of credit rating deterioration, the Management believes that before a significant period of time passes during which symptoms of deterioration in the overall credit quality of both investments and the general environment in which the Group operates, it cannot perform a sufficiently sustainable and reliable assessment of the effect that Covid-19 (Coronavirus).

With regard to the model (including the complete and simplified one) for calculating the expected credit losses, the Management considers that it is possible to make a change in the general model. Management recognizes the possible short-term risks to the overall economic development of the main countries in which the Group operates, and in some markets, the expected reduction in Gross Domestic Product would be significant, but also takes into account the general expectations for rapid recovery in 2021-2022. to return to the average predicted growth levels before Covid-19 (Coronavirus). For these reasons, the Group's management has decided to review its model for calculating expected credit losses under IFRS 9 and to update some of its expectations, namely because the Management believes that some of the Group's counterparties may be affected from the deteriorating economic situation and in this regard has taken action to update some of the parameters in its calculation model.

As of 31 December 2021 sufficiently reliable both macroeconomic statistics and information on the medium-term levels of probability of default are not available, the management has not changed the expected credit loss of financial assets compared to that as of December 31, 2020, incl. of net investment in financial leasing, receivables from loans, trade and other receivables, deposits and cash in banking institutions.

### 2.23. Determination of fair values

Fair value is the price that would have been obtained on the sale of an asset or paid on the transfer of an obligation in a typical transaction between market participants at the valuation date.

Fair value measurement implies that the transaction for the sale of the asset or the transfer of the liability is carried out:

- the underlying market for that asset or liability;
- or
- in the absence of a major market - the most profitable market for that asset or liability.

The main or most advantageous market should be available to the Group.

In measuring the fair value of a non-financial asset, the ability of a market participant to generate economic benefits by using the asset to maximize its value or by selling it to another market participant that will use it in such a way is taken into account. The Group uses cost-appropriate valuation methods, for which there is sufficient available fair value measurement data, using as much as possible the relevant observable hypotheses and minimizing the use of non-observable ones.

All assets or liabilities that are measured at fair value or disclosed in the consolidated financial statements are categorized according to a fair value hierarchy described as follows and based on the lowest rank of observable assumptions that are significant for the fair value measurement as a whole:

- Level 1 - Adjusted (unadjusted) active market prices for identical assets or liabilities to which the Group may have access at the measurement date;
- Level 2 - Valuation techniques for which observable lower rank hypotheses that are relevant for fair value measurement are directly or indirectly observable;
- Level 3 - Valuation techniques for which observable lower case scenarios that are relevant for fair value measurement are unobservable.

External valuers have been used to measure the fair value of significant assets such as goodwill and investment property.

### 2.24. Cash flows

The consolidated cash flow statement shows the Group's cash flows for operating, investing and financing activities during the year, changes in cash and cash equivalents for the year, cash and cash equivalents at beginning and end of the year.

Operating cash flows are calculated as a result for the year, adjusted for non-monetary operating positions, changes in net working capital and corporate tax.

Cash flows from investing activities include payments in connection with the purchase and sale of fixed assets and cash flows associated with the purchase and sale of businesses and activities. Purchase and sale of other securities that are not cash and cash equivalents are also included in investing activities.

Cash flows from financing activities include changes in the size or composition of share capital and related costs, borrowing and repayment of interest-bearing loans, purchase and sale of own shares and payment of dividends.

## 2.25. Leasing

### The Group as a lessee

The Group assesses whether the contract represents or contains elements of a Lease if, under this agreement, the right to control the use of an asset for a specified period of time is transferred for consideration. If it is established that the lease agreement recognizes the Group as an asset with a right of use and a corresponding obligation at the date on which the leasing asset is available for use.

A reassessment of whether a contract represents or contains elements of a lease is made only if the terms and conditions of the contract change.

Leasing assets and liabilities are initially measured at present value.

Leasing liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) minus any lease incentive receivables;
- variable lease based on an index or interest initially measured by the index or rate at the commencement date;
- amounts expected to be paid by the Group under guarantees of residual value;
- the cost of exercising a purchase option if the Group has reason to exercise that option, and
- payments of penalties for termination of the lease if the lease term reflects the fact that the Group exercises this option.

Lease payments that are made under reasonably defined extension options are also included in the liability measurement. The valuation of a lease contract with an option to extend the lease term should be taken plus 1 year to the fixed period. The Group acknowledges that this is the minimum for which there is assurance that an option contract may be extended.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The Group applies a three-step approach in determining the incremental borrowing rate based on:

- Yield of 10-years Government Bonds calculated as an average for the the last 3 years;
- financing spread adjustment - loans to new enterprises, non-financial corporations in local currency, to determine the initial initial interest rate for a period of 3 years (for real estate) or the average interest rate on financial leasing to unrelated persons for the last 3 years (for vehicles);
- specific lease adjustment related to the specific asset (at the discretion of each individual asset).

Applicable Rates at Eurohold Bulgaria AD:

	Buildings - Bulgaria	Buildings - Romania	Buildings - UK	Buildings - Greece	Buildings - Georgia	Buildings - North Macedonia	Vehicles - Bulgaria	Vehicles - North Macedonia
Incremental borrowing rate	4,05 %	4,54 %	1,31 %	4,54 %	7,03 %	5,81%	5,34 %	6,17 %

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Group adopts the threshold for recognition right-of-use assets of BGN 10,000.00, taking the price of the asset as new.

### Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease contract.

The Group has decided not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and *Interpretation 4 Determining whether an Arrangement contains a Lease*.

### The Group as a lessor

Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance. (*Note 2.11.2. Leasing activity*).

**3. Revenue from insurance business**

	2021 BGN'000	2020 BGN'000
Gross premiums written from insurance	1 362 906	913 652
Received recoveries from reinsurers	425 763	264 155
Positive change in the gross provision for unearned premiums and unexpired risk reserve	8 048	-
Positive change in reinsurers' share in unearned premium reserve	270 640	5 994
Change in the reinsurers' share in other reserves	113 741	60 959
Recourse income	7 875	10 413
Fees and commissions income	111 724	83 411
Investment income	29 942	37 367
Income from purchase of investments in subsidiaries	-	4 269
Other revenue	18 031	3 622
	<b>2 348 670</b>	<b>1 383 842</b>

**4. Expenses of insurance business**

	2021 BGN'000	2020 BGN'000
Paid claims, claims handling and prevention expenses	(816 731)	(558 932)
Change in the gross provision for unearned premiums and unexpired risk reserve	(214 176)	(20 553)
Share of the reinsurer in the change of the unearned premium reserve	(5 502)	-
Change in other technical reserves	(24 514)	(52 979)
Premiums ceded to reinsurers	(663 413)	(411 782)
Acquisition expenses	(323 306)	(211 521)
Investment expenses	(19 445)	(26 668)
Other expenses	(105 002)	(71 409)
	<b>(2 172 089)</b>	<b>(1 353 844)</b>

**5. Revenue from energy business**

	2021* BGN'000	2020 BGN'000
Open market customers	722 130	-
Household consumers	326 361	-
Business consumers	137 847	-
Connections fee revenue	12 108	-
Penalties for late payments	1 319	-
Revenues from services for research, repair and maintenance of electricity distribution network, and commercial metering devices	3 225	-
Revenues from information, communication, technological services (ICT) and others	1 863	-
Revenues from the Power System Security Fund	719	-
Other income	5 523	-
	<b>1 211 095</b>	<b>-</b>

\*For the period 1.8.2021-31.12.2021

## 6. Expenses of energy business

	2021*	2020
	BGN'000	BGN'000
Costs for purchased electricity	(963 078)	-
Technological costs for electricity transmission	(42 041)	-
Balancing energy	(25 025)	-
Costs for transmission and access services	(1 140)	-
Other expenses	(47)	-
*For the period 1.8.2021-31.12.2021	<b>(1 031 331)</b>	-

## 7. Revenue from car sales and after sales

	2021	2020
	BGN'000	BGN'000
Revenue from sale of cars and spare parts	143 445	158 662
Revenue from after sales and rent-a-car services	2 252	3 202
Profit from sale of investments	11 558	833
	<b>157 255</b>	<b>162 697</b>

## 8. Revenue from leasing business

	2021	2020
	BGN'000	BGN'000
Revenue from services and sale of goods	17 909	15 480
Interest income	6 612	6 092
Gains from changes in exchange rates	2	1
Other financial revenue	2 089	55
	<b>26 612</b>	<b>21 628</b>

## 9. Expenses of leasing business

	2021	2020
	BGN'000	BGN'000
Interest expenses	(3 582)	(3 517)
Book value of goods sold	(5 066)	(3 922)
Foreign exchange losses	(61)	(55)
Other expenses	(212)	(208)
	<b>(8 921)</b>	<b>(7 702)</b>

## 10. Revenue from asset management and brokerage

	2021	2020
	BGN'000	BGN'000
Interest income	507	458
Dividends	101	3
Gains from sale of financial assets and financial instruments	7 800	6 435
Other revenue	1 875	1 039
	<b>10 283</b>	<b>7 935</b>

**11. Expenses of asset management and brokerage**

	2021	2020
	BGN'000	BGN'000
Interest expenses	(87)	(71)
Losses from sales of financial assets and financial instruments	(6 990)	(6 316)
Foreign exchange losses, net	(152)	(44)
Other expenses	(282)	(281)
	<b>(7 511)</b>	<b>(6 712)</b>

**12. Revenue from the activities of the parent company**

	2021	2020
	BGN'000	BGN'000
Gains from sale of financial assets and financial instruments	819	2 443
Interest income	15	-
Other revenue	558	585
	<b>1 392</b>	<b>3 028</b>

**13. Expenses of the activities of the parent company**

	2021	2020
	BGN'000	BGN'000
Losses from sales of financial assets and financial instruments	(1 056)	(1 850)
	<b>(1 056)</b>	<b>(1 850)</b>

**14. Other income/(expenses), net**

	2021	2020
	BGN'000	BGN'000
Other income/(expenses), net	6 483	2 486
	<b>6 483</b>	<b>2 486</b>

**14.1. Other income**

	2021	2020
	BGN'000	BGN'000
Energy business	4 001	-
Automotive business*	2 199	2 240
Leasing business*	257	227
Asset management and brokerage	26	19
	<b>6 483</b>	<b>2 486</b>

\*Government grants received in 2021 in the amount of BGN 2 199 thousand for the Automotive business (31.12.2020: BGN 2 240 thousand) and BGN 257 thousand for the Leasing business (31.12.2020: BGN 227 thousand) in connection with overcoming the consequences of the Covid-19 pandemic under the government's employment retention program "Payment of compensation by the order of art. 1, para 3 of CMD №55 / 30.03.2020 of an employer, who has established part-time work by the order of art. 138a, para 2 of the Labor Code, more popular as Measure "60/40".

**15. Other operating expenses**

	2021 BGN'000	2020 BGN'000
Expenses on materials	(7 570)	(2 557)
Expenses on hired services	(70 864)	(25 355)
Employee benefits expenses	(83 719)	(37 737)
Other expenses	(8 893)	(6 963)
	<b>(171 046)</b>	<b>(72 612)</b>

**15.1. Expenses on materials by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(1 291)	(551)
Energy business	(4 341)	-
Automotive business	(1 558)	(1 639)
Leasing business	(344)	(354)
Asset management and brokerage	(32)	(11)
Parent company	(4)	(2)
	<b>(7 570)</b>	<b>(2 557)</b>

**15.2. Expenses on hired services by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(18 408)	(12 892)
Energy business	(33 227)	-
Automotive business	(6 106)	(6 141)
Leasing business	(3 515)	(3 627)
Asset management and brokerage	(615)	(501)
Parent company	(8 993)	(2 194)
	<b>(70 864)</b>	<b>(25 355)</b>

**15.3. Employee benefits expenses by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(23 505)	(20 411)
Energy business	(42 506)	-
Automotive business	(12 191)	(12 897)
Leasing business	(3 634)	(3 002)
Asset management and brokerage	(986)	(821)
Parent company	(897)	(606)
	<b>(83 719)</b>	<b>(37 737)</b>

**15.4. Other expenses by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(4 157)	(4 056)
Energy business	(1 166)	-
Automotive business	(2 126)	(1 743)
Leasing business	(307)	(272)
Asset management and brokerage	(443)	(505)
Parent company	(694)	(387)
	<b>(8 893)</b>	<b>(6 963)</b>

**16. (Accrued) / recovered impairment loss on financial assets, net**

	2021 BGN'000	2020 BGN'000
(Accrued) impairment loss on financial assets	(11 842)	(2 866)
Recoverable impairment loss on financial assets	2 386	3 749
	<b>(9 456)</b>	<b>883</b>

**16.1 (Accrued) impairment loss on financial assets by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	-	(17)
Energy business	(7 015)	-
Automotive business	(1 393)	(651)
Leasing business	(2 728)	(2 102)
Asset management and brokerage	(77)	(46)
Parent company	(629)	(50)
	<b>(11 842)</b>	<b>(2 866)</b>

**16.2 Recovered impairment loss on financial assets by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	-	2 817
Energy business	3	-
Automotive business	771	327
Leasing business	1 508	530
Asset management and brokerage	84	16
Parent company	20	59
	<b>2 386</b>	<b>3 749</b>

**17. Financial expenses**

	2021 BGN'000	2020 BGN'000
Interest expenses	(46 586)	(20 184)
Interest expenses – Right of use assets	(1 381)	(1 664)
Other financial expenses	(6 799)	(851)
	<b>(54 766)</b>	<b>(22 699)</b>

**17.1 Interest expenses by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(5 735)	(4 159)
Energy business	(21 947)	-
Automotive business	(1 820)	(1 866)
Parent company	(17 084)	(14 159)
	<b>(46 586)</b>	<b>(20 184)</b>

**17.2 Interest expenses – right of use assets by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(637)	(820)
Energy business	(93)	-
Automotive business	(481)	(659)
Leasing business	(62)	(62)
Asset management and brokerage	(44)	(47)
Parent company	(64)	(76)
	<b>(1 381)</b>	<b>(1 664)</b>

**17.3 Other financial expenses by segments**

	2021 BGN'000	2020 BGN'000
Energy business	(6 051)	-
Automotive business	(539)	(569)
Parent company	(209)	(282)
	<b>(6 799)</b>	<b>(851)</b>

**18. Financial income**

	2021 BGN'000	2020 BGN'000
Interest revenue	851	179
Other financial income	593	-
	<b>1 444</b>	<b>179</b>

**18.1 Financial income by segments**

	2021 BGN'000	2020 BGN'000
Energy business	2	-
Automotive business	849	179
	<b>851</b>	<b>179</b>

**18.2 Other financial income by segments**

	2021 BGN'000	2020 BGN'000
Energy business	593	-
	<b>593</b>	<b>-</b>

**19. Foreign exchange gains/(losses), net**

	2021 BGN'000	2020 BGN'000
Automotive business	(40)	(34)
Parent company	57	1 439
	<b>17</b>	<b>1 405</b>

**20. Depreciation and amortization by segments**

	2021 BGN'000	2020 BGN'000
Insurance business incl.	(7 644)	(7 635)
<i>Right of use assets</i>	(4 197)	(4 372)
Energy business incl.	(39 862)	-
<i>Right of use assets</i>	(2 083)	-
Automotive business incl.	(5 315)	(6 560)
<i>Right of use assets</i>	(2 407)	(2 951)
Leasing business incl.	(6 486)	(5 620)
<i>Right of use assets</i>	(399)	(285)
Asset management and brokerage incl.	(224)	(189)
<i>Right of use assets</i>	(173)	(163)
Parent company incl.	(679)	(679)
<i>Right of use assets</i>	(611)	(611)
	<b>(60 210)</b>	<b>(20 683)</b>

**21. Tax expenses**

	2021 BGN'000	2020 BGN'000
Income tax expense	(2 684)	(2 304)
Deferred tax	(7 404)	(906)
	<b>10 088</b>	<b>(3 210)</b>

**21.1 Tax expenses by segments**

	2021 BGN'000	2020 BGN'000
Insurance business	(3 816)	(2 781)
Energy business	(6 065)	-
Automotive business	-	(368)
Leasing business	4	(8)
Asset management and brokerage	(211)	(53)
	<b>10 088</b>	<b>(3 210)</b>

**22. Cash and cash equivalents**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Cash on hand	2 556	3 646
Deposits up to 3 months	153 372	64 133
Restricted cash	220	681
Cash equivalents	866	575
<i>Impairment</i>	(321)	(235)
	<b>156 693</b>	<b>68 800</b>

**23. Time deposits at banks by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	33 220	23 594
<i>Impairment</i>	(139)	(139)
	<b>33 081</b>	<b>23 455</b>

**24. Reinsurers' share in technical reserves**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Unearned premium reserve	439 203	161 103
Reserve for unexplored claims	212	5 561
Claims reserve, incl.:	627 198	352 505
<i>Reserves for incurred, but not reported claims</i>	396 357	157 423
<i>Reserves for reported, but not settled claims</i>	230 841	195 082
Other technical reserves	-	4 092
	<b>1 066 613</b>	<b>523 261</b>

**25. Receivables from insurance business**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Receivables from direct insurance	159 213	108 227
Receivables from reinsurers or cedants	18 543	16 741
Receivables from recourse/subrogation	10 958	24 160
	<b>188 714</b>	<b>149 128</b>

**26. Trade receivables**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Trade receivables	428 739	18 234
<i>Impairment</i>	(65 963)	(1 405)
Financial lease receivables	38 176	27 911
<i>Impairment</i>	(7 502)	(3 651)
Advances paid	21 040	3 252
Other	61	1 302
<i>Impairment</i>	-	(35)
	<b>414 551</b>	<b>45 608</b>

**26.1. Trade receivables by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	10	603
Energy business	414 022	-
<i>Impairment</i>	(63 870)	-
Automotive business	10 839	14 980
<i>Impairment</i>	(1 062)	(917)
Leasing business	3 845	2 469
<i>Impairment</i>	(1 027)	(487)
Asset management and brokerage	3	102
<i>Impairment</i>	(1)	(3)
Parent company	20	84
<i>Impairment</i>	(3)	(2)
	<b>362 776</b>	<b>16 829</b>

**27. Other receivables**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	42 262	38 566
<i>Impairment</i>	(2 014)	(2 014)
Energy business	106 442	-
<i>Impairment</i>	(12 223)	-
Automotive business	7 073	17 486
<i>Impairment</i>	(265)	(73)
Leasing business	1 089	1 397
<i>Impairment</i>	(102)	(115)
Asset management and brokerage	69	102
Parent company	930	1 314
<i>Impairment</i>	(588)	(16)
Prepaid expenses	6 926	10 208
Receivables under court procedures	42 181	2 640
<i>Impairment</i>	(39 075)	(1 871)
Tax receivables	9 980	802
	<b>162 685</b>	<b>68 426</b>

**27.1. Tax receivables by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	1 182	29
Energy business	4 416	-
Automotive business	664	436
Leasing business	628	111
Parent company	36	226
	<b>6 926</b>	<b>802</b>

## 28. Property, plant and equipment

	Land, plots	Land, plots- rights of use	Buildings	Buildings- rights of use	Machinery and equipment	Machinery and equipment -right of use	Vehicles	Vehicles- rights of use	Furniture and fittings	Assets under construction	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Cost</b>												
<b>As of 1 January 2020</b>	<b>5 170</b>	<b>169</b>	<b>13 721</b>	<b>47 042</b>	<b>10 571</b>	-	<b>65 524</b>	<b>51</b>	<b>7 682</b>	<b>726</b>	<b>3 135</b>	<b>153 791</b>
Additions	-	-	96	8 584	718	-	13 027	-	283	172	371	<b>23 251</b>
Acquisition of subsidiaries*	-	-	2 084	-	213	-	133	-	110	-	-	<b>2 540</b>
Disposals	-	-	(107)	(4 923)	(757)	-	(17 223)	-	(266)	(31)	(24)	<b>(23 331)</b>
Other changes	(301)	-	(1 044)	2 328	(411)	-	(1 438)	-	(118)	(120)	-	<b>(1 104)</b>
<b>As of 31 December 2020</b>	<b>4 869</b>	<b>169</b>	<b>14 750</b>	<b>53 031</b>	<b>10 334</b>	-	<b>60 023</b>	<b>51</b>	<b>7 691</b>	<b>747</b>	<b>3 482</b>	<b>155 147</b>
Additions	2	4	2 673	16 272	52 101	-	15 977	541	872	47 476	1 062	<b>136 980</b>
Acquisition of subsidiaries**	37 200	-	162 964	23 500	1 687 557	5 372	51 143	668	3 744	48 084	4 888	<b>2 025 120</b>
Disposals	(12)	-	(105)	(14 271)	(4 293)	(47)	(15 703)	(292)	(245)	(56 758)	-	<b>(91 726)</b>
Sale of subsidiaries***	(4 357)	-	(3 371)	4 957	(2 298)	-	(5 157)	-	(1 072)	-	(367)	<b>(11 665)</b>
Other changes	-	-	-	(15 194)	(1 688)	-	(1 755)	30	(372)	-	(372)	<b>(19 351)</b>
<b>As of 31 December 2021</b>	<b>37 702</b>	<b>173</b>	<b>176 911</b>	<b>68 295</b>	<b>1 741 713</b>	<b>5 325</b>	<b>104 528</b>	<b>998</b>	<b>10 618</b>	<b>39 549</b>	<b>8 693</b>	<b>2 194 505</b>
<b>Depreciation</b>												
<b>As of 1 January 2020</b>	-	<b>40</b>	<b>5 054</b>	<b>7 102</b>	<b>7 360*</b>		<b>20 354</b>	<b>19</b>	<b>4 740</b>	<b>5</b>	<b>2 188</b>	<b>46 862*</b>
Depreciation for the period	-	42	474	8 340	954	-	9 183	-	732	-	179	<b>19 904</b>
Acquisition of subsidiaries*	-	-	181	-	80	-	39	-	38	-	-	<b>338</b>
Disposals	-	-	(3)	(964)	(743)	-	(6 877)	-	(250)	-	(14)	<b>(8 851)</b>
Other changes	-	-	(590)	(104)	(303)	-	(1 865)	32	(90)	(135)	-	<b>(3 055)</b>
<b>As of 31 December 2020</b>	-	<b>82</b>	<b>5 116</b>	<b>14 374</b>	<b>7 348</b>	-	<b>20 834</b>	<b>51</b>	<b>5 170</b>	<b>(130)</b>	<b>2 353</b>	<b>55 198</b>
Depreciation for the period	-	44	2 263	9 175	33 000	431	11 010	220	928	-	407	<b>57 478</b>
Acquisition of subsidiaries**	-	-	90 106	9 482	1 043 034	2 831	44 010	533	3 153	120	3 174	<b>1 196 443</b>
Disposals	-	-	(51)	(2 901)	(3 543)	(112)	(7 452)	(72)	(149)	-	(525)	<b>(14 805)</b>
Sale of a subsidiaries***	-	-	(528)	(1 016)	(1 802)	-	(1 494)	-	(704)	-	(336)	<b>(5 880)</b>
Other changes	-	-	-	(5 183)	(1 511)	63	(1 704)	26	(685)	-	877	<b>(8 117)</b>
<b>As of 31 December 2021</b>	-	<b>126</b>	<b>96 906</b>	<b>23 931</b>	<b>1 076 526</b>	<b>3 213</b>	<b>65 204</b>	<b>758</b>	<b>7 713</b>	<b>(10)</b>	<b>5 950</b>	<b>1 280 317</b>
<b>Net book value:</b>												
<b>As of 1 January 2020</b>	<b>5 170</b>	<b>129</b>	<b>8 667</b>	<b>39 940</b>	<b>3 211*</b>		<b>45 170</b>	<b>32</b>	<b>2 942</b>	<b>721</b>	<b>947</b>	<b>106 929*</b>
<b>As of 31 December 2020</b>	<b>4 869</b>	<b>87</b>	<b>9 634</b>	<b>38 657</b>	<b>2 986</b>		<b>39 189</b>	-	<b>2 521</b>	<b>877</b>	<b>1 129</b>	<b>99 949</b>
<b>As of 31 December 2021</b>	<b>37 702</b>	<b>47</b>	<b>80 005</b>	<b>44 364</b>	<b>665 187</b>	<b>2 112</b>	<b>39 324</b>	<b>240</b>	<b>2 905</b>	<b>39 559</b>	<b>2 743</b>	<b>914 188</b>

\*Insurance business \*\*Energy and Leasing business

\*\*\*Automotive business

**28.1. Land and buildings by segments**

	31.12.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Insurance business	6 089	5 798
Energy business	110 261	-
Automotive business	1 357	8 705
	<b>117 707</b>	<b>14 503</b>

**28.2. Land and buildings by segments – Rights of use**

	31.12.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Insurance business	20 983	19 417
Energy business	13 121	-
Automotive business	6, 553	14 907
Leasing business	1 447	1 461
Asset management and brokerage	931	971
Parent company	1 376	1 988
	<b>44 411</b>	<b>38 744</b>

**28.3 Machinery and equipment by segments**

	31.12.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Insurance business	2 055	1 949
Energy business	662 557	-
Automotive business	538	997
Leasing business	37	40
	<b>665 187</b>	<b>2 986</b>

**28.4 Machinery and equipment by segments – Rights of use**

	31.12.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Energy business	2 112	-
	<b>2 112</b>	<b>-</b>

**28.5. Vehicles by segments**

	31.12.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Insurance business	2 308	3 706
Energy business	8 308	-
Automotive business	4 458	10 457
Leasing business	23 971	24 745
Asset management and brokerage	206	151
Parent company	73	130
	<b>39 324</b>	<b>39 189</b>

**28.6. Vehicles by segments – rights of use**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Energy business	236	-
Leasing business	4	-
	<b>240</b>	<b>-</b>

**28.7. Furniture and fittings and other assets by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	1 378	814
Energy business	2 256	-
Automotive business	1 827	2 685
Leasing business	141	118
Asset management and brokerage	43	32
Parent company	3	1
	<b>5 648</b>	<b>3 650</b>

**28.8. Assets under construction by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	128	120
Energy business	39 349	-
Automotive business	82	749
Leasing business	-	8
	<b>39 559</b>	<b>877</b>

**29. Investment property**

	31.12.2021 BGN'000	31.12.2020 BGN'000
<b>Net book value as of 1 January</b>	<b>9 652</b>	<b>15 703</b>
Disposals	(7 683)	(6 305)
Acquisition of subsidiaries *	-	254
<b>Net book value as of 31 December</b>	<b>1 969</b>	<b>9 652</b>

\*Insurance business

**30. Intangible assets**

	Software	Licenses	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000
<b>Cost</b>				
<b>As of 1 January 2020</b>	<b>9 247</b>	<b>119</b>	<b>1 792</b>	<b>11 158</b>
Additions	1 938	14	126	2 078
Acquisition of subsidiaries*	363	-	12	375
Disposals	(61)	(5)	(227)	(293)
Other changes	(585)	-	(6)	(591)
<b>As of 31 December 2020</b>	<b>10 902</b>	<b>128</b>	<b>1 697</b>	<b>12 727</b>
Additions	2 022	1 309	5 824	9 155
Acquisition of subsidiaries**	13 301	18 902	13 010	45 213
Disposals	-	-	(2 261)	(2 261)
Sale of subsidiaries***	(480)	-	-	(480)
Other changes	-	-	-	-
<b>As of 31 December 2021</b>	<b>25 745</b>	<b>20 339</b>	<b>18 270</b>	<b>64 354</b>
<b>Depreciation</b>				
<b>As of 1 January 2020</b>	<b>6 599</b>	<b>114</b>	<b>899</b>	<b>7 612</b>
Depreciation for the period	683	-	96	779
Acquisition of subsidiaries*	137	-	9	146
Disposals	(47)	-	-	(47)
Other changes	(121)	-	-	(121)
<b>As of 31 December 2020</b>	<b>7 251</b>	<b>114</b>	<b>1 004</b>	<b>8 369</b>
Depreciation for the period	1 934	411	387	2 732
Acquisition of subsidiaries**	8 598	17 499	5 530	31 627
Disposals	(67)	-	-	(67)
Sale of subsidiaries***	(151)	-	-	(151)
Other changes	-	-	(268)	(268)
<b>As of 31 December 2021</b>	<b>17 565</b>	<b>18 024</b>	<b>6 653</b>	<b>42 242</b>
<b>Net book value:</b>				
<b>As of 1 January 2020</b>	<b>2 648</b>	<b>5</b>	<b>893</b>	<b>3 546</b>
<b>As of 31 December 2020</b>	<b>3 651</b>	<b>14</b>	<b>693</b>	<b>4 358</b>
<b>As of 31 December 2021</b>	<b>8 180</b>	<b>2 315</b>	<b>11 617</b>	<b>22 112</b>

\*Insurance business \*\*Energy and Leasing business \*\*\* Automotive business

**31. Inventories by segments**

	31.12.2021	31.12.2020
	BGN'000	BGN'000
Insurance business	421	438
Energy business	21 891	-
Automotive business	10 444	24 128
Leasing business	1 964	2 068
	<b>34 720</b>	<b>26 634</b>

**32. Financial assets by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
<b>Government bonds</b> measured at FVTPL, incl.:	77 021	96 246
<i>Insurance business</i>	76 062	95 494
<i>Asset management and brokerage</i>	959	752
<b>Government bonds</b> measured at OCI, incl.:	6 895	5 967
<i>Insurance business</i>	6 895	5 967
<b>Total government bonds</b>	<b>83 916</b>	<b>102 213</b>
<b>Corporate bonds</b> measured at FVTPL, incl.:	88 780	21 353
<i>Insurance business</i>	82 112	20 001
<i>Energy business</i>	5 984	-
<i>Asset management and brokerage</i>	677	1 345
<i>Parent company</i>	7	7
<b>Total corporate bonds</b>	<b>88 780</b>	<b>21 353</b>
<b>Capital investments</b> measured at FVTPL, incl.:	192 392	127 598
<i>Insurance business</i>	175 641	125 528
<i>Energy business</i>	16 751	-
<i>Asset management and brokerage</i>	-	2 070
<b>Total capital investments</b>	<b>192 392</b>	<b>127 598</b>
<b>Other financial assets</b> measured at amortised cost, incl.:	53 077	91 081
<i>Insurance business</i>	39 204	83 800
<i>Asset management and brokerage</i>	13 873	7 281
<i>Impairment</i>	(291)	(264)
<b>Total other financial assets</b>	<b>52 786</b>	<b>90 817</b>
	<b>417 874</b>	<b>341 981</b>

**33. Deferred tax assets**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	8 713	10 804
Energy business	5 286	-
Automotive business	398	510
Leasing business	431	230
	<b>14 828</b>	<b>11 544</b>

**34. Investments associates and other investments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	7 985	6 457
Energy business	75	-
Asset management and brokerage	2 370	4 392
	<b>10 430</b>	<b>10 849</b>

**35. Other financial investments by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	669	1 580
Asset management and brokerage	-	281
Parent company	9	9
<i>Impairment</i>	(9)	(9)
	<b>669</b>	<b>1 861</b>

**36. Non-current receivables**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Finance lease receivables	51 860	51 102
<i>Impairment</i>	(654)	(652)
Subsidiaries	31 206	799
<i>Impairment</i>	-	(15)
	<b>82 412</b>	<b>51 234</b>

**37. Goodwill**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Euroins Insurance Group AD	165 123	165 123
Energy business*	78 880	-
Motobul EAD	12 538	12 538
Bulvaria Varna EOOD	5 591	5 591
Daru Car OOD	1 400	1 400
Eurolease Group EAD	1 312	1 312
Eurolease Rent-a-Car EOOD	1 803	1 803
Sofia Motors EOOD	10	10
Euro-Finance AD	2 620	2 620
	<b>269 277</b>	<b>190 397</b>

\*The Group is in the process of classifying, determining and measuring fair values of identifiable assets acquired and liabilities assumed. As the initial accounting of the business combination was not completed as of 31.12.2021, the indicated goodwill was reported with a provisional amount.

On July 27, 2021, officially was finalized the acquisition of seven subsidiaries of the Czech energy company CEZ Group in Bulgaria.

As a result of the transaction have been acquired:

- 67% of CEZ Distribution Bulgaria AD - distributor of electricity;
- 67% of CEZ Electro Bulgaria AD - electricity supplier;
- 100% of CEZ Trade Bulgaria EAD - electricity trader;
- 100% of CEZ ICT Bulgaria EAD - IT services;
- 100% of Free Energy Project Oreshetz EAD - solar park;
- 100% of Bara Group EOOD - biomass-fired power plant;
- 100% of CEZ Bulgaria EAD - group service coordinator.

In November 2021 the shares were increased to 88.19% in CEZ Distribution AD and 69.34% in CEZ Electro Bulgaria AD.

### 38. Subordinated debts

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Subordinated debts, issued – Insurance business	19 558	19 558
Subordinated debts, not issued, Teir 1 capital	22 080	57 427
<i>Insurance business</i>	<i>14 879</i>	<i>24 643</i>
<i>Parent company</i>	<i>7 201</i>	<i>32 784</i>
	<b>41 638</b>	<b>76 985</b>

#### Insurance business

The issued subordinated debt instruments are in the form of a debenture loan, which was issued on December 18, 2014 in the form of 100 available, subordinated, unsecured bonds with a face value of EUR 100 thousand each. The agreed amount is EUR 10,000 thousand (BGN 19,558 thousand) and matures on December 18, 2021. The initial interest rate is 13% plus 3-month Euribor, which was subsequently reduced to 9.75% plus Euribor and is due at the end every six months.

The debt is paid in full at the beginning of 2022.

Tier 1 capital is in the form of subordinated term debt with Starcom Holding AD with a limit of EUR 12.6 million (incurred in 2020) and EUR 10 million (incurred in 2021), as at 31.12.2021 4.9 million were disbursed EUR from the latter, at an interest rate of 6% and a repayment period not earlier than 5 years from the date of crediting the last tranche of the loan.

#### Parent company

After reviewing the indebtedness and in order to strengthen the capital of the group, the Parent Company has agreed and converted part of the loan liabilities as of 31.12.2020 in the form of subordinated debts (unissued) with Stracom Holding AD, representing tier 1 capital, according to the applicable provisions of the current Bulgarian and Community law.

As of 31.12.2021 the tier 1 capital has a total value of BGN 7 201 thousand and has an indefinite repayment period, but not earlier than 5 years, and an interest rate of 6%, due at the end of each quarter.

### 39. Bank and non-bank loans by segments

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	142	21 872
Energy business	859 791	-
Automotive business	30 349	15 835
Leasing business	86 739	81 244
Parent company	41 781	55 390
	<b>1 018 802</b>	<b>174 341</b>

**39.1. Bank and non-bank loans by segments – long term**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business, incl.	-	21 866
<i>Loans from non-bank financial institutions</i>	-	21 866
Energy business, incl.:	851 035	-
<i>Bank loans</i>	638 391	-
<i>Loans from non-bank financial institutions</i>	212 644	-
Automotive business, incl.:	1 697	1 915
<i>Bank loans</i>	1 697	1 915
Leasing business, incl.:	55 910	53 870
<i>Bank loans</i>	52 811	53 870
<i>Loans from non-bank financial institutions</i>	3 099	-
Parent company, incl.:	9 006	41 297
<i>Bank loans</i>	9 006	41 297
	<b>917 648</b>	<b>118 948</b>

**39.2. Bank and non-bank loans by segments – short term**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business, incl.:	142	6
<i>Bank loans</i>	93	5
<i>Loans from non-bank financial institutions</i>	49	1
Energy business, incl.:	8 756	-
<i>Bank loans</i>	8 756	-
<i>Loans from non-bank financial institutions</i>	-	-
Automotive business, incl.:	28 652	13 920
<i>Bank loans</i>	28 652	13 915
<i>Loans from non-bank financial institutions</i>	-	5
Leasing business, incl.:	30 829	27 374
<i>Bank loans</i>	28 290	27 374
Parent company, incl.:	32 775	14 093
<i>Bank loans</i>	32 775	14 093
	<b>101 154</b>	<b>55 393</b>

**40. Bond obligations by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Automotive business	13 699	14 606
Leasing business	5 373	5 212
Parent company	180 125	143 524
	<b>199 197</b>	<b>163 342</b>

**40.1 Bond obligations – long-term, by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Automotive business	13 345	13 542
Leasing business	5 211	2 524
Parent company	43 138	123 493
	<b>61 694</b>	<b>139 559</b>

**40.2 Bond obligations – short-term, by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Automotive business	354	1 064
Leasing business	162	2 688
Parent company	136 987	20 031
	<b>137 503</b>	<b>23 783</b>

**41. Non-current liabilities**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Other non-current liabilities	96 043	2 467
Finance lease liabilities	8 997	11 878
Deferred income	5 175	-
	<b>110 215</b>	<b>14 345</b>

**41.1. Other non-current liabilities by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	16 150	119
Energy business	18 744	-
Automotive business	710	1 521
Leasing business	936	795
Parent company	59 503	32
	<b>96 043</b>	<b>2 467</b>

**41.2. Finance lease liabilities – non-current, by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Automotive business	3 366	6 919
Leasing business	5 492	4 863
Asset management and brokerage	139	96
	<b>8 997</b>	<b>11 878</b>

**41.3. Deferred income – non-current, by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Energy business	5 175	-
	<b>5 175</b>	-

**42. Current liabilities**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Payables to employees	24 889	4 536
Social-security liabilities	7 290	3 248
Tax liabilities	24 833	6 619
Other current liabilities	63 107	33 960
Finance lease liabilities	2 393	6 377
Deferred income	18 588	219
Provisions	33 254	6 947
	<b>174 354</b>	<b>61 906</b>

**42.1. Payables to employees by segments**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	4 364	3 243
Energy business	19 262	-
Automotive business	653	952
Leasing business	537	268
Parent company	73	73
	<b>24 889</b>	<b>4 536</b>

**42.2. Social-security liabilities by segments**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	2 694	2 765
Energy business	4 247	-
Automotive business	215	386
Leasing business	122	81
Parent company	12	16
	<b>7 290</b>	<b>3 248</b>

**42.3. Tax liabilities by segments**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	13 951	3 936
Energy business	8 855	-
Automotive business	1 142	1 976
Leasing business	257	417
Asset management and brokerage	99	77
Parent company	529	213
	<b>24 833</b>	<b>6 619</b>

**42.4. Other current liabilities by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	25 058	30 059
Energy business	34 982	-
Automotive business	632	910
Leasing business	1 927	1 460
Asset management and brokerage	148	587
Parent company	360	944
	<b>63 107</b>	<b>33 960</b>

**42.5. Finance lease liabilities – current, by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Automotive business	155	2 699
Leasing business	2 214	3 678
Asset management and brokerage	24	-
	<b>2 393</b>	<b>6 377</b>

**42.6. Deferred income – current, by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	18 483	8
Energy business	37	-
Automotive business	68	211
	<b>18 588</b>	<b>219</b>

**42.7. Provisions - by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	2 929	6 408
Energy business	29 810	-
Automotive business	76	259
Asset management and brokerage	439	280
	<b>33 254</b>	<b>6 947</b>

**43. Trade and other payables****43.1. Trade and other payables by segments**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	24 850	4 179
Energy business	194 905	-
Automotive business	21 184	43 153
Leasing business	4 609	1 644
Asset management and brokerage	46	60
Parent company	23 018	27 522
	<b>268 612</b>	<b>76 558</b>

**43.2. Leasing liabilities – rights of use, by segments**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	21 280	20 793
<i>Short-term</i>	4 292	2 713
<i>Long-term</i>	16 988	18 080
Energy business	15 884	-
<i>Short-term</i>	5 464	-
<i>Long-term</i>	10 420	-
Automotive business	6 793	15 124
<i>Short-term</i>	1 607	2 499
<i>Long-term</i>	5 186	12 625
Leasing business	1 585	1 533
<i>Short-term</i>	479	269
<i>Long-term</i>	1 106	1 264
Asset management and brokerage	974	1 001
<i>Short-term</i>	115	102
<i>Long-term</i>	859	899
Parent company	1 550	2 139
<i>Short-term</i>	342	686
<i>Long-term</i>	1 208	1 453
	<b>48 066</b>	<b>40 590</b>

**44. Payables to reinsurers**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	112 956	46 855
	<b>112 956</b>	<b>46 855</b>

**45. Deferred tax liabilities by segments**

	31.12.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	2	2
Energy business	11 838	-
Automotive business	42	203
Leasing business	124	137
	<b>12 006</b>	<b>342</b>

**46. Insurance reserves**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Unearned premium reserve, gross amount	497 487	264 273
<i>Reinsurers' share in unearned premium reserve</i>	<i>(439 203)</i>	<i>(161 103)</i>
Unexpired risks reserve, gross amount	402	8 537
<i>Reinsurers' share in Unexpired risks reserve</i>	<i>(212)</i>	<i>(5 561)</i>
Reserve for incurred but not reported claims, gross amount	542 969	208 749
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(396 357)</i>	<i>(157 423)</i>
Reserve for reported but not settled claims, gross amount	361 031	342 783
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(230 841)</i>	<i>(195 082)</i>
Other technical reserve, gross amount	265	7 814
<i>Reinsurers' share in other technical reserves</i>	<i>-</i>	<i>(4 092)</i>
Mathematical reserves	4 970	4 774
	<b>1 407 124</b>	<b>836 930</b>

**47. Share capital and share premium****47.1 Share capital**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Issued shares	260 500	197 526
Treasury shares	(77)	(97)
<b>Share capital</b>	<b>260 423</b>	<b>197 429</b>
<b>Number of shares with voting rights</b>	<b>260 500 000</b>	<b>197 525 600</b>

As of 31.12.2021, 77 227 numbers of voting shares of Eurohold Bulgaria AD are held by companies in the Eurohold Group (as of 31.12.2020 – 97 227 voting shares).

The share capital as of 31.12.2021 is distributed as follows:

Share holders	%	Voting rights	Par value
Starcom Holding AD	50.65%	131 933 415	131 933 415
KJK Fund II SICAV-SIF - Balkan Discovery	10.79%	28 116 873	28 116 873
Boston Management and Research, through the following funds managed by it, namely: Global Opportunities Portfolio, Global Macro Portfolio, Global Macro Absolute Return Advantage Portfolio, Global Macro Capital Opportunities Portfolio.	9.07%	23 629 421	23 629 421
Other legal entities	27.86%	72 564 565	72 564 565
Other individuals	1.63%	4 255 726	4 255 726
<b>Total</b>	<b>100.00%</b>	<b>260 500 000</b>	<b>260 500 000</b>

**47.2 Share premium**

	31.12.2021 BGN'000	31.12.2020 BGN'000
Share premium	144 030	49 568
	<b>144 030</b>	<b>49 568</b>

On 13.07.2021 an increase in the capital of the Company was registered, carried out under the conditions of a public offering. As a result, 62 974 400 new shares were subscribed, each with a nominal value of BGN 1 and an issue value of BGN 2,50. The amount of BGN 157 436 000 were fully paid into the Company's accumulation account, as a result of which the company's capital was increased from BGN 197 525 600 to BGN 260 500 000 and the premium reserve for issuing securities was increased from BGN 49 568 thousand to BGN 144 030 thousand.

#### 48. Net profit for the year

	31.12.2021 BGN'000	31.12.2020 BGN'000
Current result attributable to the shareholders	94 855	(43 807)
Current result attributable to the non-controlling interest	19 279	264
	<b>114 134</b>	<b>(43 543)</b>

#### 48.1. Net profit for the year by segments

	31.12.2021 BGN'000	31.12.2020 BGN'000
Insurance business	106 005	(27 950)
Energy business	21 821	-
Automotive business	13 473	1 541
Leasing business	2 243	(544)
Asset management and brokerage	2 102	223
Parent company	(51 520)	(16 754)
Profit/(Loss) attributable to the non-controlling interest	(19 279)	(264)
Intercompany eliminations of dividends and other	20 010	(59)
	<b>94 855</b>	<b>(43 807)</b>

#### 49. Non-controlling interests

	31.12.2021 BGN'000	31.12.2020 BGN'000
Non-controlling interest attributable to profit	19 279	264
Non-controlling interest attributable to equity	159 429	28 903
	<b>178 708</b>	<b>29 167</b>

#### 47. Events after the end of the reporting period

##### 47.1. COVID-19 (Coronavirus)

At the end of 2019, news from China about COVID-19 (Coronavirus) first appeared, when a limited number of unknown virus cases were reported to the World Health Organization. During the first few months of 2020, the virus spread worldwide and its negative effects gained momentum. On 11.03.2020, after cases of new coronavirus strains were reported in 114 countries, the World Health Organization (WHO) announced the COVID-19 epidemic for a pandemic. On 13.03.2020, at the request of the government, the National Assembly declared a state of emergency in Bulgaria due to the coronavirus, which lasted until 13.5.2020 and was replaced by an emergency epidemic situation until 31.8.2021, and is currently being extended until 31.03. 2022.

The Group takes all necessary measures in order to preserve the health of workers and to minimize the impact of the crisis at this stage of its occurrence. The actions are in accordance with the instructions of the National Operational Headquarters and strictly comply with the instructions of all national institutions.

The Management is closely monitoring the situation and looking for ways to reduce its impact on the Group, but a fall in the prices of shares on the global stock exchanges could affect the fair value of the Group's investments if the negative trend continues.

**47.2. Parent company**

At the end of February 2022, the Management Board of Eurohold Bulgaria AD decided to issue a bond loan in the amount of EUR 40 million under the terms of private placement with a minimum subscription of EUR 15 million. The nominal and issue value is EUR 1000 per bond, the interest rate is 3.25% fixed on an annual basis and the maturity is 7 years. If the subscription of the issue is successful, it will be admitted to trading on a regulated market after approval of the Prospectus by the Financial Supervision Commission.

**47.3. Avto Union AD**

On 14 January 2022, a decision for approval of the sale of Star Motors EOOD was published in the Public Electronic Register of the Commission for Protection of Competition. The deal is expected to be finalized in the near future. In November 2021, Avto Union AD, part of Eurohold Bulgaria AD, signed a preliminary contract for the sale of its subsidiary Star Motors EOOD - official importer of Mazda cars for Bulgaria and the Republic of Northern Macedonia.

**47.4. Euroins Insurance Group AD**

Force majeure circumstances are available due to the military action taken by Russia and its invasion of Ukraine. That may affect business activities in all areas worldwide.

As a result of the war, a lot of countries around the world, including the European Union, have imposed significant sanctions on Russia, and in part on Belarus, which supports it.

Eurohold Bulgaria owns, through its subsidiary Euroins Insurance Group AD, investments in insurance companies in Ukraine, Russia and Belarus.

Eurohold's management is concerned about the development of the military conflict between Russia and Ukraine and assesses its impact on the Group's business by analyzing the impact on both sides of the conflict.

Currently, the current military situation is a non-adjusting event, at the same time it is extremely dynamic and the management at this stage could not make a qualitative and quantitative assessment of the impact of the war on the Group, and will be assessed over time depending on its development, as well as from: the effects of the imposed sanctions on the Russian and Belarusian states and the effects of the reverse sanctions that Russia will impose on the states that do not support it.

The assessment of the military situation and its impact on the Eurohold Group will be reported in the annual consolidated financial statements for 2021, unless significant disclosures become known prior to its publication.

Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

The Management Board of Eurohold Bulgaria AD is not aware of other significant events occurring after the reporting period.

## INSIDE INFORMATION

**pursuant to Article 7 of Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April**

*EUROHOLD BULGARIA AD has disclosed the following information:*

**30 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**29 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**29 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**21 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**17 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**15 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**15 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**10 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**9 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**7 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**7 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**6 December, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**30 November, 2021**

Report on the implementation of the conditions of the corporate bonds issue with ISIN code BG2100013205;

**30 November, 2021**

Eurohold reports strong results for first three quarters of 2021 after partial consolidation of the new energy business (News Release);

**29 November, 2021**

Interim Consolidated Financial Report for Q3'2021:

1. Interim Consolidated Financial Statements as of 30<sup>th</sup> of September, 2021, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q3'2021;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**25 November, 2021**

Second interest payment on corporate bonds with ISIN BG2100013205;

**16 November, 2021**

Eurohold's Auto Holding Signed a Preliminary Contract for the Sale of Mazda Importer (News Release);

**12 November, 2021**

Eurohold Will Hold Over 88% of CEZ Distribution and More Than 69% of CEZ Electro Following Buyout Bids for Minority Stakes (News Release);

**9 November, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**1 November, 2021**

Interim Financial Report for Q3'2021:

1. Interim Financial Statements as of 30<sup>th</sup> of September, 2021, IFRS;
2. Notes to the Interim Financial Statements for Q3'2021;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**29 October, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**19 October, 2021**

Presentation of minutes of the extraordinary session of GMS of Eurohold Bulgaria AD, held on 18.10.2021;

**12 October, 2021**

FSC approved the tender offers for CEZ Distribution and CEZ Electro (News release);

**5 October, 2021**

EBRD to acquire stake in Bulgaria's Euroins Insurance Group (News release);

**4 October, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**29 September, 2021**

BACR confirmed the BBB- rating of Eurohold Bulgaria;

**28 September, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**21 September, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**17 September, 2021**

Presentation of an invitation to convene an extraordinary meeting of the GMS of Eurohold Bulgaria AD, scheduled for October 18, 2021;;

**13 September, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**10 September, 2021**

Eurohold and EBRD Approved a Deal for the Acquisition of a Minority Stake in Euroins Insurance Group (News release);

**2 September, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**30 August, 2021**

Eurohold increases its revenues in all business lines in the first half of 2021 (News release);

**30 August, 2021**

Interim Consolidated Financial Report for H1'2021:

1. Interim Consolidated Financial Statements as of 30<sup>th</sup> of June, 2021, IFRS;
2. Notes to the Interim Consolidated Financial Statements for H1'2021;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**24 August, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**19 August, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**9 August, 2021**

Notification under Art. 112d of POSA;

**4 August, 2021**

Eurohold's Energy Subholding Made Public Tender Offers to the Minority Shareholders of CEZ Distribution and CEZ Electro (News release);

**4 August, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**3 August, 2021**

Notification under Art. 148b of POSA;

**30 July, 2021**

Interim Financial Report for H1'2021:

1. Interim Financial Statements as of 30<sup>th</sup> of June, 2021, IFRS;
2. Notes to the Interim Financial Statements for H1'2021;
3. Interim Management Report;

4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**27 July, 2021**

Eurohold Completes Transformational Acquisition of CEZ Group's Business in Bulgaria (News Release);

**22 July, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**21 July, 2021**

Notification under Art. 148b of POSA;

**16 July, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**13 July, 2021**

Notification under Art. 148b of POSA;

**9 July, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**7 July, 2021**

Eurohold raises BGN 157 million (EUR €80.5 million) via public offering of new shares (News Release);

**5 July, 2021**

Minutes from the regular session of GMS of Eurohold Bulgaria AD, held on 30.06.2021;

**5 July, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**2 July, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**1 July, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**29 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**28 June, 2021**

Eurohold's auto holding agreed to sell the dealer of Nissan, Renault and Dacia auto brands in Bulgaria (News Release);

**25 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**24 June, 2021**

Eurohold extends capital hike share subscription deadline to July 7 (News Release);

**24 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**24 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**23 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**22 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**18 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**18 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**16 June, 2021**

Presentation of an updated invitation and materials for the regular meeting of the GMS of Eurohold Bulgaria AD, scheduled for June 30, 2021;

**16 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**14 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**11 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**11 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**10 June, 2021**

Eurohold presents its development strategy and goals for the consolidated financial results of the Group for the period 2021-2025 after the acquisition of the CEZ Group companies in Bulgaria;

**8 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**4 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**4 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**3 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**2 June, 2021**

Eurohold enters in a procedure of capital increase (News Release);

**1 June, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**31 May, 2021**

Eurohold's results return to the pre-crisis levels (News Release);

**29 May, 2021**

Presentation of an invitation and materials for the regular meeting of the GMS of Eurohold Bulgaria AD, scheduled for June 30, 2021;

**28 May, 2021**

Interim consolidated Financial Report for Q1'2021:

1. Interim Consolidated Financial Statements as of 31<sup>st</sup> of March, 2021, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q1'2021;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**28 May, 2021**

Eurohold publishes announcement pursuant to Art. 89t, para. 1 of POSA for commencement of the public offering of shares from the capital increase;

**21 May, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**17 May, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**16 May, 2021**

Annual Consolidated Financial Report for the year ended on 31 December 2020:

1. Annual Consolidated Financial Report as of 31 December 2020, IFRS;
2. Notes to the Annual Consolidated Financial Statements;
3. Independent Auditor's Report;
4. Consolidated Management Report for 2020;
5. Corporate Governance Declaration;
6. Annual Financial Report – FSC forms;
7. Non-Financial Declaration;
8. Declaration from the responsible persons;

**14 May, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**7 May, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**5 May, 2021**

Interim Financial Report for Q1'2021:

1. Interim Financial Statements as of 31<sup>st</sup> of March, 2021, IFRS;
2. Notes to the Interim Financial Statements for Q1'2021;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**29 April, 2021**

Bulgaria's FSC Approved Eurohold's Capital Increase Prospectus (News Release);

**28 April, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**27 April, 2021**

Annual Financial Report for the year ended on 31 December 2020:

1. Annual Financial Report as of 31 December 2020, IFRS;
2. Notes to the Annual Financial Statements;
3. Independent Auditor's Report;
4. Management Report for 2020;
5. Corporate Governance Declaration;
6. Annual Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declaration from the responsible persons;

**26 April, 2021**

Eurohold Mandated J.P. Morgan AG as Lead and Exclusive Arranger for Structuring the Debt Financing related to the Deal with CEZ Group (News Release);

**22 April, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**13 April, 2021**

Interim Consolidated Financial Report for Q4'2020:

1. Updated Interim Consolidated Financial Statements as of 31<sup>st</sup> of December, 2020, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q4'2020;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**12 April, 2021**

Disclosure of minutes of the extraordinary meeting of the GMS of Eurohold Bulgaria AD, held on April 10, 2021;

**8 April, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**6 April, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**31 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**26 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**24 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**18 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**17 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**16 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**12 March, 2021**

Annual Financial Report for the year ended on 31 December 2019:

1. Annual Financial Report as of 31 December 2019, IFRS;
2. Notes to the Annual Financial Statements;
3. Independent Auditor's Report;
4. Management Report for 2019;
5. Corporate Governance Declaration (revised);
6. Annual Financial Report – FSC forms;
7. Independent Auditor's Declaration;
8. Declaration from the responsible persons;

**11 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**9 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**8 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**2 March, 2021**

Presentation of an invitation and materials for convening an extraordinary meeting of the GMS of Eurohold Bulgaria AD, scheduled for April 10, 2021;

**2 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**1 March, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**1 March, 2021**

Interim Consolidated Financial Report for Q4'2020:

1. Interim Consolidated Financial Statements as of 31<sup>st</sup> of December, 2020, IFRS;
2. Notes to the Interim Consolidated Financial Statements for Q4'2020;
3. Interim Consolidated Management Report;
4. Interim Consolidated Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**23 February, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**19 February, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**12 February, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**3 February, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**29 January, 2020**

Interim Financial Report for Q4'2020:

1. Interim Financial Statements as of 31<sup>st</sup> of December, 2020, IFRS;
2. Notes to the Interim Financial Statements for Q4'2020;
3. Interim Management Report;
4. Interim Financial Statements – FSC forms;
5. Internal Information;
6. Additional Information;
7. Information according to Annex 9;
8. Declaration from the responsible persons;

**22 January, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**19 January, 2021**

Eurohold got approval from the Energy and Water Regulatory Commission to acquire the subsidiaries of CEZ Group in Bulgaria (News Release);

**15 January, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**12 January, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**5 January, 2021**

Notification concerning Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014;

**The internal information disclosed by Eurohold Bulgaria AD is available on the company's website - [HERE](#)**

**Asen Minchev,**

*Executive Member of the Management Board  
of Eurohold Bulgaria AD*

**Milena Guentcheva,**

*Procurator  
of Eurohold Bulgaria AD*

## **ADDITIONAL INFORMATION TO THE INTERIM FINANCIAL STATEMENTS OF EUROHOLD BULGARIA AD**

### **1 January - 31 December 2021**

*pursuant to REGULATION No. 2 of 9 November 2021 on initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market*

#### **1. Information about the changes in the accounting policy during the reported period, the reasons for carrying them out and how they affect the financial results and equity of the issuer**

No changes have been made in the accounting policy of the company during the reported period.

#### **2. Information about changes in the economic group of the issuer, if it belongs to such a group**

- Since the beginning of 2021, Eurohold Bulgaria AD has acquired a total of 21 989 329 shares in the capital of its subsidiary Euroinsurance Group AD. On 3.11.2021, the final transfer of shares amounting to 10,681,773 shares was carried out, thus finalising the commitment to buy the shares held by - Basildon Holding S.a.r.L..
- The acquisition is being carried out in accordance with an agreement signed by Eurohold Bulgaria S.A. in 2018 to acquire the minority shareholding of 10.64% (at the date of signing the buyout agreement) of the capital held by the other shareholder, Basildon Holding S.a.r.L., of its insurance holding subsidiary, Euroins Insurance Group S.A;
- Eurolease Group AD acquired 100% of the capital of Mogo Bulgaria Ltd, a company operating in the territory of the country related to leasing of motor vehicles. The transaction was finalized on 7 December 2021 with entry in the Commercial Register.
- As of February 11, 2021, Euroins Insurance Group JSC is the sole owner of the capital of PJSC Insurance Company Euroins (Belarus), following a procedure of capital reduction of the Company in connection with the decision taken in January 2021 by the General Meeting of the Company to cancel the shares held by the Company (repurchased shares in the amount of 1,448) and a corresponding capital reduction;
- The European Bank for Reconstruction and Development (EBRD) participated in the capital increase of Euroins Insurance Group AD and acquired a minority stake in the capital of the insurance holding Euroins Insurance Group AD amounting to 9.9%.
- "Euroins Insurance Group S.A. has increased its participation in its subsidiary Euroins Romania Asigurare-Reasigurare S.A. to 98.54% through a capital increase;
- In July 2021, there was a change in the structure of the energy group as follows: Eastern Europe Electric Company II B.V. is the owner of Eastern Europe Electric Company III B.V., in turn Eastern Europe Electric Company III B.V. is the owner of Eastern Europe Electric Company B.V.
- On 27.7.2021, Eurohold Bulgaria S.A. officially finalized the acquisition of seven subsidiaries of the Czech energy company CEZ Group in Bulgaria. As a result of the transaction, which has already been approved by all competent local regulators, Eurohold, through its subsidiary Eastern European Electric Company B.V., acquired 67% of the largest electricity distributor in Bulgaria - CEZ Distribution Bulgaria AD (with 40% market share) and the largest electricity supplier - CEZ Elektro Bulgaria AD, as well as 100% of the capital of the largest licensed electricity trader - CEZ Trade Bulgaria EAD. The holding also acquired the IT services company CEZ ICT Bulgaria EAD, the photovoltaic park Free Energy Project Oreshets EAD, the biomass electricity production company Bara Group

EOD, as well as CEZ Bulgaria EAD, which coordinates and manages the activities of all CEZ companies in Bulgaria.

- Eurohold's automotive holding company Auto Union S.A. negotiated the sale of its subsidiary N Auto Sofia EAD. "N Auto Sofia EAD is the main dealer in Bulgaria of the Nissan brand and controls 51% of the capital of Espas Auto, the largest distributor in Bulgaria of Renault and Dacia brand vehicles. The company also owns 51% of EA Properties Ltd, which owns the Nissan, Renault and Dacia site and showroom in Sofia. The transaction was finalised following approval by the Commission for Protection of Competition on 15.07.2021 and the transfer of ownership was registered in the Commercial Register at the Registry Agency on 20.08.2021.
- On 02.09.2021, a newly established joint stock company "CHAINA MOTOR COMPANY" AD, with UIC 206639291, and with its registered office in the town of Kiev, was entered in the Commercial Register at the Registry Agency. Sofia, Sofia Blvd. No. 43 "Hristofor Columbus". The subject of activity of the company is: import, sale and service of cars, import and sale of spare parts for cars, leasing activity with cars and other activities not prohibited by law. The majority shareholder of the newly established company is "Auto Union" JSC - holding 80% of the capital of "CHAINA MOTOR COMPANY" JSC.
- On 03.09.2021 in the Commercial Register at the Registry Agency on the account of the company "Bulvaria Varna" Ltd. was registered a change of the name of the company, and from that moment it is "Bulvaria" Ltd.
- On 08.09.2021, a change of the legal form of the company was registered in the Commercial Register at the Registry Agency on the account of the company "Motohub" Ltd., and from that moment it is a Single Limited Liability Company with the Sole owner of the capital "Auto Union" AD.

### **3. Information about results of organizational changes in the issuer's structure, such as conversion, sale of companies from the same economic group, in-kind contributes from the company, property rental, long-term investments, withdrawal from business**

No organizational changes in the issuer's structure during the reported period.

### **4. Opinion of the Governing Body of the feasibility of published estimates of the results of the current financial year, taking into account the results of the current three months, as well as information on the factors and circumstances, which will affect the achievement of the forecasted results at least in the next three months**

No estimates of financial results of the company have been published for 2021.

### **5. Data on the persons, holding directly and indirectly at least 5 per cent of the votes in the General Meeting as of the end of the reported period, and changes in the votes, held by the persons in the end of the previous three months period**

	<b>Shareholder</b>	<b>Number of shares</b>	<b>% participation</b>
1.	Starcom Holding AD	131 933 415	50.65%
2.	KJK Fund II Sicav-Sif Balkan Discovery	28 116 873	10.79%
3.	<ul style="list-style-type: none"> <li>- Boston Management and Research, through the following funds:</li> <li>- Global Opportunities Portfolio,</li> <li>- Global Macro Portfolio,</li> <li>- Global Macro Absolute Return Advantage Portfolio,</li> <li>- Global Macro Capital Opportunities Portfolio.</li> </ul>	23 629 421	9.07%

**6. Data of the shares, held by the management and supervisory bodies of the issuer at the end of the respective three months and changes, which took place since the end of the previous three months period for each person individually**

	<b>Shareholder</b>	<b>Number of shares</b>	<b>% participation</b>
1.	Dimitar Stoyanov Dimitrov	200	-
2.	Assen Emanuilov Assenov	47 400	0.02%
3.	Velislav Christov	200	-

**7. Information about pending judicial, administrative or arbitration proceedings concerning claims or liabilities of at least 10 per cent of the equity of the issuer; if the total amount of the debts or the obligations of the issuer in all proceedings exceeds 10 per cent of its own capital, information about each case separately is provided**

For the reported period the Company has no pending legal, administrative or arbitration proceedings.

**8. Information about granted by the issuer or its subsidiary company loans, guarantees or commitments totally to one person or its subsidiary, including to related to it persons, showing the type of relation between the issuer and the person, the amount of unpaid principal, the interest rate, the final maturity, the size of the commitment, the term and conditions.**

The related parties' transactions for the reported period are disclosed in the Notes to the separate Financial statement for Q4'2021. The conditions under which the transactions were made do not deviate from the market for this type of transactions.

**Asen Minchev,**  
*Executive Director of Eurohold Bulgaria AD*

**Milena Guentcheva,**  
*Procurator of Eurohold Bulgaria AD*

## INFORMATION ACCORDING TO ANNEX 4

**to Art. 12, para. 1(1), 14 and 21(3)(a) and (4)(a) of the REGULATION No 2 of 9.11.2021 on initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market**

**for the fourth quarter of 2021**

- 1. There has no change of persons exercising a control over the Company**
- 2. Opening of insolvency proceedings for the company or its subsidiary and all essential stages of the proceedings**

No insolvency proceedings have been opened for the company or its subsidiary

- 3. Conclusion or execution of significant transactions**

During the reporting period the liabilities on loans received from related parties increased significantly after the loan from the parent company was utilized and as of 31.12.2021 it amounted to BGN 59.5 million.

Following a decision taken by the General Meeting of Shareholders of Eurohold Bulgaria, the liability limit of Eurohold Bulgaria AD has been increased, in its capacity of corporate guarantor in favor of its subsidiary, its subsidiary Eastern European Electric Company II B.V. from EUR 150 000 000 (one hundred and fifty million) to EUR 220 000 000 (two hundred and twenty million).

On 05.10.2021 the European Bank for Reconstruction and Development (EBRD) signed an agreement for a package deal with Eurohold Bulgaria AD with the subject of acquiring a minority share in the subsidiary of the holding - Euroins Insurance Group AD (EIG). As a result of this package transaction, on 07.10.2021 Eurohold Bulgaria AD transferred to the EBRD 20,082,844 shares with a par value of BGN 1 each. The reported one-time effect of Eurohold Bulgaria AD is a loss from operations with investments in the amount of BGN 20,360 thousand.

- 4. No decision on the conclusion or termination of the joint venture agreement**
- 5. Change in company auditors and reasons for change**

On 18.10.2021 a meeting of the General Meeting of Shareholders of Eurohold was held, at which a decision was made to elect an auditor of the individual and consolidated financial statements for 2021.

The General Meeting of Shareholders elected a specialized audit company Grant Thornton OOD to perform an independent financial audit of the individual and consolidated financial statements of Eurohold Bulgaria AD for 2021.

The decision was made on the basis of a recommendation of the audit committee of the company in which a preference was expressed on the basis of pre-set criteria to the auditing company GRANT THORNTON OOD.

The auditor of the Issuer - auditing company ZAHARINOVA NEXIA OOD, audited the financial statements of the company for 2020 has not left, has not been removed and has not resigned.

- 6. No court or arbitration case relating to the debts or claims of the company or its subsidiary has been initiated or terminated at a purchase price of at least 10% of the capital of the company**

## **7. Purchase, sale or pledge of shareholdings in commercial companies by the issuer or its subsidiary**

### **7.1. Acquisition of shares in the capital of Euroins Insurance Group AD through capital increase and purchase of shares as follows:**

✚ On 14.10.2021, the Commercial Register entered a simultaneous decrease and increase of the capital of Euroins Insurance Group AD under Art. 203 in connection with Art. 252, para. 1, item 5 of the Commercial Law, according to the Decision of the General Meeting of the Company dated 20.09.2021, as:

- » The reduction of the capital of Euroins Insurance Group AD was made by invalidation of 19,229,057 ordinary, registered, available, non-preferred shares, after their preliminary acquisition by the company itself;
- » The capital increase of the company with cash contributions was made as follows:
  - The shareholder Eurohold Bulgaria AD has acquired 15,060,813 newly issued ordinary, registered, available, non-preferred shares at their issue value;
  - The European Bank for Reconstruction and Development (EBRD) has acquired 36,965,187 newly issued ordinary, registered, available, non-preferred shares at their issue value;
  - The shareholder in Euroins Insurance Group AD - Basildon Holding S.a.r.l. has stated that it is not interested in subscribing shares from the planned capital increase, as well as to participate in the above-described procedure for simultaneous increase and decrease of the Company's capital.

All newly issued 52,026,000 ordinary, registered, available, non-preferred shares, with a nominal and issue value of BGN 1 each, are fully subscribed and paid.

After the simultaneous increase and decrease of the capital of Euroins Insurance Group AD, as of the date of this Report the subscribed capital of the Company amounts to BGN 576,242,734, as it is distributed in:

- 499,260,943 available, registered, non-preferred shares with a nominal value of BGN 1 each.
- 76,981,791 available, registered, preferred shares with nominal value: BGN 1 each.

✚ Since the beginning of 2021, Eurohold Bulgaria AD has acquired a total of 21,989,329 shares of the capital of its subsidiary Euroins Insurance Group AD. On November 3, 2021, the last transfer of shares in the amount of 10,681,773 was made, thus committing to buy back the shares held by Basildon Holding S.A.R.L. was finalized.

### **7.2. Eurohold has increased the capital of Eastern European Electric Company II B.V.**

With the funds raised from the successfully completed capital increase, Eurohold Bulgaria AD increased the capital of its subsidiary Eastern European Electric Company II B.V.

- ✚ The increase was carried out in accordance with the applicable provisions of Dutch law by means of a cash contribution of EUR 65,600,000 through the issuance of 1,000 new shares with a nominal value of EUR 1, with the difference charged to the premium reserve.
- ✚ Capital increase of Eurohold's subsidiary Eastern European Electric Company II B.V. in November 2021 in accordance with the applicable provisions of Dutch law by means of a cash contribution of EUR 7,000 thousand without the issue of shares, the contribution being allocated to the premium reserve.

As at 31.12.2021, the company's share capital consists of 2,000 shares with a total value of EUR 2,000.

**8. Other circumstances that the Company believes could be relevant to investors in taking a decision to acquire, sell or continue to hold publicly traded securities**

All important events for Eurohold Bulgaria AD for the period January 1 to the date of the report December 31, as well as to the date of preparation of this document are disclosed in detail in the Interim Management Report as of December 31, 2021.

**Asen Minchev,**  
*Executive Director of Eurohold Bulgaria AD*

**Milena Guentcheva,**  
*Procurator of Eurohold Bulgaria AD*

**DECLARATION**  
**in accordance with article 100o, paragraph 4, item 3 of**  
**Public Offering of Securities Act**

The undersigned,

1. Asen Minchev – Executive member of the Management Board of Eurohold Bulgaria AD
2. Ivan Hristov – Group financial controller of Eurohold Bulgaria AD (complier of the financial statements)
3. Milena Guentcheva – Procurator of Eurohold Bulgaria AD

**hereby DECLARE that to our best knowledge:**

1. The set of consolidated financial statements for Q4'2021, composed in accordance with the applicable accounting standards, contain true and fair information regarding the assets and liabilities, the financial standing and the profit of Eurohold Bulgaria AD;

2. The consolidated management report of Eurohold Bulgaria AD for Q4'2021 contains credible review of the information under article 100o, paragraph 4, item 2 of Public Offering of Securities Act.

DECLARERS:

1. Assen Minchev

2. Ivan Hristov

3. Milena Guentcheva