

# EUROHOLD BULGARIA

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1 January – 30 September  
2021

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***Interim  
Consolidated Report***

# **INTERIM CONSOLIDATED REPORT**

**containing information about important events that occurred during the period January 1 - September 30, 2021 according to Art. 100o, para 4, item 2 of POSA**

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[www.eurohold.bg](http://www.eurohold.bg)



**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

### Присъдени кредитни рейтинги

	<b>EuroHold</b> <b>Issuer Default</b> <b>Rating "B"</b>
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	<b>EuroHold</b> <b>Long-term: BBB-</b> <b>Outlook: stable</b> <b>Short-term: A-3</b>
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### **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 30.09.2021 r

STARCOM HOLDING AD (Bulgaria)					
<b>Quintar Capital Limited, Hong Kong - 100%;</b> <b>Hanson Asset Management, United Kingdom - 89.32%;</b>		<b>First Investment Bank, Russian Federation - 92.10%;</b> <b>Starcom Finance EAD - Bulgaria - 100%;</b>			
<b>EUROHOLD BULGARIA AD, (Bulgaria) - 51.36%</b>					
Business sectors:	INSURANCE	LEASING	ENERGY	FINANCE	AUTOMOTIVE
Subsidiary companies	<b>Euroins Insurance Group AD, Bulgaria - 90.10%</b>	<b>Eurolease Group AD, Bulgaria - 90.01%</b>	<b>Eastern European Electric Company II B.V., The Netherlands - 100%</b>	<b>Euro-Finance AD, Bulgaria - 99.99%;</b> <b>IC Euroins AD - 0.01%</b>	<b>Avto union AD, Bulgaria - 99.99%</b>
Operating companies	<b>Insurance Company Euroins AD - 98.63%</b>	<b>Eurolease Auto EAD, Bulgaria - 100%</b>	<b>Eastern European Electric Company III B.V., The Netherlands - 100%</b>		<b>Auto Italia EAD, Bulgaria - 100%</b>
	<b>Euroins Romania Asigurare Reasigurare S.A., Romania - 98.54%</b>	<b>Eurolease Auto DOOEL, North Macedonia - 100%</b>	<b>Eastern European Electric Company B.V., The Netherlands - 100%</b>		<b>Avto Union Service EOOD, Bulgaria - 100%</b>
	<b>Euroins Osiguruvanje AD, North Macedonia - 93.36%</b>	<b>Eurolease Rent a car EOOD, Bulgaria - 100%</b>	<b>CEZ Distribution AD, Bulgaria - 67%</b>		<b>Daru Car EAD, Bulgaria - 100%</b>
	<b>IC EIG Re EAD, Bulgaria - 100%</b>	<b>Amigo Leasing EAD, Bulgaria - 100%</b>	<b>CEZ Information and Communication Technologies Bulgaria, Bulgaria-100%</b>		<b>Bulvaria EOOD, Bulgaria - 100%</b>
	<b>IC Euroins-Life EAD, Bulgaria - 100%</b>	<b>Autoplaza EAD, България - 100%</b>	<b>CEZ Electro AD, Bulgaria - 67%</b>		<b>Bulvaria Sofia EAD, Bulgaria - 100%</b>
	<b>European Travel Insurance PrAT, Ukraine- 99,99%</b>	<b>Sofia Motors EOOD, Bulgaria - 100%</b>	<b>CEZ Bulgaria EAD, Bulgaria - 100%</b>		<b>Star Motors EOOD, Bulgaria - 100%</b>
	<b>IC Euroins Ukraine PrAT, Ukraine: - 92.62% direct; - 5.74% indirect (via European Travel Insurance PrAT, Ukraine)</b>	<b>Eurolease Auto S.A., Romania: - 77.98% direct; - 20.45% indirect (via Euroins Romania)</b>	<b>CEZ Trade Bulgaria EAD, Bulgaria - 100%</b>		<b>Star Motors DOOEL, North Macedonia-100%</b>
	<b>Euroins Claims M.I.K.E., Greece - 100%</b>		<b>Free Energy Project Oreshetz, Bulgaria - 100%</b>		<b>Star Motprs SH.P.K., Kosovo - 100%</b>
	<b>IC Euroins Georgia JSC, Georgia - 50.04%</b>		<b>Bara Group EOOD, Bulgaria - 100%</b>		<b>Motohub EOOD, Bulgaria - 100%</b>
	<b>CJSC IC Euroins, Belarus - 100%</b>				<b>Motobul EAD, Bulgaria - 100%</b>
	<b>OOO Russian Insurance Company Euroins, Russian Federation - 48.61% (associated participation)</b>				<b>Bopar Pro S.R.L., Romania- 99%</b>
					<b>Benzin Finance EAD, Bulgaria - 100%</b>
					<b>China Motor Company AD, Bulgaria - 80%</b>

**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 first results from the acquisition of CEZ's energy business in Bulgaria.**

In the first nine months of 2021, the Eurohold Group reported a significant increase in its revenues of 49% and realized a 123% increase in its operating profit, consolidating stable market positions. These financial results have been achieved despite the continuing impact of the global spread of coronavirus infection (COVID-19), which led to serious economic shocks globally in 2020 and currently, including in the regions where the Eurohold Group operates.

	<b>Q3 2021</b>	<b>Q3 2020</b>
<b>Revenue</b>	<b>BGN 1.782 bln</b> ▲ 49%	<b>BGN 1.196 bln</b> ▲ 3%
<b>Gross operating profit</b>	<b>BGN 157 mln</b> ▲ 123%	<b>BGN 70 mln</b> ▼ 19%
<b>Net profit</b>	<b>BGN 4 mln</b> ▼	<b>BGN (13) mln</b> ▼
	<b>Q3 2021</b>	<b>2020</b>
<b>Assets</b>	<b>BGN 3.21 bln</b> ▲ 97%	<b>BGN 1.627 bln</b> ▲ 2%
<b>Financial assets</b>	<b>BGN 352 mln</b> ▲ 3%	<b>BGN 342 mln</b> ▲ 16%
<b>Equity</b>	<b>BGN 550 mln</b> ▲ 307%	<b>BGN 135 mln</b> ▲ 2%
<b>Equity and subordinated debts</b>	<b>BGN 391 mln</b> ▲ 84%	<b>BGN 212 mln</b> ▲ 2%
<b>Liabilities</b>	<b>BGN 1.676 bln</b> ▲ 190%	<b>BGN 578 mln</b> ▲ 7%
<b>Insurance reserves</b>	<b>BGN 942 mln</b> ▲ 13%	<b>BGN 837 mln</b> ▼ 1%

## 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, 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. The documents for the forthcoming concentration were submitted for approval by the Commission for Protection of Competition before the finalization of the deal.

### 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 OOD, Eurolease Group AD aims to expand its presence on the leasing services market in Bulgaria.

### 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 BV (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. (EEEEC) - 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. Всички новоемитирани 52,026,000 броя обикновени, поименни, налични, непривилегировани акции, с номинална и емисионна стойност 1 лев всяка една, са изцяло записани и заплатени.

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 participates 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 participated 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.

#### 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 26<sup>th</sup> 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, RaiffeisenBank 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).

By the end of 2021 and with the consolidation of the results of the companies from the energy holding, the total assets and annual revenues of the insurance and the energy holding are expected to exceed EUR 1.5 billion, and its operating profit (EBITDA) for the year will reach about EUR 120 million. According to the development strategy until 2025, Eurohold expects to generate revenues of nearly EUR 2 billion per year and operating profit (EBITDA) of almost EUR 200 million.

#### 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 CURRENT YEAR 2021**

The prospects of the Eurohold Group for the current 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 is expected not to be seriously affected by the ongoing pandemic, continuing 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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The trends for the current businesses in the automotive and leasing business maintain the impact of COVID-19 on their activities in 2020 and for the current 2021, as it is expected to have a more limited impact on the activities of these businesses.

*At the same time, given the entry into a new sectoral market, namely energy, and the need for significant resources - both human resources for its integration and financial to implement the investment program of the acquired companies, automotive and leasing group are not a priority in the strategy. development of the Eurohold group. This circumstance presupposes that in the presence of a good investor offer it is possible to realize a transaction for sale of a business unit / and part of these directions. In this regard, at the end of June 2021 the automotive subholding of Eurohold Bulgaria AD - Avto Union AD, signed a preliminary contract for 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 Ltd., 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, and the transfer of ownership was entered in the Commercial Register at the Registry Agency on 20.08.2021.*

*At a later stage - mid-November 2021, Avto Union 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. The documents for the forthcoming concentration were submitted for approval by the Commission for Protection of Competition before the finalization of the deal.*

No other trends, fluctuations, requirements, commitments or events are known that are reasonably likely to have a material effect on the activity and financial condition of the Eurohold Group at least for the current financial year in the segments in which it operates.

## GROUP FINANCIAL RESULTS OVERVIEW AS OF 30.09.2021

### SUMMARY

***Eurohold Bulgaria reports first results of its energy subholding Eastern European Electric Company II BV (EEEC II) after the acquisition of CEZ's assets in Bulgaria and achieved a growth of 49% of group revenues and 123% growth of its operating profit.***

Over the past nine months, the Eurohold Group remained stable with strong sales, operating margin and cash flow. These results show that we are moving in the right direction towards achieving sustainable and profitable growth.

The companies' activities 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 facing operating companies caused by the impact of reduced economic and customer activity, disrupted supply chain and / or other factors.

Despite these circumstances, the financial results of the group remained stable, as all segments in which we operate recorded a stable growth of their revenues, incl. insurance grew by + 22%, automotive + 17%, leasing + 18% and investment + 37%.

In general, during the nine months of 2021 we continued to work hard on our transformation, and in all our business segments, we worked hard on digitalization of processes and development of digital sales channels and subsequent customer service.

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

*The consolidated results and financial position of the Eurohold Group for the reporting nine months will differ significantly from the comparable periods.*

*The main reason for this is the acquired by the energy subholding in the Eastern European Electric Company II BV group. (EEEC II) companies operating in the field of energy and their first 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 30.09.2021 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 30 September 2021 and*
- *entirely assets, liabilities and cash flows at the end of the reporting period 30 September 2021.*

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



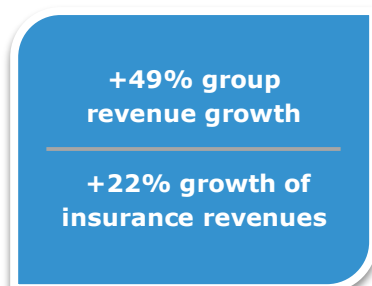
## CONSOLIDATED FINANCIAL RESULT

The Eurohold Group reported for the first nine months of 2021 a consolidated operating result in amount of BGN 157 million. The achieved operating result is higher by 123% compared to the reported for the same period in 2020. This significant growth in operating activity is due to the achieved positive results of all businesses of the group, as well as to the consolidation for the first reporting period of the newly acquired companies in the energy segment. The net financial result for the nine months of the current year is a profit of BGN 4.4 million. The profit relating to the owners of the parent company amounted to BGN 1 million, and for the non-controlling interest a profit of BGN 3.4 million. For comparison, in the same period in 2020 the group realized net financial result in amount of BGN (12.8) million, of which the profit relating to the owners of the parent company amounted to BGN (13.3) million, and that of the non-controlling interest BGN 0.5 million.

As in the current reporting period, the factors influencing the group financial result are mainly related to the effects 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 help our customers with flexible and individual solutions, increase our expected credit losses and increase in insurance reserves, as all these factors lead to the realization of additional costs and losses.

Despite the ongoing efforts to manage the unprecedented situation, there are factors that the management of the companies in the group cannot influence. This is confirmed by some of our businesses, which have been significantly affected by the emergency epidemiological situation and have suffered significant losses. These are mainly companies whose operations are related to one of the most affected sectors - tourism, namely those operating in the leasing sector and in particular those offering short-term and long-term leasing (car rental and operating leasing) of cars, as well as our insurance company. In Ukraine, specializing in offering tourism-related insurance. The other sector severely affected is the Automotive Division, which, despite the reported significant growth of 30% for the reporting period, is still unable to restore sales to pre-pandemic levels.

## 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 1.78 billion, which marks a growth of 49% compared to the realized consolidated revenues for the same period in 2020, when they amounted to BGN 1.20 billion.

### Realized revenues by segments

- » The insurance business marked the most significant increase in absolute terms of its operating income in segment performance, amounting to BGN 234 million (+ 22%). The revenues generated by insurers for the first nine months of 2021 amount to a total of BGN 1.29 billion, of which the gross written insurance premiums recorded at the consolidated level (Eurohold Group) for the nine months of 2021 amount to BGN 830 million. BGN and the marked growth on this indicator is 26%. For the same period of 2020 the revenues realized by the insurance group amounted to BGN 1.06 billion, of which gross premiums written amounted to BGN 660 million.
- » With its first results, the energy activity is included in the consolidated report of Eurohold with revenues of BGN 323 million generated for two months, namely for the months of August and September - the period from the acquisition of the CEZ companies until 30.09.2021.
- » The automotive group achieved an increase in its operating revenues by BGN 20 million, as the total revenues of this division amounted to BGN 135 million (+17%). The automobile division of Eurohold - Avto Union AD reported a good performance for the first nine months of the year at the background of the reported decrease in revenues in the range between 40% and 30% in the second, third and fourth quarters of 2020. The automotive business was severely affected by the adverse

impact from the measures taken to control the pandemic and the reduced economic activity, the interruptions of the production process in the automotive industry, the broken supply chain during 2020 as during the reporting period there is a positive trend and resumption of consumer activity. However, the companies of Avto Union have not yet reached the amount of revenues generated by the automotive group before the pandemic, compared to the same period of 2020, they reported BGN 115.8 million in operating revenues.

It is important to note that in the third quarter Avto Union AD contracted and finalized a deal for the sale of car dealers with the Nissan, Renault and Dacia brands. Also after the reporting period (early November) contracts and sale of the Mazda dealer. Other sales transactions to companies are also possible. This circumstance in subsequent reporting periods will lead to a decrease in the number of cars sold and a smaller increase or even a decrease in operating income compared to the corresponding comparable period.

- » The leasing activity also managed to compensate the negative effect on its operations and to realize for the reporting period an increase of 18% of its operating revenues by reporting a total of BGN 18.5 million of operating revenues from its activity.
- » The activity of the financial-investment activity continues the strong performance in 2021. During the reporting period revenues from the activity increased by 37% amounting to BGN 8 million.
- » Eurohold Bulgaria, as a holding company, does not perform regular trade transactions and/or services. The main (operating) revenues of the holding company have a financial character, as the most significant of them - profits from operations with financial instruments and subsequent valuations are manifested in different reporting periods and do not have a permanent manifestation. For reporting period the Company realized revenues in the amount of BGN 1.2 million compared to BGN 1.5 million for the previous period.

After the acquisition of the energy companies there is a change in the structure of revenues as the main share in the total revenues is occupied by the insurance business with 72.4% (88% as of 30.06.2021), followed by the energy business with 18.4% (despite the reported revenues for only two months) , and the automotive division remains by 7.6% (10% as of 30.06.2021). At the same time, the revenues of the leasing division occupy a share of 1.0% (1.3% as of 30.06.2021), of the financial and investment activity 0.4% (0.6% as of 30.06.2021), and those of the individual activity of Eurohold - a share of 0.1% (remain unchanged).

## OPERATING EXPENSES

**+44% growth of  
group operating  
expenses**

**+21% growth of  
operating expenses  
from Insurance**

The reported operating expenses in the amount of BGN 1.625 billion are BGN 499 million higher than the realized expenses for comparable period.

The Group's operating expenses directly reflect the changes in the volume of business of the companies reported in the consolidated report of Eurohold.

The main generator of the marked growth are the expenses generated by the insurance group by BGN 218 million (+ 21%) for the reporting period, as the total insurance expenses reached BGN 1.23 billion compared to BGN 1.01 billion for the nine months of 2020.

The Energy Group reports operating expenses in the amount of BGN 273 million.

The expenses of the automobile group increased by BGN 5 million (+ 5%) and reached BGN 104.9 million, while for the previous period their amount was BGN 59.6 million.

The leasing group reports operating expenses in the amount of BGN 6.9 million, representing an increase of 24% compared to the expenses for the comparable period when they amounted to BGN 5.6 million. This

amount also includes the reported for the year interest expenses of the leasing companies in amount of BGN 2.6 million, which represent an operating expense due to the nature of their activity. The leasing business is accompanied by high levels of interest expenses due to the specifics of financing with attracted capital, as its size is related to the size of the generated business for the respective period.

The expenses structure is identical to the distribution of revenues and is also directly dependent on the type and size of the respective businesses, their growth or decline. The analysis shows that 75.9% of the group operating expense occupied by the insurance operations (89.9% as of 30.06.2021), 16.8% of the newly formed energy business, and 6.5% of the automotive business (9% as of 30.06.2021).

## CONSOLIDATED OPERATING RESULT (GROSS PROFIT) BY SEGMENTS

000'BGN	Insurance	Energy	Automotive	Leasing	Investment banking	Parent company	Group's gross profit
30.09.2021	57 387	54 674	30 511	7 250	8 762	779	<b>157 124</b>
30.09.2020	42 301	-	16 233	6 414	306	1 532	<b>70 423</b>
<b>Change</b>	<b>15 086</b>	<b>54 674</b>	<b>14 278</b>	<b>1 511</b>	<b>8 456</b>	<b>-753</b>	<b>86 701</b>
<b>000'BGN</b>							
<b>Change %</b>	<b>35.7%</b>	<b>-</b>	<b>88%</b>	<b>15%</b>	<b>2763%</b>	<b>-49%</b>	<b>123%</b>

As the largest business unit, the insurance group has the greatest influence on the gross profit of the group. For the nine months of 2020, the insurers realize a growth of the gross profit by 35.6% or BGN 15 million. In addition, the energy segment adds BGN 55 million to the gross result. The group gross profit reported an increase of 123% and amounted to BGN 157 million compared to BGN 70 million for comparable period in 2020.

## OTHER CONSOLIDATED RESULTS

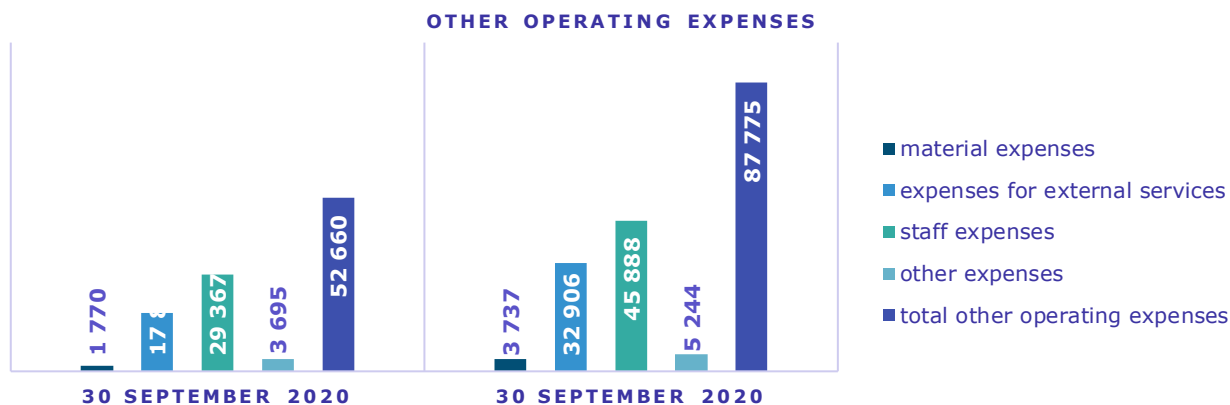
000'BGN	Other income/expenses net	Net financial income/expenses	Depreciation expenses	Tax expenses	Total for the Group
30.09.2021	(89 161)	(31 389)	(30 996)	(1 225)	<b>(152 771)</b>
30.09.2020	(52 318)	(15 849)	(14 800)	(305)	<b>(83 272)</b>
<b>Change</b>	<b>-36 843</b>	<b>-15 540</b>	<b>-16 196</b>	<b>-920</b>	<b>-69 499</b>
<b>000'BGN</b>					
<b>Change %</b>	<b>70%</b>	<b>98%</b>	<b>109%</b>	<b>302%</b>	<b>84%</b>

⇒ **Other income/expenses** for the Group's activity (presented net) increased by 70% for the reporting period and amounted to BGN (89) million. the change in absolute value amounts to BGN 36.8 million, of which BGN 26.7 million are due to the newly acquired energy business. This summary item includes - Other income / (expenses), net; Other operating expenses; (Accrued) / recovered impairment loss on financial assets, net.

Analysis of other income/expenses, net:

» The other revenues amount to BGN 2.5 million and mainly represent the financing received in the first half of 2021 in the amount of BGN 2,020 thousand for the automotive business (30.09.2020: BGN 1,062 thousand) and BGN 159 thousand for leasing business (30.09.2020: BGN 82 thousand) in connection with overcoming the consequences of the Covid-19 pandemic under the government program for preservation of employment "Payment of compensations by the order of art. 1, para 3 of CMD №55 / 30.03. 2020 of an employer who has established part-time work under Article 138a, paragraph 2 of the Labor Code ", acquired publicity as Measure" 60/40 ". The energy business reports other income in the amount of BGN 0.3 million.

- » Other operating expenses amounted to BGN (87.8) million and represent the sum of: material costs, external service costs, remuneration expense and other costs, the values of each of which are shown in the graph below:



The contribution of the energy business to other consolidated operating expenses amounts to BGN 24.9 million.

- » (Accrued)/recovered loss from impairment of financial assets, net amounts to BGN (3.9) million, while for the same period in 2020 the net value of impairments of financial assets is BGN (1) million. The increase in impairment is mainly due to the energy business, which reports a BGN 2 million (accrued) impairment loss on financial assets.

⇒ **Financial income/expenses include:** financial income, financial expenses and the net effect of changes in foreign exchange rates. For the first nine months of 2021 their total net amount is BGN (31) million, reporting an increase of 98% compared to the same period in 2020.

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

**Interest expenses** account for 84% of all financial expenses. The amount of interest expense includes the relevant costs of the insurance, energy and automotive sectors, as well as the parent company. For the period from 1 January to 30 September 2021 the reported interest expenses amounted to BGN 27.241 million, increasing by BGN 11.6 million.

The largest interest expense is generated by the parent company (Eurohold Bulgaria AD) in connection with the attraction of interest-bearing loans in previous reporting periods in order to carry out the expansion of the Insurance Group, incl. new acquisitions of companies by the subsidiary insurance subholding in the region of Central and Eastern Europe as well as for capital investments related to share capital increase of subsidiaries. For the first nine months of 2021, the parent company reported interest expenses of BGN 13.2 million increasing by 16%. This is mainly due to an increase in the value of bank loan liabilities in connection with a new loan disbursed and a new bond issue 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 attracted funds is determined by the expansion of the automotive business, transactions with corporate customers, stock - cars and spare parts, etc. For the reporting period the interest expenses of the automotive group amounted to BGN 1.4 million compared to BGN 1.3 million.

The insurance business does not require borrowing, so interest expense reported in this business line represent a loan resource of the parent company of the insurance group - Euroins Insurance Group. For the reporting period, interest expenses reported by the insurance sub-holding amounted to BGN 4.2 million with an increase of 40% in connection with an increase in the amount of subordinated debt capital at the end of 2020 and subsequently reduced in the second half of 2021.

The Energy Holding adds another BGN 8.5 million in interest expenses, which for the most part represent interest of the three holding companies uniting the energy business in the group of utilized loans in connection with the acquisition of CEZ's Assets in Bulgaria (BGN 8.3 million).

## 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 September 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>	<i>-9.6%</i>	<i>(8 013)</i>	<i>(8 862)</i>
<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>	<i>18.3%</i>	<i>(1 829)</i>	<i>(1 546)</i>
<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>

Revenues from the activities of the companies of the Eurohold Group realized a significant increase of 48.8%, recording an increase of BGN 587 million before reporting the intragroup eliminations. The revenues of the parent company amount to BGN 1.4 million. As of 30.09.2021 the amount of the eliminated intragroup settlements amounts to BGN 8 million.

The realized profit before interest, depreciation and taxes (EBITDA) of subsidiaries increased during the reporting period by 280.5% or in digital terms by BGN 55.4 million before reporting the parent company results and the intragroup eliminations (BGN 1.8 million).

The total amount of the realized financial results of the companies of the Group before intragroup eliminations amounts to a profit in amount of BGN 25.2 million and an increase of BGN 25.5million has been reported on this indicator (before the result of the parent company is reported).

## FINANCIAL CONDITION

+ 97% Asset growth

+384% Financial assets growth

+22% growth of cash, cash equivalents and time deposits

+ 770% growth of fixed assets

### Assets

As of the end of the nine months of 2021, the companies of the Eurohold Group have achieved an increase in consolidated assets by 97%, which at the end of the reporting period amounted to BGN 3.21 billion compared to BGN 1.63 billion as of 31.12.2020.

The significant growth of the Group Assets is mainly due to the finalized at the end of July deal for the acquisition of CEZ's energy companies in Bulgaria and their first consolidation as of 30.09.2021 in 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, increased by BGN 397 million for the reporting period compared to the end of 2020, reaching BGN 1.23 billion, of which current receivables amounting to BGN 1.19 billion (BGN 786 million at the end of 2020).

Current receivables by types:

» The largest share of current receivables has the reinsurer's share in technical reserves, which amount to BGN 610 million marked an increase of BGN 87 million (+17%) for the first six months of the current year.

- » Receivables from insurance operations, which amount to BGN 176 million compared to BGN 149 million as of December 31, 2020, also reported a slight increase of 18%.
- » Trade receivables increased significantly (up 455%) from BGN 45.6 million to BGN 253 million after accrued impairment. Trade receivables are mainly receivables from customers and suppliers amounting to BGN 222.6 million, of which BGN 211 million belong to the new energy business, BGN 9.4 million to the automotive group and BGN 2 million to the leasing group; financial leasing receivables in the amount of BGN 23.7 million, which decreased at the end of reporting period by BGN 0.6 million, prepaid advances in the amount of BGN 5.3 million and other trade receivables BGN 1.4 million.
- » Other current receivables after impairment also registered a significant growth, increasing by BGN 77 million, reaching BGN 145 million. The main reason for this increase is the consolidation of BGN 26 million of other receivables of the energy business and growth of these receivables from the insurance business by BGN 27 million.

#### **Non-current receivables:**

Non-current receivables amount to BGN 49.3 million after impairment, recording a slight decrease of BGN 1.9 million. They mainly represent receivables from financial leasing and they amounted to BGN 49 million.

- ⇒ The financial assets as of September 30, 2021, owned by the companies of the Eurohold Group, report an increase of BGN 9.9 million compared to the end of 2020 and their book value at the end of the current period is equal to BGN 352 million.

The financial assets are mainly owned by the insurance companies and amount to BGN 317 million, of which BGN 35 million are government securities, BGN 50 million corporate bonds, capital investments reported at fair value in the amount of BGN 167 million and other financial assets at amortized cost amounting to BGN 65 million.

- ⇒ At the end of September, 30, 2021, the Eurohold Group has free cash and deposits with banks in the total amount of BGN 365 million, noting an increase of BGN 20 million compared to the end of 2020. Cash and cash equivalents amount to BGN 333 million compared to BGN 69 million at the end of 2020, incl. the cash in amount of BGN 2.9 million (BGN 3.6 million at the end of 2020).

- ⇒ Non-current tangible and intangible assets determined by the following groups of assets:

*Fixed assets* note a significant increase in connection with the consolidation of the tangible fixed assets of the energy companies as at 30.09.2021 they amount to a total of BGN 907.3 million (BGN 109.6 million at the end of 2020), including:

- Machinery, facilities and equipment - BGN 653 million (BGN 3 million at the end of 2020), of which BGN 649 million are owned by energy companies;
- Lands and buildings (rights of use) - BGN 44 million (BGN 38.7 million at the end of 2020), of which BGN 13 million are owned by energy companies;
- Vehicles - BGN 38 million (BGN 39.2 million at the end of 2020), of which BGN 6.5 million belong to energy companies;
- Economic inventory and other fixed assets - BGN 5 million (BGN 3.6 million at the end of 2020), of which BGN 2.2 million belong to energy companies;
- Expenses for acquisition of fixed assets - BGN 45.4 million (BGN 0.9 million at the end of 2020), of which BGN 45.2 million belong to energy companies; Investment properties - BGN 1.9 million (BGN 9.7 million at the end of 2020);

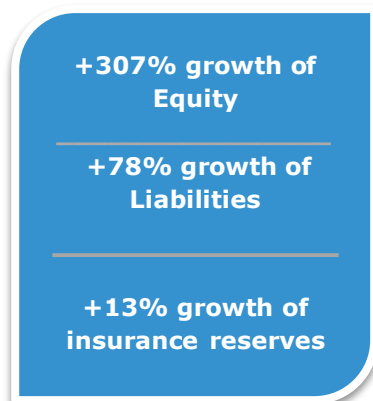
*The intangible assets* amounted to BGN 17.6 million (BGN 4.4 million at the end of 2020);

- ⇒ Inventories held by the companies in the group amount to BGN 34.6 million (BGN 26.6 million at the end of 2020), the main part of which belongs to the energy companies – BGN 22.3 million, as well as to the automotive sector – BGN 10.6 million, represents cars and spare parts in stock.
- ⇒ Investments in associates and other financial investments are owned by the insurance group and the investment intermediary Euro-Finance AD, and their amount is as follows:

- Investments in associates - BGN 12 million (BGN 10.8 million at the end of 2020);
- Other financial investments - BGN 1.2 million (BGN 1.9 million at the end of 2020).

Eurohold Bulgaria AD, including the subsidiaries, does not have assets that are reported off-balance sheet.

## EQUITY AND LIABILITIES



### Equity

Total consolidated equity of Eurohold Bulgaria amounted to BGN 550 million increasing by BGN 415 million compared to 31 December 2020. The capital belonging to the parent company amounted to BGN 252 million, while the capital belonging to the non-controlling interest for the period amounted to BGN 298 million. For comparison, at the end of 2020, the capital belonging to the parent company amounted to BGN 106 million, and the capital belonging to the non-controlling interest - of BGN 29 million.

The significant increase in the capital of Eurohold is due to the successful capital increase in mid-2021, in which BGN 63 million new shares were subscribed with a nominal value of BGN 1 at an issue price of BGN 2.5 as the difference between the issue price and the nominal value amount of BGN 94.5 million which amount are included in premium reserves from issuing securities.

The share capital of Eurohold as of 30.09.2020 increased to BGN 260.5 million, while before the increase it amounted to BGN 197.5 million.

### Subordinated debts

In support of its equity, the Group holds subordinated debt instruments in the amount of BGN 41.6 million, which decreased by BGN 35.4 million compared to the end of 2020. Subordinated debt instruments are distributed 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 instrument in the form of a bond loan, which was issued on 18 December 2014 in the form of 100 bonds available, subordinated, unsecured, at the date of issue with a face value of EUR 100 thousand each. The agreed amount is EUR 10,000 thousand (BGN 19,558 thousand) and maturity on December 18, 2021. The initial interest rate is 13% + 3-month Euribor, which was subsequently reduced to 9.75% + Euribor and is due at the end every six months.
  - Tier 1 capital in the form of subordinated term debt with Starcom Holding AD with a limit of EUR 12.6 million (originated in 2020) and EUR 10 million (originated in 2021), as of 30.09.2021 EUR 4.9 million have been utilized from the latter one with 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** - subordinated debt instruments in the amount of BGN 7.2 million (BGN 32.8 million at the end of 2020), representing tier 1 capital. 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 Starcom Holding AD, according to the applicable provisions of the current Bulgarian and Community law and with an indefinite repayment period, but not earlier than 5 years, and an interest rate of 6%, due at the end of each quarter.

As of 30.09.2021 the total amount of consolidated equity and subordinated debts amounts to BGN 591 million, as of 31.12.2020 their amount was BGN 212 million. The negotiation of subordinated capital contributes to maintaining the stable capital position of the group.



## Liabilities

The consolidated liabilities (excluding subordinated debts and insurance provisions) of the Eurohold Group amount to BGN 1.68 billion, reporting an increase of 190% vs. the comparable period, when their value amounted to BGN 578 million. The significant increase in liabilities is mainly due to the consolidation of liabilities of the energy business.

Consolidated liabilities are grouped under the following balance sheet items: loans to banking and non-banking institutions and bonds, non-current liabilities, current liabilities, trade and other payables, reinsurance liabilities and deferred tax liabilities.

- » The majority of liabilities are liabilities on loans to banks and non-bank financial institutions and bond loans. The total amount of loan liabilities amounts to BGN 1.12 billion after an increase of BGN 0.78 billion compared to December 31, 2020, when they amounted to BGN 338 million. The non-current part of these liabilities amounts to BGN 981.3 million, respectively the current part amounts to BGN 138.5 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>867 750</b>	<b>415%</b>	<b>174 341</b>
- non-current liabilities	786 811	561%	118 948
- current liabilities	110 939	100%	55 393
<b>On bond loans, incl.:</b>	<b>222 092</b>	<b>36%</b>	<b>163 342</b>
- non-current liabilities	194 520	39%	139 559
- current liabilities	27 572	16%	23 783
<b>Total borrowings, incl.:</b>	<b>1 119 842</b>	<b>232%</b>	<b>337 683</b>
- total non-current liabilities	981 331	280%	258 507
- total current liabilities	138 511	75%	79 176

» The amount of non-current liabilities at the end of June, 2020, amounts to BGN 14 million, increased its size compared to the end of 2020 by BGN 1.6 million. Non-current liabilities mainly include non-current liabilities under financial leasing of automotive and leasing division in the total amount of 13.2 BGN million, as well as other non-current liabilities amounting to BGN 2.8 million.

The following table summarizes the Group's total financial lease liabilities, including current and non-current liabilities:

Financial lease liabilities:	30.06.2021 000'BGN	Change %	31.12.2020 000'BGN
<b>Total financial lease liabilities, incl.:</b>	<b>19 313</b>	<b>5.8%</b>	<b>18 255</b>
- non-current liabilities	13 206	11.2%	11 878
- current liabilities	6 107	-4.2%	6 377

The significant growth of loans to banking and non-banking institutions is mainly due to the utilized borrowings from the energy holding Eastern European Electric Company II B.V. and its subsidiary Eastern European Electric Company B.V. in connection with the finalization of the acquisition of CEZ's energy companies in Bulgaria. The total amount of utilized loans from Eurohold's subsidiaries amounts to BGN 665 million. The additionally acquired energy companies CEZ contribute to the increase in the amount of loans by BGN 42 million. The total amount of utilized loans from the energy segment amounts to BGN 707 million.

Bond loan liabilities increase in connection with the change in the number of bonds held by companies in the Group, i.e. as of 30.09.2021 the value of a smaller number of bonds was eliminated in the consolidation procedures compared to the ones eliminated as of 31.12.2020, as a result of which the consolidated liability on bond loans increased by BGN 58.7 million.

- » The amount of non-current liabilities at the end of September 2021 amounted to BGN 62.7 million, increasing by BGN 48.4 million compared to the end of 2020. Non-current liabilities mainly include other non-current liabilities amounting to BGN 44.5 million, of which BGN 20 million to the energy business and BGN 22.6 million to the parent company. Non-current liabilities are also the liabilities under financial leasing of automotive and leasing division in the total amount of BGN 7.8 million, as well as revenues for future periods in the amount of BGN 10.4 million.
- » Consolidated current liabilities also increased from BGN 62 million to BGN 160.5 million. This item includes the Group's liabilities to personnel and insurance companies, tax and other current liabilities, current financial leasing liabilities (shown in the table above), income for future periods and provisions. The energy business contributes to the increase in the amount of current liabilities by BGN 75.8 million.
- » Trade and other payables amount to BGN 276 million compared to BGN 117 million as of 2020. Part of the trade and other payables are liabilities of the group under leasing contracts - rights of use in the amount of BGN 50.3 million. The contribution of the energy business in the consolidated trade and other liabilities amounts to BGN 123.4 million.
- » Liabilities under reinsurance operations amount to BGN 42.6 million, decreasing by 9% compared to BGN 46.9 million at the end of 2020.

### Insurance reserves

The amount of the insurance reserves as of 30.09.2021 is BGN 942 million, as for the current reporting period they increase by BGN 105.5 million compared to the end of 2020.

### CASH FLOWS

The consolidated statement of cash flows is composed of sections and articles in which the cash flows are reflected according to the activity from which they arose, grouped into operating, investment and financial activities.

Consolidated cash flows		30.09.2021	30.09.2020
Net cash flows from operating activities	000'BGN	(34 540)	6 443
Net cash flows from investment activities	000'BGN	(509 836)	29 356
Net cash flows from financial activities	000'BGN	808 725	29 957
<b>Net increase / (decrease) in cash and cash equivalents</b>	000'BGN	<b>264 349</b>	<b>65 756</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>333 149</b>	<b>157 446</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 Management Board of Eurohold Bulgaria AD is not aware of any other significant events that occurred after the end of the reporting period and which have not been disclosed in this Report.

## OVERVIEW OF THE KEY RESULTS BY BUSINESS LINES

### EUROINS INSURANCE GROUP - INSURANCE

In Q3 2020, Euroins Insurance Group (EIG, the Group) reported consolidated gross written premiums amounting to BGN 830 million compared to BGN 661 million for Q3 2020. EIG reported consolidated profit before taxes amounting to BGN 8.5 million as at September 30, 2021, compared to profit BGN 760 thousand reported for the comparative period.

EIG confirms its presence in the insurance markets of Central and Eastern Europe and through its subsidiary participation in PJSC Euroins Ukraine, Euroins Belarus, Euroins Georgia and associated participation in Euroins Russia. Euroins Russia reported gross written premiums of BGN 52 million and profit before taxes amounting to BGN 2 million.

The insurance company acquired in the end of 2018 in the Republic of Ukraine - European Travel Insurance (ETI) / former name ERV / was the most affected Company of the Group as a result of the global pandemic of COVID-19 (Coronavirus) that resulted in a historic slowdown of the tourism sector. The expectations of the Group are related to the gradual recovery in the coming years of the tourism industry. This is also evident from the reported revenue for Q3 2021 amounting to BGN 20 million compared to BGN 8 million for Q3 2020. The Company reported profit before taxes amounting to BGN 5 million. This is a result of maintaining low administrative expenses and thanks to the online organization of the sales.

The other Companies, including the presence of foreign markets through the freedom of services and freedom of establishment mechanisms, have sustained a positive development and trend in the recorded business. The subscribed business of IC Euroins AD increased to BGN 254 million for Q3 2021 (Q3 2020 – BGN 195 million), of which the businesses in the Republic of Greece and the Republic of Poland were respectively 19% and 26%. Euroins Northern Macedonia following its sustainable development strategy, also reported gross written premium of BGN 20 million and a positive result – respectively profit before taxes amounting to BGN 1.7 million.

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 2020 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. As part of the same process, because Euroins Romania and Euroins Bulgaria were the key components of Eurohold Bulgaria, Fitch Ratings assigned Insurer Financial Strength Rating "BB-" to Euroins Bulgaria as well. 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.

## Results by insurance companies

### Euroins Bulgaria

In Q3 2021 Euroins Bulgaria reported a total GWP of BGN 254 million compared to BGN 195 million for the same period of 2020. The reason for the growth of 30% 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 (193%), as a significant role for this increase is the reported income from Travel assistance in the UK, Liability (11%) and Property (32%) in the Netherlands. MTPL grew by 16% and Motor Hull by 4% compared to Q3 2020. The increase of the sales in Poland was behind the MTPL growth, where Euroins Bulgaria reported gross premiums of BGN 60 million for Q3 2021 compared to BGN 46 million for the same period of 2020. Assistance raiders to the MTPL in Poland in the amount of BGN 6 million for Q3 2021 (Q3 2020 - BGN 4 million) were also successfully placed.

Net earned premiums amounted to BGN 133 million (Q3 2020- BGN 135 million), while net incurred claims reached BGN 65 million (Q3 2020- BGN 46 million).

The main ratios that define the profitability in Q3 2021 are as follows:

Loss ratio: 54% (Q3 2020- 49.1%)

Combined ratio: 96.3% (Q3 2020- 94.5%)

Net acquisition costs increased by 21% for Q3 2021 compared to the same period of the previous year, but compared to net earned premiums decreased by 1.8%, while administrative expenses increased by 16% compared to Q3 2020 but compared to net earned premiums decrease by 1.3%.

The result from investment activity is a profit- BGN 916 thousand (Q3 2020- 756 thousand profit).

Euroins Bulgaria reported a profit for Group purposes amounting to BGN 6 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. 25% higher than previous tariffs. A further increase of 10-15% compared to the current tariffs is expected and this intention already has been notified to the Regulator.

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

In Q3 2021 Euroins Romania reported an increase in the gross written premiums by 18% respectively amounting to BGN 474 million for Q3 2021 and BGN 402 million for Q3 2020. MTPL GWP grew by 21% and remained the main line of business of the Company (96%).

Net earned premiums amounted to BGN 281 million (Q3 2020- BGN 229 million) and net claims incurred amounted to BGN 202 million (Q3 2020- BGN 159 million).

The main ratios that define the profitability in Q3 2021 are as follows:

Loss ratio: 78% (Q3 2020- 79%)

Combined ratio: 104% (Q3 2020- 107%)

Net acquisition costs increased by 20% for Q3 2021 compared to the same period of the previous year, but compared to net earned premiums decreased by 5.3%, while administrative expenses increased by 21%, but compared to net earned premiums decreased only by 0.3%.

The result from investment activity is a profit – BGN 4.8 million (Q3 2020- BGN 1.7 million profit).

Euroins Romania reported for Q3 2021 a loss for Group purposes amounting to BGN 4.5 million before taxes compared to a loss amounting to BGN 12 million for the comparative period. The expected results and any potential adjustments based on them from the Balance Sheet of the Company were not taken into consideration as at Q3 2021. It should be noted that although the reference date of the review is June 30, 2020, any significant subsequent events 18 months after the reference date also have an impact.

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### **Euroins North Macedonia**

In Q3 2021 the gross premiums written by Euroins Macedonia increased by 13% reaching BGN 20 million. The Agricultural insurance, which has a main share in the portfolio of the Company reached BGN 5.5 million for Q3 2021 (BGN 4.5 million for Q3 2020). There was an increase in the MTPL gross written premium with 14%, which amounted to BGN 9.5 million and represented 47% of the total GWP for Q3 2021.

There was an increase with 5% in the net claims incurred compared to Q3 2020 and an increase in the earned premium with 2%.

There was a slight decrease in the administrative expense ratio and acquisition expense ratio with 0.5%.

The result from investment activity is a profit- BGN 814 thousand (Q3 2020- BGN 19 thousand loss).

The profit for Group purposes is amounting to BGN 1.7 million before taxes compared to a profit of BGN 1.4 million for Q3 2020.

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### **Euroins Life**

The gross written premiums of Euroins Life for Q3 2021 amounted to BGN 6.4 million, which represented a growth of nearly 181% compared to Q3 2020.

The loss ratio decreases from 35% for Q3 2020 to 20% for Q3 2021.

The result from investment activity is a profit- BGN 227 thousand (Q3 2020- 7 thousand loss).

However, the financial position of the Company is on break-even point for Q3 2021. The main reason for the negative financial result is the increase of the acquisition costs. The acquisition ratio increased from 51% to 75% 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**

In Q3 2021 the Company reported written gross premiums amounting to BGN 27 million, which represented an increase of 72% compared to Q3 2020. All main lines of business increased: MTPL- 69%, Casco- 40%, Cargo- 3%, Health- 300%, Liabilities- 45% and Property- 116%.

The loss ratio increased from 33% for Q3 2020 to 37% for Q3 2021.

Administrative expenses incurred in Q3 2021 increased by 21% compared to Q3 2020 but compared to net earned premiums decreased by 3.1% while the acquisitions increased by 63%, which is largely related to the reported higher revenues of the Company but compared to the net earned premiums increased by 2.3%.

The result from investment activity is a profit – BGN 125 thousand (BGN 2.3 million profit).

The Company reported a loss for Group purposes amounting to BGN 156 thousand before taxation (Q3 2020- BGN 2.5 million profit).

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### **EIG Re**

In Q3 2021 EIG Re reported gross premiums of BGN 14 million or an increase compared to Q3 2020 amounting to BGN 7 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 (41%), Cargo (25%) and Agriculture (27%). All of them marked a significant increase compared to the previous period of 2020.

The Company reported a profit for Group purposes amounted to BGN 1.5 million before taxation, due to an increase of the technical reserve provisions.

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**

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 to individual and to 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. Results from the planned and already in motion processes to use the potential for synergies and know-how share with the other subsidiaries in the Group are to be seen soon.

In Q3 2021 the Company had written gross premiums of BGN 20 million, which was a significant change compared to Q3 2020 (BGN 8 million). Travel Assistance retain the largest share in the Company's portfolio or 80%.

The outbreak of the COVID-19 epidemic in mid-March 2020, which resulted in the introduction of a number of restrictive measures regarding the right to move globally and had a strong negative impact on the tourism sector, in which the Company specializes. However, the Company reported a profit for Group purposes amounted to BGN 5 million before taxation due to its low administrative expenses and online structure of the sales.

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### **Euroins Georgia**

Insurance Company Euroins Georgia is specialized in Accident and Health. For Q3 2021 this line of business formed app. 51% of the insurance portfolio of the Company, while the rest is split between Motor Hull (17%), Agriculture (11%), etc. Total gross premiums written in Q3 2021 amounted to BGN 10.5 million, which represented a decrease of nearly 9%. This decrease was due to ending the participation in state tenders in connection with Casco insurance due to high loss ratio. Also, 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 500 thousand before taxation (Q3 2020- 1.2 million a loss before taxation).

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### **Euroins Belarus**

EIG has been consolidating the Company since the beginning of May 2020. The gross premiums for Q3 2021 were amounting to BGN 12 million and the profit before taxes reported for the period is BGN 178 thousand. The largest share of the written premiums falls on Casco insurance or 61% of the Company's portfolio, while the right to conclude MTPL insurance is provided only to state insurance companies in Belarus.

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## **Euroins Russia**

The largest share in the Company's portfolio falls on Accident and Travel Assistance- 32% and Motor Third Party Liability - 33%.

In Q3 2021 the Company, which is associate to EIG reported written gross premiums of BGN 52 million compared to BGN 42 million for Q3 2020 and a profit before taxation amounting to BGN 2 million (Q3 2020- BGN 1.4 million profit).

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## **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 Southeastern 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 30 September 2021.
- » Their financial condition and cash flows at the end of the reporting period September 30, 2021

### Financial results of energy companies

The newly acquired energy companies (also called in this report CEZ energy companies) for the period from 01.08.2021 (the period of which the companies are part of the group of EASTERN EUROPEAN ELECTRIC COMPANY II B.V. - called the EEES group) until 30.09. In 2021, they generated an operating profit of BGN 55 million and a net profit of BGN 8.9 million.

For the two months in which they are part of the Eurohold Group, the energy companies CEZ realized total revenues from their activity in the amount of BGN 328 million.

*Total revenues from energy activity distributed according to their nature and type:*

	<i>000'BGN</i>
Open market customers	189 937
Household consumers	93 834
Business consumers	35 628
Revenues from user connection fees	4 014
Penalties for late payments	703
Revenues from services for research, repair and maintenance of electricity distribution network and commercial metering devices	1 065
Revenues from information, communication, technological services (ICT) and others	720
Revenues from the Power System Security Fund	475
Other incomes	1 641
<b>Total income from energy activity (01.08.2021 – 30.09.2021)</b>	<b>328 017</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	(248 565)
Technological costs for electricity transmission	(19 871)
Balancing energy	(4 400)
Costs for transmission and access services	(447)
Other expenses	(32)
<b>Total energy costs (01.08.2021 – 30.09.2021)</b>	<b>273 315</b>

At the same time, the holding company EASTERN EUROPEAN ELECTRIC COMPANY II B.V. and the specially created companies EASTERN EUROPEAN ELECTRIC COMPANY III B.V. and EASTERN EUROPEAN ELECTRIC



COMPANY B.V. - combining the energy activity of Eurohold, realize a loss from its activity in the amount of BGN 8.6 million. The loss was realized in connection with accrued interest expenses on attracted financing for acquisition of the Assets of the energy companies CEZ and consulting expenses in the total amount of 9.9 BGN million and accrued interest income in the amount of BGN 1.3 million.

The assets of the EEES energy group amount to BGN 1.5 million. The companies have cash and cash equivalents in the amount of BGN 167.5 million, receivables from customers and suppliers of BGN 211 thousand after impairment, other receivables of BGN 155 thousand after impairment. CEZ energy companies have tangible fixed assets in amount of BGN 812 thousand, of which machinery, equipment and facilities worth BGN 649 thousand, land, buildings and structures amounting to BGN 110 million, vehicles - BGN 6.5 million BGN, costs for acquisition of fixed assets - BGN 46 million and other fixed assets in the amount of BGN 18 million.

The liabilities of the EEEC amount to BGN 1.3 million. The total long-term liabilities amount to BGN 741 million and represent mainly liabilities for attracted financing in the total amount of BGN 707 million, of which the liabilities to banks are BGN 522 million, and loans from non-financial institutions BGN 186 million.

Short-term liabilities amount to BGN 592 million, of which short-term liabilities to financial institutions amount to BGN 17 million, and trade and other liabilities amount to BGN 472 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 Center.

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 30.09.2021, 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 Center.

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 Electrorazpredelenie Stolichno AD, Electrorazpredelenie Sofia Oblast AD, and Electrorazpredelenie 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 30.09.2021, 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 г., 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 30.09.2021, 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 Center.

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 30.09.2021, 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 Center.

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 30.09.2021, 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 Center.

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 September 30, 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 Center.

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.

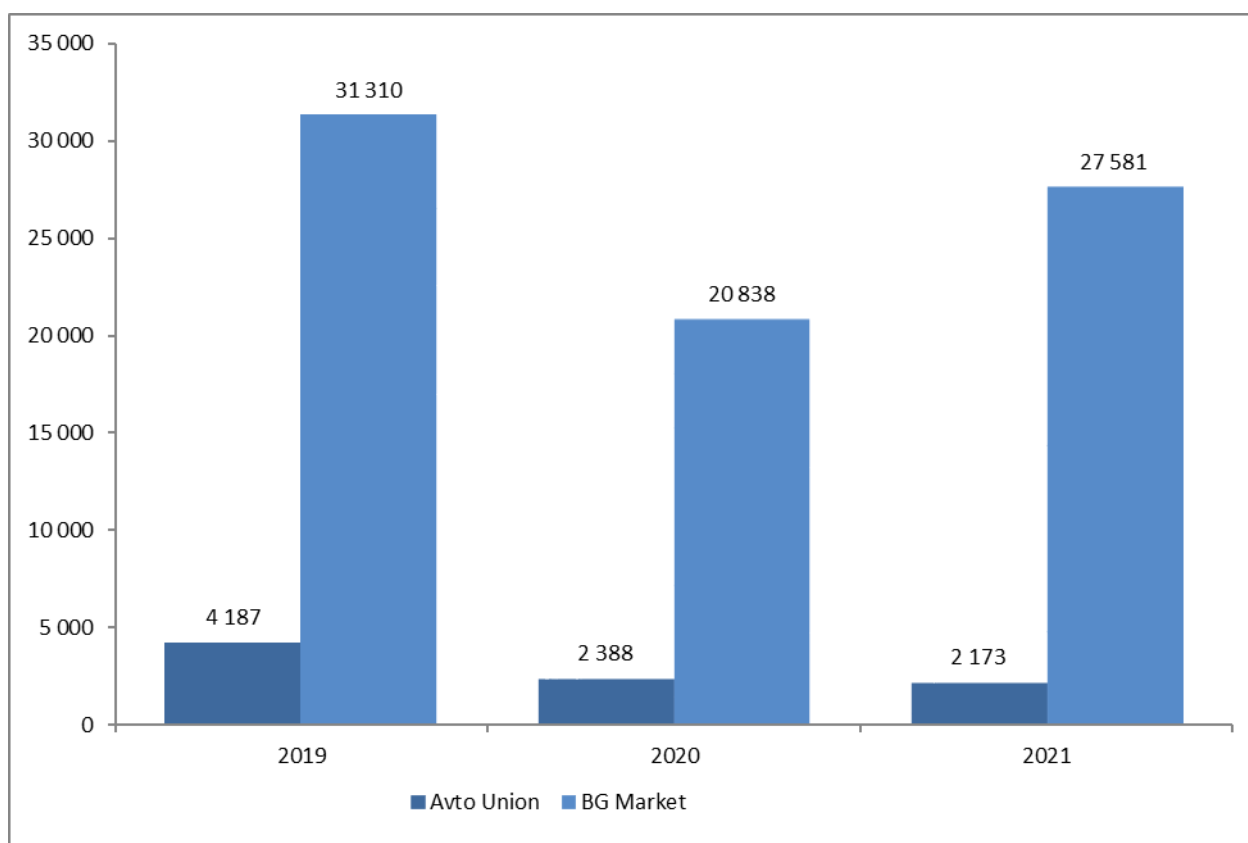
As of September 30, 2021, the Company has no appointed staff.

## AVTO UNION - AUTOMOTIVE

### Financial results of automotive companies

The consolidated financial result of the Group for the period from 01.01.2021 to 30.09.2021 is a profit of BGN 15,269 thousand (2020 - a loss of BGN 432 thousand). The consolidated financial result for the owners of the parent company for the same period is a profit of BGN 13,775 thousand, and for comparison in the same period of 2020 it was a loss of BGN 1,416 thousand. The main reason for the large deviation between the results of the current and the previous period is due to the sale of 3 subsidiaries, directly consolidated in the Group of Avto Union, namely N Auto Sofia EAD, Espace Auto EOOD and EA Properties OOD. The profit for the group from the sale of the 3 companies in question on a consolidated basis amounts to BGN 11,558 thousand. The effective date, as of which 3 sold companies are not part of the holding of Avto Union, is 02.08.2021. The balance of BGN 3,711 thousand, or the difference until reaching the final net result of BGN 15,269 thousand for the considered period, is formed by the normal operating activities of the companies in the holding.

The number of cars sold by the Group for the first nine months of 2021 decreased by 9.0% compared to the same period in 2020. Revenues from sales of cars, spare parts, oils and fuels increased by 5.5%. Revenues from sales of services decreased by 1.0% compared to the same period in 2020.



**Sales of new cars of Avto Union for the first 9 months of 2021 compared to those on the Bulgarian market, no. – 09 YTD 2019, 09 YTD 2020 и 09 YTD 2021<sup>1</sup>**

**source: AAI**

<sup>1</sup> The number of cars sold for 2021 includes the sales of Espace Auto and N Auto Sofia only for the first 7 months of the year, as the Group's investments in the companies in question were sold on 02.08.2021.

The structural changes made in the Avto Union Group during the current quarter logically have a negative impact on the indicators of sold cars for the third quarter of 2021.

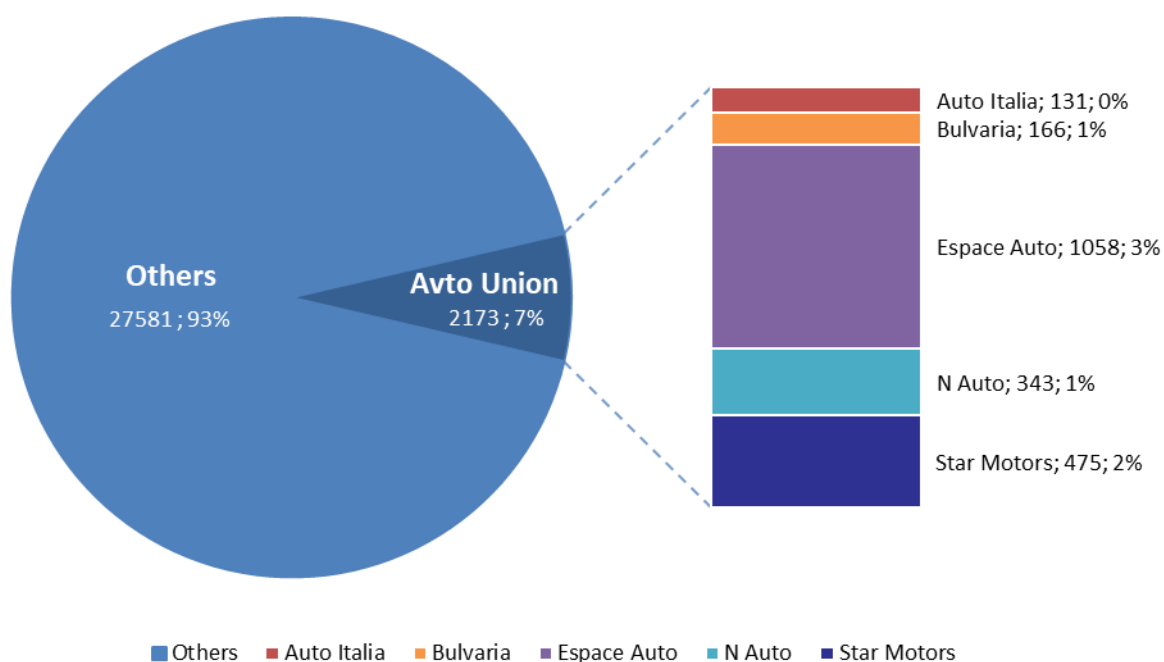
In this regard, the number of cars sold by the Group for the period from 01.01.2021 to 30.09.2021 cumulatively decreased by 9.0% compared to the same period in 2020, which is a decline of 215 units. The market share of the Group for the same period is 7.9% declining by 3.6% compared to the same period in 2020. For comparison, according to Association of Automobile Importers in Bulgaria (AAI), the Bulgarian market of new personal cars and light commercial vehicles for the first half of the year increased by 32.4% compared to the same period in 2020.

Operating expenses for the first nine months of 2021 decreased by 3.6% compared to the same period in 2020, or by BGN 747 thousand.

The governing bodies of the Group are taking measures to minimize the negative impact of the Covid-19 pandemic (Coronavirus). The main ones include:

- Optimization of the staff structure and increase of the efficiency of the labor process;
- Centralization of deliveries and additional costs optimization.

For the period ending 30.09.2021, the sales of new personal cars and light commercial vehicles, realized by Avto Union - the automobile holding in the group of Eurohold Bulgaria, amount to 2,173 units compared to 2,388 units sold in the same period of 2020, which is a decrease of 9.0%. According to the Association of Automobile Importers in Bulgaria market for new PC and LCV in the first nine months of 2021 increased by 32.4% compared to the same period of 2020. During the reporting period Opel recorded a decrease of 23.0% for Sofia and an increase by 14.0% in its sales for Varna. Auto Italia EAD reduced its sales of cars with the FIAT brand by 61.0%, as well as those with the Alfa Romeo brand by 59.0%. In sales of the Maserati luxury car brand, Auto Italia registered a growth by 56.0% compared to the previous year. Star Motors marks a 73.0% increase in sales of new Mazda cars compared to the same period last year.



**Number of cars sold and market share of car companies in the group of Avto Union for the first nine months of 2021 - number and percentages**

**source: AAI**



Avto Union Group	Sales		%
	Q3'2021	Q3'2020	Change
January – September (YTD)	2 173	2 388	- 9.0%
By quarter:			
Q1 (January-March)	713	727	-1.9%
Q2 (April-June)	981	574	70.9%
Q3 (July-September)	479	1 087	-55.9%
Q4 (October-December)	n/a	939	n/a

For the period under review of this Activity Report, the subsidiary Espace Auto EOOD (till 02.08.2021) has distributed a dividend in the amount of BGN 969 thousand to its parent company (N Auto Sofia EAD). These income from distributed dividend is eliminated for the purposes of the consolidated financial statements of the Group as of 30.09.2021.

## 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.

The portfolio of Avto Union AD, which is the largest number of brands in Bulgaria, according to the statistics published by the European Association of Vehicle Manufacturers, includes eight brand motor vehicles and four brands of scooters, lubricants, fuels and additional automotive services. Through its 11 (eleven) subsidiary companies, Avto Union AD is the exclusive importer of Mazda, Fiat, Alfa Romeo and Maserati vehicles in Bulgaria, as well as an authorized dealer of Opel, Nissan, Renault, Dacia.

### Overview of the activity in the first nine months of 2021

On 12.02.2021 the utilization of the agreed credit line was started. As of 31.03.2021 the utilized amount was EUR 992 thousand.

On March 12, 2021 a change was registered in the Board of Directors of the subsidiary Daru Car EAD - Mr. Asen Assenov was deleted as a member of the Board, and in his place was registered the longtime manager of the company - Mr. Stoyno Tsanev. The latter was also elected Executive Director and legal representative of the company.

The management of Avto Union is always looking for new opportunities to develop its portfolio of brands and services it offers on the Bulgarian market. In this regard, the subsidiary Auto Italia EAD has entered into an agreement with Ferrari S.p.A, according to which it will be authorized to offer certified used cars by the Italian company brand, as well as services for them. Thus, Auto Italia EAD continues to develop its strategy for niche positioning in the market of luxury Italian super-cars, becoming the first official representative of the world-famous brand in Bulgaria. In connection with this, in 2020 and the beginning of 2021 Auto Italia EAD has incurred expenses in the amount of approximately 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. In 2021, these expenses are expected to form new fixed assets in Auto Italia EAD, and at the time of preparation of this consolidated report they are in actual operation.

On April 29, 2021, an Annex to a contract 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 30.06.2021 the utilized amount amounts to EUR 1,628 thousand.

On June 10, 2021, Avto Union AD concluded a contract for the sale of the 25,500 company shares owned by it from the capital of EA Properties OOD to N Auto Sofia EAD.

On June 21, 2021, Kiril Ivanov Boshov was relieved of the position of a member of the Board of Directors at the Extraordinary General Meeting of Shareholders of Avto Union AD. Stefan Lyubomirov Boyadizhev

has been elected a new member of the board of directors. The change was entered in the Commercial Register of the Republic of Bulgaria on June 28, 2021.

On June 28, 2021, Avto Union AD signed a preliminary contract for the sale of its subsidiary N Auto Sofia EAD. The transaction must be approved by the Commission for Protection of Competition. The documents required for the permit have been submitted to the regulator.

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 installment 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 favor 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 installment 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. Avto 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.

Important events after the balance sheet date:

On November 16, 2021, Avto Union 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 North Macedonia. The documents for the forthcoming concentration were submitted for approval by the Commission for Protection of Competition before the finalization of the deal.

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

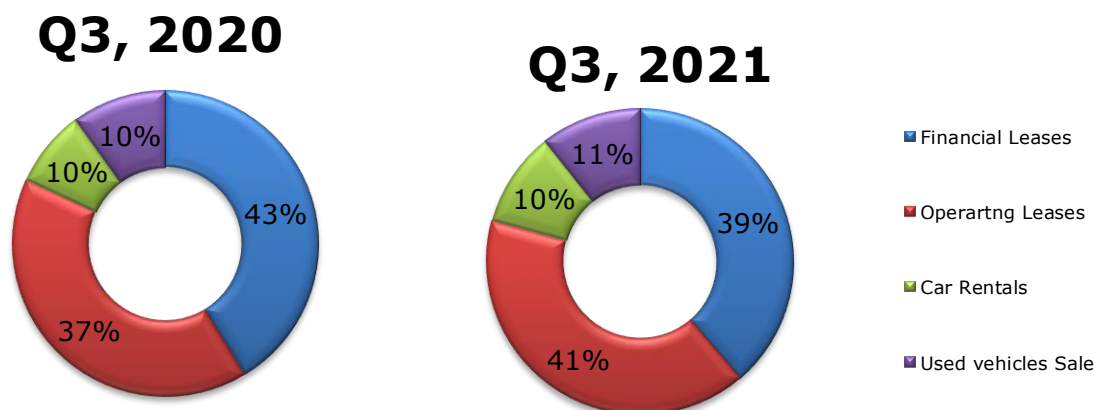
Eurolease Group reports consolidated profit at BGN 96 thousand, compared to BGN 285 thousand loss in 9M, 2020.

The positive change is mainly due to the increase in revenues generated from contracts with customers and operating leases by 13% compared to the comparative period (from BGN 6,790 thousand as of 30.09.2020 to BGN 7,657 thousand as of 30.09.2021).

According to the Impairment policy, for 01.01.2021-30.09.2021 impairment costs of BGN 1,099 thousand have been recognized (against BGN 800 thousand in the comparable period a year earlier).

The third quarter of 2021 was marked by a new Covid wave. Bulgaria introduced “Green certificate” as of October 21. The 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 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 14,771 thousand against BGN 13,434 thousand for 9M, 2020.
- Financial leasing - In absolute terms, the revenues from financial leasing amount to BGN 5,718 thousand compared to BGN 5,545 as of 30.09.2020.
- Operating lease - the amount of revenues from this area reports an increase. As of 30.09.2021 their amount is BGN 5,985 (against BGN 5,457 thousand for 9M, 2020), which is mainly due to the establishment of the Simpl brand and the increased demand in the new service of Sofia Motors EOOD.
- Short-term rent - the amount of revenues increased by 27% to BGN 1,379 thousand compared to BGN 1,088 thousand as of 30.09.2020. 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 14%. In absolute value they are BGN 1,530 thousand.

An increase is also observed in the operating expenses, which amount to BGN 10,749 thousand at the end of September, 2021 compared to BGN 10,029 thousand for the same period of 2020.

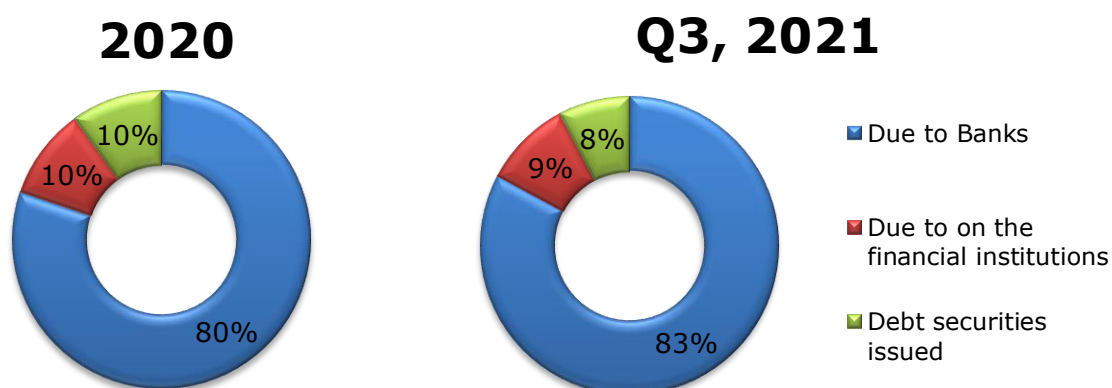
The consolidated assets amount to BGN 114,229 thousand compared to BGN 119,273 thousand as of December 31, 2020.

Consolidated net investment in finance lease declines slightly by 3% to BGN 74,850 thousand from BGN 77,343 thousand in the end of 2020.

At the end of September, 2021 consolidated fixed assets amount at BGN 25,445 thousand compared to BGN 26,494 thousand in the end of 2020.

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

- Liabilities to banks as of 30 September 2021 amount at BGN 78,361 thousand compared to BGN 81,244 thousand in the end of 2020;
- Liabilities to other financial institutions stand at BGN 9,021 thousand (decrease by 10% compared to the comparative period). The amount is mainly due by Eurolease Rent a Car to lease companies financing company's fleet;
- At the end of September, 2021 debt securities issued decreased by 28% and stand at BGN 7,236 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 9M, 2021 is loss at BGN 482 thousand compared to loss at BGN 566 thousand a year ago.

Company's assets amount at BGN 36,573 thousand.

#### ➤ Eurolease Auto Bulgaria

The financial result of Eurolease Auto at the end of September, 2021 is a profit at BGN 510 thousand against BGN 631 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 at the end of third quarter is in the amount of BGN 237 thousand, compared to BGN 262 thousand as of 30.09.2020.

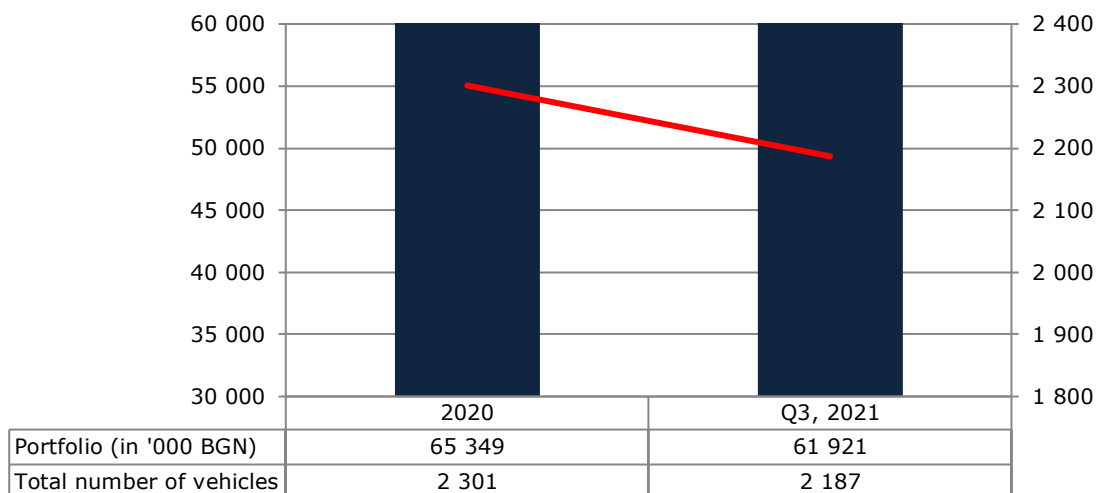
The interest income amounts to BGN 3,457 thousand as of 30.09.2021, the interest expense amounts to BGN 1,450 thousand and respectively the net interest income amounts to BGN 2,007 thousand for 9M, 2021. The interest margin for 9M, 2021 is 58.06% against 54.23% for 9M, 2020.

The administrative expenses of the company at the end of the reporting period increased to BGN 1,700 thousand, compared to BGN 1,440 thousand at the end of 9M, 2020

As of the end of September, 2021 company's assets stand at BGN 80,078 thousand compared to BGN 83,318 thousand in the end of 2020.

The net investment in financial leasing amounts to BGN 61,921 thousand compared to BGN 65,349 thousand at the end of 2020.

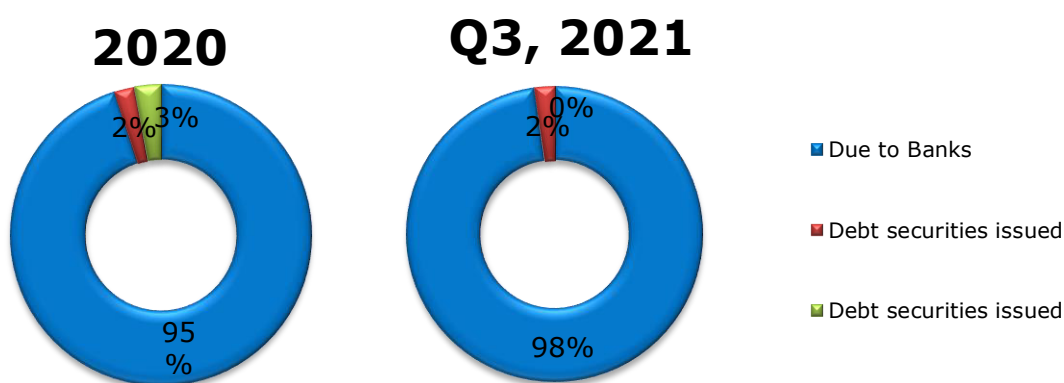
The following graph shows change in net investment in financial lease of the company for the specified period, together with change in the number of leased assets.



As of September, 2021 company's equity stands at BGN 22,284 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 57,794 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 September, 2021 they amount at BGN 54,085 thousand;
- Liabilities to other financial institutions amount to BGN 1,204 thousand;
- Company's liabilities on debt instruments were repaid.

#### ➤ Eurolease Auto North Macedonia

Eurolease Auto Macedonia realized interest income in 9M, 2021 in the amount of BGN 613 thousand, compared to BGN 393 thousand in 9M, 2020. The growth is due to a steady rise in new business. The interest expense of the company increases with BGN 136 thousand – from BGN 311 thousand as of

30.09.2020 to BGN 447 thousand as of 30.09.2021. As a result, the net interest income increases do BGN 166 thousand in comparison with BGN 82 thousand a year earlier.

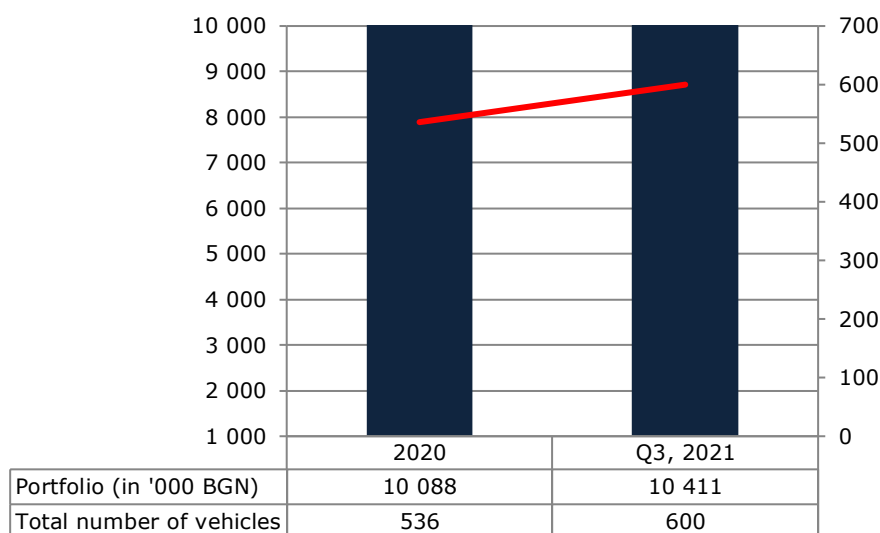
Revenues from fees and commissions as of 30.09.2021 are at the level of BGN 110 thousand, compared to BGN 82 thousand for 9M, 2020. Revenues from operating leases marked an increase to BGN 137 thousand compared to BGN 112 thousand the previous year.

The administrative expenses of Eurolease Auto Macedonia for the third quarter of 2021 amount to BGN 380 thousand.

Eurolease Auto Macedonia realized a profit of BGN 27 thousand in 9M, 2021 compared to BGN 14 thousand profit during the previous year. The increase in the company's result is due to increased interest income from finance lease in 9M, 2021.

During the reporting period, the net investment in financial leasing amounts to BGN 10,411 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 30.09.2021 the assets of the company amount to BGN 12,379 thousand compared to BGN 11,959 thousand as of December 31, 2020.

The bank liabilities of Eurolease Auto Macedonia amount to BGN 10,102 thousand.

### ➤ 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 30.09.2021 is a profit of BGN 172 thousand, compared to a profit of BGN 344 thousand for the comparable period in 2020.

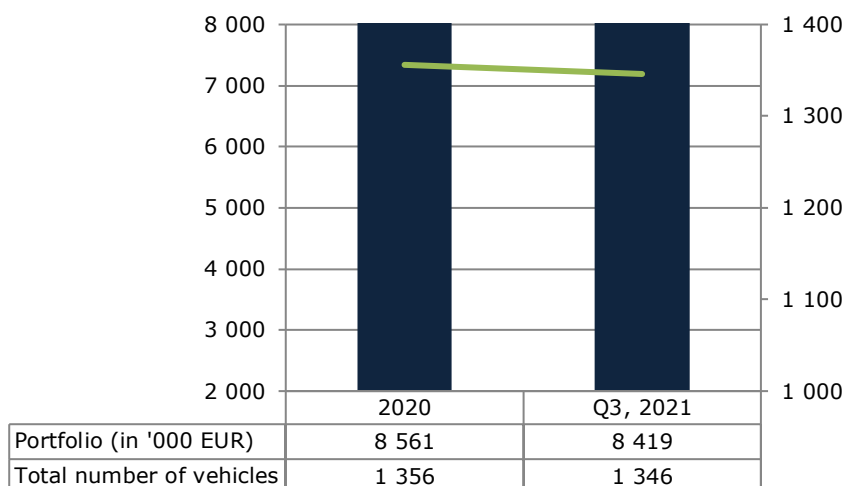
To support businesses directly affected by the pandemic, government programs have been introduced to provide liquidity for grants, preferential lending and investment measures. The activity of Amigo Leasing EAD does not fall within the eligible industries for financing, due to which the Company has not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

During 9M, 2021 Amigo Leasing realized BGN 1,364 thousand in interest income, which is a decrease of 9% compared to 9M, 2020 (BGN 1,501 thousand for the period 01.01.2020 – 30.09.2020). The interest margin for 9M, 2021 reached 77.57%.

For 9M, 2021 the impairment expense amounts to BGN 577 thousand. In the third quarter of 2020 the same expense amounts to BGN 379 thousand.

The net investment in financial leasing as of 30.09.2021 is BGN 8,419 thousand, marking a slight decrease of 2%, 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 96 thousand, compared to BGN 120 thousand as at 31.12.2020.

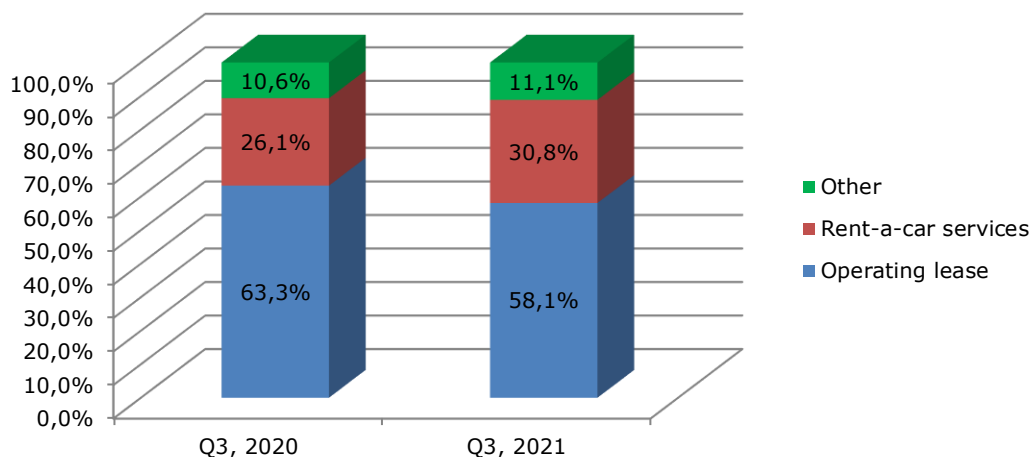
As of 30.09.2021 the Company has administrative expenses of BGN 875 thousand.

The company finances its activities with its own and loan funds, as bank loans at the end of third quarter, 2021 amount to BGN 6,386 thousand (increase of 2% - BGN 6,272 thousand as of 31.12.2020). The amount of loans received from individuals - investors as of 30.09.2021 is BGN 711 thousand. They are provided by persons not related to the Company. Liabilities to related parties are fully repaid as of 30.09.2021 (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 9M, 2021 and 9M, 2020:



As of 30.09.2021 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 27% (BGN 1,370 thousand for the third quarter of 2021, compared to BGN 1,088 thousand for the third quarter of 2020).

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 124 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.

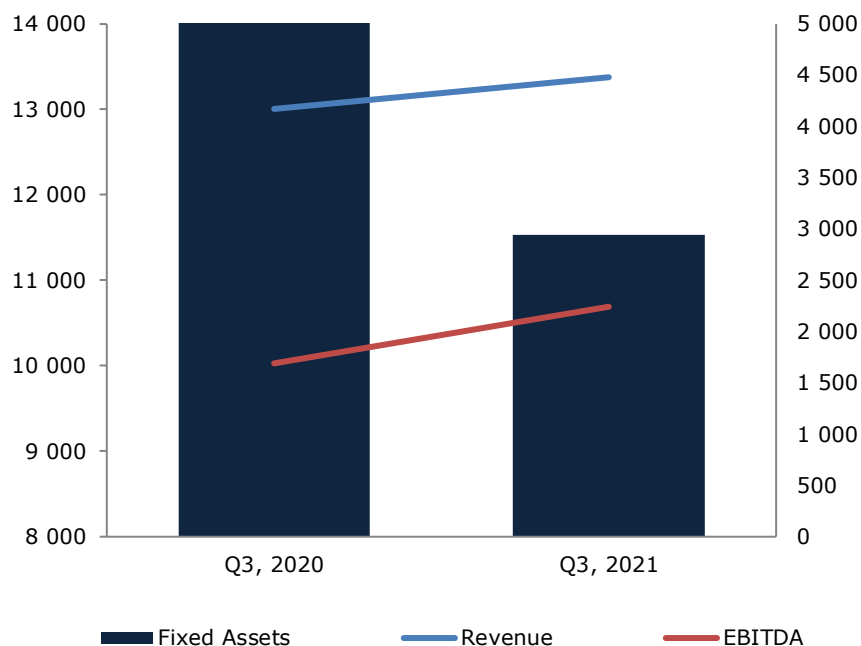
In 9M, 2021, the company's interest expenses decreased to BGN 253 thousand, compared to BGN 359 thousand a year earlier.

The administrative expenses of the Company at the end of September 2021 decreased by 5.09% to BGN 4,298 thousand against BGN 4,090 thousand a year earlier.

The financial result of the company for the period under review is a loss of BGN 144 thousand compared to a loss of BGN 376 thousand in 9M, 2020.

The chart below presents the fixed assets of the Company, the realized revenues, as well as EBITDA in 9M, 2021 and 9M, 2020.





The chart shows an improvement in the return on fixed assets.

The total assets of the company amount to BGN 13,144 thousand as of 30.09.2021, compared to BGN 16,170 thousand a year earlier.

Liabilities to financial and non-financial institutions as of 30.09.2021 marked a decrease from BGN 8,481 thousand at the end of 2020 up to BGN 7,304 thousand as of 30.09.2021

Liabilities under bank loans increased to BGN 3,212 thousand (compared to BGN 3,096 thousand as of 31.12.2020) due to a new loan with an agreed amount of BGN 700 thousand.

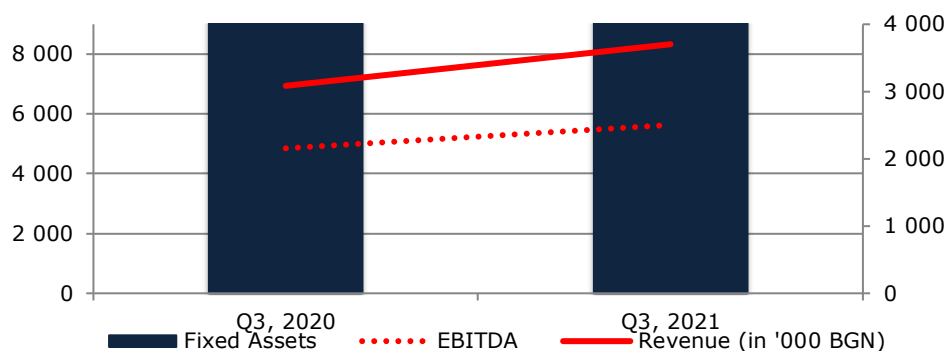
#### ➤ Sofia Motors

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 at the end of the third quarter of 2021 is a loss of BGN 4 thousand compared to a loss of BGN 158 thousand for the comparative period. The Company's result is affected by the high administrative costs caused by the development of new products in the portfolio, providing full-service car rental, as well as the difficult economic situation in the country, dictated by the restrictions imposed on COVID-19. 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.



The chart shows an improvement in the return on fixed assets.

As of September 30, 2021 The company's assets amount to BGN 11,989 thousand, compared to BGN 11,892 thousand as of December 31, 2020.

Company's liabilities amount at BGN 11,296 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 208 thousand.

Leasing liabilities as of 30.09.2021 of BGN 5,895 thousand increase by 9% compared to 31.12.2020 - BGN 5,373 thousand.

Liabilities under bank loans as of 30.09.2021 amount to BGN 3,370 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.

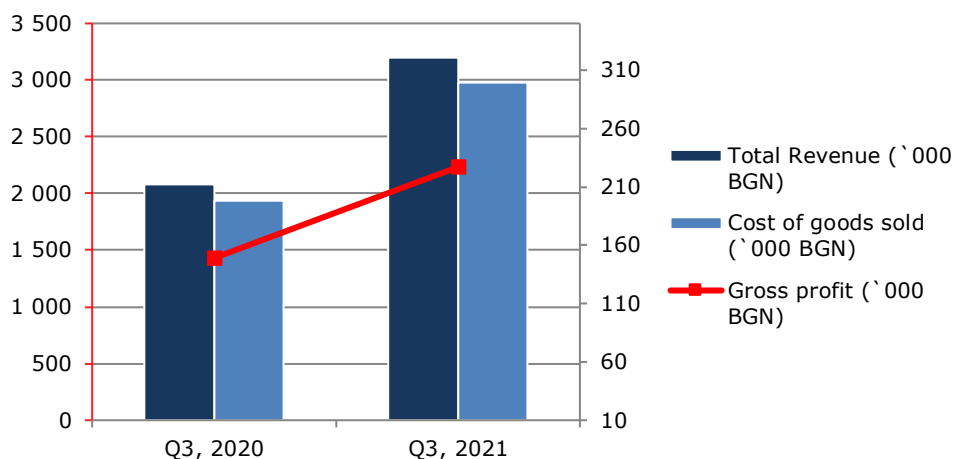
The financial result of Autoplaza as of 30.09.2021 is a profit of BGN 58 thousand compared to a loss of BGN 116 thousand for the same period of 2020. The positive change in the financial result of the company is mainly due to the significant growth in sales of goods - from BGN 2,014 thousand to 30.09.2020, they reach BGN 3,150 thousand as of 30.09.2021 (or 56%). 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 510 thousand, compared to BGN 402 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 35 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 1,660 thousand as of 30.09.2021, compared to BGN 1,810 thousand at the end of 2020. The company still acts cautiously when buying cars given the situation in the country. The value of cars for sale as of 30.09.2021 amount BGN 774 thousand (decrease of 36% - BGN 1,215 thousand in the comparable period).

At the end of September, 2021 the liabilities of the Company on received bank loans decrease to BGN 1,206 thousand, compared to BGN 1,358 thousand at the end of the previous 2020.

## EUROLEASE GROUP AD. BUSINESS OVERVIEW

The leasing subholding Eurolease Group is a company uniting Eurohold's investments in the leasing sector in the Balkans.

The companies, part of the Eurolease Group, offer financial and operational leasing of new personal cars and light commercial vehicles, trucks and buses.

The Group also offers car rental services, as well as the sale of repurchased used cars with proven origin. The car rental activity is performed by the company Eurolease - Rent a Car, which operates under the trademarks of AVIS and BUDGET. The long-term experience in providing operating leasing to large international and local companies, as well as the established market niches for the provision of car rental services rank the Group among the market leaders.

One of the activities of the leasing group is related to the sale of cars returned from leasing, rent-a-car and "buy-back" (through the company Autoplaza EAD).

The strategic goal of Eurolease Group EAD is to become one of the leading lessors in the country. To this end, Eurolease Group EAD strives to build a strong and sustainable brand based on the provision of high quality and comprehensive services. The aim is to increase its reputation as an innovative and flexible partner to a variety of customers and to offer new, specific products and services in cooperation with the insurance and automotive companies of the Group.

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)**

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Euro-Finance is an investment intermediary, a member of the Frankfurt Stock Exchange, providing direct access to Xetra® through the EFOCS trading platform. The company also offers trading in currencies, indices, stocks and precious metals through contracts for difference in the EF MetaTrader 5 platform. The company also has the highest equity of all investment intermediaries, according to FSC data.

During the reporting period Euro-Finance AD continues to follow the activities set in the development program in the direction of developing online customer service, increasing funds under management and participation in projects related to corporate consulting and restructuring.

The company realizes net revenues from operating activities for the first nine months of 2021 in the amount of BGN 3,351 thousand, generated by:

- Interest income - BGN 357 thousand;
- Other revenues from main activity - BGN 2,994 thousand;

The expenses for the period related to the current servicing of the company amount to BGN (1,324) thousand.

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

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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**

#### **INCOME**

The income of Eurohold Bulgaria AD over the reporting period amounted to BGN 1.8 million, of which:

- » Dividend income - BGN 0.2 million;
- » Income from profits from operations with investments and financial instruments and subsequent valuations totaling BGN 0.7 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 0.2 million, including:
  - BGN 0.1 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 30.09.2020 amounted to BGN 3.2 million, formed by:

- » Dividend income - BGN 0.5 million;
- » Income from profits from operations with financial instruments and subsequent valuations totaling BGN 1.1 million, of which the revenues 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 1.5 million.

#### **EXPENSES**

For the first nine months of the current year, Eurohold Bulgaria marked an increase in its operating expenses, which amounted to BGN 22.3 million for the reporting period, compared to BGN 15.5 million as of 30.09.2020.

The reported increase by 44% of operating expenses amounted to BGN 6.9 million and it was characterized mainly by the following changes:

- » Increase in interest expenses by 18% (BGN 2.2 million) as for the nine months of 2021 expenses in the amount of BGN 14.7 million were reported. Interest expenses are grouped into three categories, namely:
  - Interest on loans from banks and non-banking financial institutions amounting to BGN 2.5 million accounting an increase of BGN 0.3 million – the increase is due to the new bank loan disbursed in mid-2020;

- Interest on bond issues amounting to BGN 9.8 million – with an reported increase of BGN 1.4 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 1.4 million was accrued for the nine months of 2021.
- Interests on borrowings and leasing from related and third parties amounting to BGN 2.5 million – an increase of BGN 0.5 million was reported.
- » Increase in expenditures for external services, which amounted to BGN 5.1 million for the reporting period compared to BGN 1.7 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;
- » Other financial expenses increased by BGN 0.5 million up to BGN 0.8 million as of 30.09.2021;
- » Personnel expenses also increased for the reporting period, amounting to BGN 0.7 million vs. BGN 0.5 million for the comparable period.

### RESULTS FROM OPERATING ACTIVITIES

For the first nine months of 2021, Eurohold Bulgaria realized a loss from operating activities in the amount of BGN 20.5 million, accounting an increase of the loss by BGN 8.3 million vs. the comparable period.

### FINANCIAL RESULT

For the period January 1 – 30 September, 2021 Eurohold Bulgaria AD reports a financial result on an individual basis a loss of BGN 20.7 million. For comparison, the financial result realized for the comparable period of the previous year is a loss of BGN 12 million.

### FINANCIAL POSITION

#### ASSETS

As of 30<sup>th</sup> of September 2021 the company's assets increased by BGN 155.7 million and reached to BGN 789.4 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, as of the end of the current reporting period amounted to BGN 784.8 million compared to BGN 629.5 million at the end of 2020. Investments in subsidiaries occupy 99% of the Company's assets.

The growth by BGN 155.3 million was due to:

- » An increase of the investment in the subsidiary Euroins Insurance Group AD, as follows:
  - The increase is in connection with the acquisition by Eurohold Bulgaria AD of another 11,307,556 shares of the capital of the subsidiary Euroins Insurance Group AD. The investments made during the nine months of 2021 when purchasing the agreed share amount to BGN 11.971 million.
  - 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 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.
- » Increase in investment in the subsidiary Eastern European Electric Company II B.V. On 15.07.2021 the Management Board of Eurohold Bulgaria AD decided to increase the capital of its 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. As of September 30, 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 0.3 million, which was due to a decrease in the recognized assets (properties) with the right of use by BGN 0.5 million as their value at the end of the reporting period amounted to BGN 1.6 million.

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

### **Current assets**

Current assets increased by BGN 0.7 million and amounted to BGN 2.9 million at the end of the reporting period, they include:

- » Receivables from related parties from commercial operations in the amount of BGN 0.7 million, reporting an increase for the period by BGN 0.3 million;
- » Other receivables and assets in the amount of BGN 2 million, which increased by BGN 0.5 million;
- » Cash and cash equivalents amounting to BGN 0.1 million.

### **EQUITY**

As of 30.06.2021 the equity of Eurohold Bulgaria amounted to BGN 291.5 million compared to BGN 303.7 million at the end of 2020. The reported decrease of 4% was due to the realized loss during the current reporting period.

The share capital of Eurohold Bulgaria increased in the third 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 30.09.2021 amounts to BGN 440.5 million compared to BGN 303.7 million at the end of 2020. The reported growth of 45% is due to the successfully realized increase of the share capital of the company.

### **SUBORDINATED DEBT INSTRUMENTS**

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 as of 30.09.2021 a net BGN 0.3 million have been utilized under the new contract.

### **LIABILITIES (NON-CURRENT AND CURRENT)**

The company's liabilities (without subordinated debt instruments) reached BGN 342 million, increasing by 15% at the end of the reporting period.

The change in liabilities was due to the following factors:

### » **Non-current liabilities**

Non-current liabilities marked a slight increase of 1.6% 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 30.09.2021 of BGN 198.8 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 33.5 million and as of 30.09.2021 their amount was BGN 9.3 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 their reporting 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 30 September 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 30 September 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 increased by BGN 14.9 million and at the end of the reporting period amounted to BGN 189 million. The increase is characterized by the following changes:

- The liability under the issued bond loan (within the EMTN Programme) increased by BGN 14.9 million and at the end of the reporting period amounted to BGN 130.8 million.
- The liability on issued corporate bond loan with ISIN: BG2100013205 remains unchanged. The amount of the loan liability at the end of September 2021 amounted to BGN 58.7 million.
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Information about EMTN programme conditions (EUR and PLN) is publicly available on the Irish Stock Exchange website, Bonds section. The maturity of the EMTN Programme in PLN is on 29.12.2021, and that of EMTN Programme in EUR - on 07.12.2022.

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, and the principal is repaid once 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 favor 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 first nine months of 2021 disclose in detail the executed bond transactions for the nine months of 2021.

#### ▪ **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 0.3 million.



### ▪ Long-term liabilities to related parties

In the third quarter of the current year the liabilities on loans received from related parties increased significantly after the loan was utilized by the parent company in the amount of BGN 22.3 million. The loan was provided under a contract with an interest rate of 5.5%, with a limit of BGN 25 million and a term until the end of January 2023.

The total liability to related parties amounts to BGN 23.9 million compared to BGN 1.7 million at the end of 2020.

#### » Current liabilities

In the third quarter of 2021, Eurohold's current liabilities increased by 53.5%, amounting to BGN 117.9 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 reported in short-term liabilities, namely:
  - The first loan matures in December 2021 and for the reporting period a decrease in the liability under this loan was reported by BGN 7 million - from BGN 10.5 million at the end of 2020 to BGN 3.5 million residual principal as of 30.09. 2021 (loan parameters: agreed limit of EUR 15 million, interest rate 6.0% + EURIBOR, secured by a pledge of shares of a subsidiary).
  - Under the second loan maturing in March 2025, the current principal liabilities amount to BGN 3 million.
  - At the end of the current nine months, the Company has a liability for interest on the two loans totaling BGN 0.2 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;
- Loan in the amount of BGN 2.9 million from KJK Fund II Sicav-Sif Balkan Discovery, with maturity 01.12.2021, annual interest rate - 12.0% and face value EUR 1,500 thousand;
- Liability for redemption of own bonds with ISIN XS1731768302 from TBI Bank AD, with value date 19.11.2021 and total value as of the value date EUR 2,533 thousand.

### Bond loans

Current liabilities on bond loans increased by BGN 6.4 million as the amount includes the entire liability on the principal of the loan issued under the EMTN Programme in PLN (maturing - December 2021) in the amount of BGN 19 million, as well as liabilities under interest to bondholders of all issues amounted to BGN 7.5 million.

### Short-term liabilities to related parties

Current liabilities to related parties increased by BGN 4.3 million at the end of September 2021 and amounted to BGN 39.7 million.

### Summary information on liabilities on borrowed funds

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

<b>Loan liabilities</b>	Change %	<b>30.09.2021</b> <b>000'BGN</b>	31.12.2020 <i>000'BGN</i>
<b>Subordinated debt instruments</b>	-78%	<b>7 162</b>	<b>32 784</b>
<b>Liabilities to financial and non-financial loans:</b>	<b>5%</b>	<b>71 233</b>	<b>67 994</b>
▪ <b>Loans from financial institutions</b>	<b>-6%</b>	<b>58 281</b>	<b>61 692</b>
- <i>Non-current liabilities to banks</i>	-78%	9 276	42 747
- <i>Current liabilities to banks</i>	159%	49 005	18 945
▪ <b>Other borrowings</b>	106%	12 952	6 302
- <i>Other non-current borrowings</i>	-81%	275	1 450
- <i>Other current borrowings (Euro Commercial Papers – ECPs and borrowings from non-financial institutions)</i>	161%	12 677	4 852
<b>Bond Loan Obligations:</b>	<b>11%</b>	<b>216 068</b>	<b>194 719</b>
- <i>Non-current liabilities on bond loans, including:</i>	9%	189 480	174 531
- <i>EMTN Programme</i>	13%	130 805	115 856
- <i>Bond loan ISIN code BG2100013205</i>	0.0%	58 675	58 675
- <i>Current liabilities on bond loans (maturing principals and interests)</i>	32%	26 588	20 188
<b>Liabilities to related parties:</b>	<b>71%</b>	<b>63 547</b>	<b>37 093</b>
- <i>Non-current</i>	1301%	23 867	1 703
- <i>Current</i>	12%	39 680	35 390
<b>Total loan liabilities</b>	<b>8%</b>	<b>358 010</b>	<b>332 590</b>

### 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:

#### 30.09.2021

- 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.

#### 30.09.2020

- 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).

## CONDITIONAL OBLIGATIONS AND COMMITMENTS

### Litigations

As of 30.09.2021 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 of the date of this report a forecast for the probability of entry into force of the decrees cannot be made, the Company provisions for the same.

The company is a plaintiff in a case with a material interest of EUR 375 363.21. The company wants a refund of the amount it has transferred. The transferred amount was completely blocked on the account in Erste Bank, Novi Sad, on the basis of a prosecutor's order and an order of the civil court, and will be returned to the company after a formal decision on the above case. A final decision on the case is expected within the next 12 months. In view of the declared state of emergency in the country, it is possible to extend the term.

### 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 30.09.2021	Amount in BGN'000 as of 30.09.2021	MATURITY (EUR'000)					
			2021	2022	2023	2024	2025	After 2025
<b>Lease sub-holding</b>								
Bank loans for funding of lease operations	13 628	26 654	1 345	4 727	2 806	2 165	1 549	1 036
<b>Automotive sub-holding</b>								
Working capital bank loans	4 217	8 248	-	4 217	-	-	-	-
<b>Parent company</b>								
Working capital loans	6 000	11 735	-	6 000	-	-	-	-
Bank loans for investment purposes	5 000	9 779	-	-	-	5 000	-	-
<b>Energy sub-holding</b>								
Working capital bank loans	20 657	40 402	-	17 702	-	2 955	-	-
Loans by financial institution with regard to a business combination *	150 000	293 375	-	-	-	-	-	150 000
<b>TOTAL:</b>	<b>199 502</b>	<b>390 193</b>	<b>1 345</b>	<b>32 646</b>	<b>2 806</b>	<b>10 120</b>	<b>1 549</b>	<b>151 036</b>

\* Concluded corporate guarantee on a loan granted to a subsidiary by a financial institution. With a decision of IOSA from 18.10.2021 the amount of the corporate guarantee was increased to 220 million euro.

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

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

Company from:	Contracted limit in		MATURITY (EUR'000)	
	EUR'000 as of 30.09.2021	BGN'000 as of 30.09.2021	2021	2022
Automotive sub-holding	3 750	7 334	-	3 750
Automotive sub-holding	1 050	2 054	-	1 050
Automotive sub-holding	2 850	5 574	-	2 850

<b>TOTAL:</b>	<b>7 650</b>	<b>14 962</b>	<b>-</b>	<b>7 650</b>
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The liabilities of the Company guaranteed by related parties are as follows:

<b>Company/ Guarantor</b>	<b>Currency</b>	<b>Guaranteed liability</b>	<b>Guaranteed amount as of 30.09.2021 in original currency</b>	<b>Maturity date</b>
<b>Euroins Insurance Group AD</b>	<b>EUR</b>	<b>Issue of bonds (EMTN programme)</b>	<b>70 000 000</b>	<b>12/2022.</b>
<b>Euroins Insurance Group AD</b>	<b>PLN</b>	<b>Issue of bonds (EMTN programme)</b>	<b>45 000 000</b>	<b>12/2021</b>
<b>Euroins Insurance Group AD</b>	<b>EUR</b>	<b>Bank loan</b>	<b>15 000 000</b>	<b>07/2022</b>

Established guarantees in favor of the Company:

<b>Company/ Guarantor</b>	<b>Currency</b>	<b>Guaranteed liability</b>	<b>Guaranteed amount as of 30.09.2021 in original currency</b>	<b>Maturity date</b>
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.

#### ➤ **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 modeling 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.

#### ➤ 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 behavior 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 behavior 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.

### ➤ **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 fulfill 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.

### ➤ **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 unfavorable 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 world and dramatically affected global macroeconomics and economic growth. Due to the COVID-19 pandemic, at the end of the first and throughout the second quarter of 2020, a large part of the world economy slowed down and work in some sectors was almost completely stopped. As a result of the measures imposed by governments, a significant part of international trade has been hampered. Globally, the subsequent business results of the economic disruption caused by the pandemic are: deteriorating economic prospects, a significant increase in expected credit losses and other impairments, as well as a decrease in revenues caused 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 circumstances are all natural disasters and other cataclysms such as abrupt climate change, floods, earthquakes, civil disobedience, clashes, strikes, terrorist acts and hostilities and the like, which have an unforeseen nature. Force majeure circumstances can also be accidents on the material base of a mechanical nature due to human or system error. The occurrence of such events may disrupt the normal activities of the Company until the damages are repaired. Also, they may lead to an unpredictable change in the investor attitude and interest in connection with the market of the equity and debt securities issued by the Company.

Force majeure may also have a strong impact on the overall macroeconomic and international environment. An example of such a risk is the Pandemic, announced by the World Health Organization in the early 2020 epidemic of an acute respiratory syndrome associated with a new coronavirus (COVID-19).

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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 global business and the economy in which the Eurohold Group companies operate. At present, the COVID-19 pandemic is emerging from the fourth phase of its heyday, leaving significant uncertainties in estimating the duration of coronavirus spread and its impact. A number of countries have taken drastic new measures to control 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**

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 analysed 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.

As of the date of this Interim Consolidated Financial Statement, the pandemic is in a third wave of contagion, but economic activity has recovered significantly. At this time, insufficient statistical information is still available, both on the real effect on the Bulgarian and world economy, and on the available significant forecast data for their recovery in the coming months.

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%	3.4%	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%	2.0%	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.

	Before Covid-19		After Covid-19	
	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:



	Before Covid-19		After Covid-19	
	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 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 30 September 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.

### Political risk

The political risk reflects the influence of the political processes in the country on the economic and investment process and in particular on the return on investments. The degree of political risk is determined by the likelihood of changes in the unfavorable direction, of the government led 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 concerning the economic and investment climate in the country.

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

In the long run, no sharp deterioration of the political situation is expected, as there is a political and public consensus on the factors that maintain long-term economic stability and a stable macroeconomic framework.

No changes are expected with regard to the current tax policy on the taxation of income of individuals and legal entities, including in connection with their transactions on the capital market, as it is essential for attracting foreign investment.

Despite these expectations, it is possible that changes will occur that will partially or to a greater extent affect the policies pursued by the country. At present, Bulgaria is in a situation of relatively unstable political situation in the short term. This situation is conditioned by the regular parliamentary elections held in April 2021 and early parliamentary elections in July 2021. The parliament elected as a result of both elections could not nominate a government. This forced the President of the Republic of Bulgaria to appoint a caretaker government and to schedule the third parliamentary elections in a year, which took place in mid-November together with regular presidential elections won by the incumbent president. At this point, it is still unclear whether the winning party, which is a newly formed parliamentary group, will be able to form a government. The inability to form a stable government carries risks that have not yet manifested themselves. Uncertainty about the country's future governance is a significant risk that could affect the country's economic development.

On July 10, 2020, the European Central Bank announced that Bulgaria was officially admitted to the Exchange Rate Mechanism ERM II, and the BNB entered the so-called close cooperation with the ECB, which is access to the banking union for non-euro area countries. The central rate of the Bulgarian lev is fixed at 1 euro = 1.95583 lev. After a careful assessment of the adequacy and stability of the currency board in Bulgaria, it was accepted 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 Exchange Rate Mechanism II (ERM 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.

### 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 data from the National Statistical Institute (NSI) for the first half of of 2021, the following indicators have been reported:

- The economic activity rate for the population aged 15-64 is 72.9%, and compared to the fourth quarter of 2019, it decreases by 0.3 percentage points;

- The employment rate for the population aged 15-64 is 69.5%.
- The unemployment rate is 4.6%.
- The discouraged persons aged 15 - 64 are 53.2 thousand or 4.5% of the 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 that a country's international credit ratings will decline. Low credit ratings of the country may lead to higher interest rates, less advantageous conditions of financing the economic subjects, including the Eurohold.

On June 1, 2021, Standard & Poor's confirmed the rating of Bulgaria with a stable outlook. The international rating agency S&P Global Ratings confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB / A-2'. The outlook for the rating remains stable. According to the rating agency, the contraction of Bulgaria's economy so far has been relatively weak and mainly due to sustainable domestic demand. The slow pace of vaccination and the potential intensification of the COVID-19 pandemic could cause a weaker-than-expected recovery in external demand, which would displace some of the expected recovery in 2022. In the medium term to 2024, the large flow of funds from the EU under the previous and current multiannual funding framework, as well as the additional funds under the new instrument "Next Generation EU", will provide a solid opportunity for economic growth in Bulgaria. Although the results of the recent elections showed political fragmentation and opposition in decision-making, the rating agency does not expect these developments to postpone the most important political tasks, such as joining the eurozone or absorbing funds from EU programs.

Even in this challenging domestic political environment and in a pandemic, Bulgaria has maintained a strong fiscal position. S&P Global Ratings expects fiscal consolidation to further reduce deficits by 2022, keeping net government debt low at 20% of GDP in the coming years. External risks also appear to be manageable after several years of declining net external debt, thanks to a series of current and capital surpluses that the rating agency expects to continue.

The stable outlook reflects the expectation that, following the relatively limited contraction of the economy in 2020, the economic recovery over the next two years will not lead to imbalances in the external or financial sector. This development would allow for rapid fiscal consolidation and the maintenance of low government debt.

The rating agency would raise the credit rating if Bulgaria's economic recovery is accompanied by faster fiscal consolidation or a stronger external position of the country than projected. In the long run, the rating could be raised as the country joins the eurozone. Factors that could lead to a downgrade include a deepening economic downturn or a slowdown in the subsequent recovery. This is likely to lead to delayed fiscal consolidation and a steady increase in net public debt over the next few years. Although unlikely, in the medium term S&P Global Ratings would take negative action on the rating assessment if imbalances occur in the country's financial sector.

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

On July 24, 2021, Fitch Ratings confirmed the 'BBB' rating of Bulgaria with a positive outlook. The positive outlook reflects lower COVID-19 macroeconomic risks and higher economic resilience, as well as continued progress towards the euro area. According to the rating agency, the short-term negative risks associated with the pandemic and election uncertainty are largely offset by the prospect of significant EU financial resources and a commitment to macroeconomic and fiscal stability.

The country's rating is supported by a good external and fiscal position, a sound political framework for EU membership and the long-standing functioning of the currency board arrangement. The assessment is limited by potential growth due to adverse demographic developments that may affect public finances in the long run. Governance and income level indicators slightly exceed the median of countries with similar ratings. Fitch expects Bulgaria's economic growth to accelerate to 4.7% in 2021 from an estimate of 3% in February. The upward revision reflects the better-than-expected GDP recovery in the first quarter of 2021 and the expected strengthening of domestic demand and exports in the second half of the year. The low vaccination rate in Bulgaria compared to the EU average poses some negative risks related to the pandemic, but according to the agency it is unlikely that the authorities will introduce stricter restrictive measures that would significantly affect economic activity in the country.

In the medium term, investments are expected to be a leading factor for growth, as Bulgaria will be one of the main beneficiaries of the EU budget in the coming years. Fitch analysts believe that the significant

amount of funds under the Mechanism for Recovery and Sustainability (MFA) will support economic growth, which is estimated at 3.9% in 2022-2023.

The rating agency estimates the budget deficit (on an accrual basis) at 5% of GDP in 2021 (compared to a median of 5.5% for countries with similar ratings), mainly affected by COVID-19-related expenditure. The deficit is expected to narrow to 2% in 2023, which will keep the debt / GDP ratio below 30% (compared to 57% in countries with similar ratings). Fitch defines the plan for the introduction of the euro in 2024 as realistic. The banking sector of the country is assessed as liquid and well capitalized.

The main factors that could lead to an upgrade are: progress towards joining the euro area and improving the growth potential of the economy, leading to a faster convergence of income levels with that of higher-rated countries. Factors that could lead to a downgrade are: adverse policy developments that reduce confidence in economic recovery; prolonged increase in public debt; materialization of contingent liabilities in the state budget balance or weaker growth prospects.

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

The undertaking of a consistent and long-term economic policy in Bulgaria would be a valid reason for the potential increase of the country's credit rating, which in turn would have a favorable impact on the Eurohold economic group, expressed in the financing opportunities of the Group. In the event of a downgrade of Bulgaria's credit rating due to unstable management of the country, it may have a negative impact on the Group and on the cost of financing, unless its loan agreements are not with fixed interest rates.

### **Inflation risk**

The inflation risk is related to the possibility of inflation influencing the real return of investments. The main risks associated with the inflation forecast refer to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices may increase more significantly as a result of political crises or increased demand. The limited supply of certain agricultural commodities, especially of cereals, internationally, in connection with adverse climatic events, may additionally cause higher inflation in the country.

According to NSI data, the consumer price index for October 2021 compared to September 2021 is 101.8%, i.e. the monthly inflation is 1.8%. The inflation since the beginning of the year (October 2021 compared to December 2020) is 5.4%, and the annual inflation for October 2021 compared to October 2020 is 6.0%.

The average annual inflation for the period November 2020 - October 2021 compared to the period November 2019 - October 2020 is 2.1%.

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

Inflation may affect the amount of the Company's costs as part of the company's liabilities are interest-bearing. Their servicing is related to the current interest rates which reflect the inflation level in the country. Therefore, maintaining low inflation levels in the country is considered a significant factor in the activities of the Eurohold Group.

At present and in general, the currency board mechanism provides guarantees that inflation in the country will remain under control and will not adversely affect the country's economy, and in particular the activities of the Company and its group, and hence its ability to service its debt positions.

Given this, each investor should well understand and account for both the current levels of inflation risk and the future opportunities for its manifestation.

### **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.

### **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.

### **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,  
26 November 2021

**Assen Minchev,**

*Executive director*

**Milena Guentcheva,**

*Procurator*

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

<i>In thousand BGN</i>	<i>Notes</i>	30.09.2021	30.09.2020
<b>Revenue from operating activities</b>			
Revenue from insurance business	3	1 290 882	1 057 291
Revenue from energy business	5	327 989	-
Revenue from car sales and after sales	7	135 416	115 792
Revenue from leasing business	8	18 511	15 634
Revenue from asset management and brokerage	10	7 983	5 845
Revenue from the activities of the parent company	12	1 162	1 532
		<b>1 781 943</b>	<b>1 196 094</b>
<b>Expenses of operating activities</b>			
Expenses of insurance business	4	(1 233 495)	(1 014 990)
Expenses of energy business	6	(273 315)	-
Cost of cars and spare parts sold		(104 905)	(99 559)
Expenses of leasing business	9	(6 949)	(5 583)
Expenses of asset management and brokerage	11	(5 772)	(5 539)
Expenses of the activities of the parent company	13	(383)	-
		<b>(1 624 819)</b>	<b>(1 125 671)</b>
<b>Gross Operating Profit</b>		<b>157 124</b>	<b>70 423</b>
Other income/(expenses), net	14	2 473	1 319
Other operating expenses	15	(87 775)	(52 660)
(Accrued)/recovered impairment loss on financial assets, net	16	(3 859)	(977)
<b>EBITDA</b>		<b>67 963</b>	<b>18 105</b>
Financial expenses	17	(32 573)	(17 370)
Financial income	18	1 032	133
Foreign exchange gains/(losses), net	19	152	1 388
<b>EBTDA</b>		<b>36 574</b>	<b>2 256</b>
Depreciation and amortization	20	(30 996)	(14 800)
<b>EBT</b>		<b>5 578</b>	<b>(12 544)</b>
Tax expenses	21	(1 225)	(305)
<b>Net profit for the period</b>		<b>4 353</b>	<b>(12 849)</b>
Net profit, attributable to:			
Equity holders of the parent		959	(13 384)
Non-controlling interests		3 394	535

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 26.11.2021

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of profit or loss and other comprehensive income**  
**for the first nine months of 2021 (continued)**

<i>In thousand BGN</i>	Notes	30.09.2021	30.09.2020
<b>Net profit for the period</b>	48	<b>4 353</b>	<b>(12 849)</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		71	(78)
Exchange differences on translating foreign operations		865	(7 353)
<b>Other comprehensive income for the period, net of tax</b>		<b>936</b>	<b>(7 431)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>5 289</b>	<b>(20 280)</b>
Total comprehensive income, attributable to:		957	(20 384)
Equity holders of the parent		4 332	104
Non-controlling interests		<b>5 289</b>	<b>(20 280)</b>

Prepared by:

/Ivan Hristov/

Signed on behalf of BoD:

/Assen Minchev/

Procurator:

/Milena Guentcheva/

Date: 26.11.2021



**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of financial position**  
**as of 30.09.2021**

<i><b>In thousand BGN</b></i>	<i>Notes</i>	30.09.2021	31.12.2020
<b>ASSETS</b>			
Cash and cash equivalents	20	333 149	68 800
Time Deposits at banks	21	31 570	23 455
Reinsurers' share in technical reserves	22.1	610 316	523 261
Insurance receivables	22.2	176 392	149 128
Trade receivables	23	253 082	45 608
Other receivables	24	145 521	68 426
Machinery, plant and equipment	25, 25.3-7	742 039	46 702
Intangible assets	27	17 553	4 358
Inventory	28	34 600	26 634
Financial assets	29	351 850	341 981
Deferred tax assets	30	16 041	11 544
Land and buildings	25, 25.1-2	163 571	53 247
Investment property	26	1 865	9 652
Investments in associates and other investments	31	12 015	10 849
Other financial investments	32	1 183	1 861
Non-current receivables	33	49 335	51 234
Goodwill	37	269 758	190 397
<b>TOTAL ASSETS</b>		<b>3 209 840</b>	<b>1 627 137</b>

Prepared by:

/Ivan Hristov/

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/Assen Minchev/

Procurator:

/Milena Guentcheva/

Date: 26.11.2021

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of financial position**  
**As of 30.09.2021 (continued)**

<i>In thousand BGN</i>	Notes	30.09.2021	31.12.2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	47.1	260 500	197 526
Treasury shares	47.1	(9 977)	(97)
Share Premium	47.2	144 030	49 568
General reserves		7 641	7 641
Revaluation and other reserves		(67 166)	(68 559)
Retained earnings/(losses)		(84 023)	(36 496)
Profit for the year	48	959	(43 807)
<b>Equity attributable to equity holders of the parent</b>		<b>251 964</b>	<b>105 776</b>
Non-controlling interests	49	297 623	29 167
<b>Total Equity</b>		<b>549 587</b>	<b>134 943</b>
<b>Subordinated debts</b>	38	<b>41 599</b>	<b>76 985</b>
<b>LIABILITIES</b>			
Bank and non-bank loans	39	897 750	174 341
Obligations on bond issues	40	222 092	163 342
Non-current liabilities	41	62 709	14 345
Current liabilities	42	160 552	61 906
Trade and other payables	43	276 047	117 148
Payables to reinsurers	44	42 635	46 855
Deferred tax liabilities	45	14 403	342
		<b>1 676 188</b>	<b>578 279</b>
<b>Insurance reserves</b>	46	942 466	836 930
		<b>942 466</b>	<b>836 930</b>
<b>Total liabilities and subordinated debts</b>		<b>2 660 253</b>	<b>1 492 194</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 209 840</b>	<b>1 627 137</b>

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Procurator:

/Milena Guentcheva/

Date: 26.11.2021

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of cash flows**  
**for the first nine months of 2021**

<i>In thousand BGN</i>	<i>Notes</i>	30.09.2021	30.09.2020
<b>Operating activities</b>			
<b>Profit for the period before tax:</b>		<b>5 578</b>	<b>(12 544)</b>
Adjustments for:			
Depreciation and amortization	20	30 996	14 800
Foreign exchange gain/(loss)		(2 133)	(4 747)
Dividends		(122)	(26)
Net investment income (interest income and expense)x		19 475	8 351
Tax costs		(1 225)	305
Provision costs		2 946	3 824
Change in Investments in associates and other enterprises		1 166	(529)
Loss / (profit) from sales of investments		(9 575)	-
Other non-monetary adjustments		(18 681)	(2 564)
<b>Operating profit before change in working capital</b>		<b>28 425</b>	<b>6 870</b>
Change in trade and other receivables		(396 989)	135 694
Change in inventory		7 966	(46 322)
Change in trade and other payables and other adjustments		327 864	(90 320)
<b>Cash generated from operating activities</b>		<b>(32 734)</b>	<b>5 922</b>
Interest (paid)/received		490	2 488
Income tax paid		(2 296)	(1 967)
<b>Net cash flows from operating activities</b>		<b>(34 540)</b>	<b>6 443</b>
<b>Investing activities</b>			-
Purchase of property, plant and equipment		(21 679)	(3 476)
Proceeds from the disposal of property, plant and equipment		10 318	765
Loans granted		(176 709)	(39 325)
Repayment of loans, including financial leases		47 757	30 027
Interest received on loans granted		1 626	1 401
Purchase of investments		(229 041)	(162 650)
Sales of investments		272 241	195 689
Dividends received		2 434	5 085
Effect of exchange rate changes		333	(16)
In business combination, net of cash acquired		(420 431)	-
Other proceeds/(payments) from investing activities, net		3 315	1 856
<b>Net cash flows from investing activities</b>		<b>(509 836)</b>	<b>29 356</b>

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/Milena Guentcheva/

Date: 26.11.2021

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of cash flows**  
**for the nine months of 2021 (continued)**

<i>In thousand BGN</i>	<i>Notes</i>	30.09.2021	30.09.2020
<b>Financing activities</b>			
Proceeds from the issue of securities		157 436	-
Proceeds from loans		824 580	91 216
Repayment of loans		(150 589)	(41 443)
Lease repayments		(12 066)	(13 766)
Payment of interest, charges, commissions on investment loans		(8 869)	(6 927)
Dividends paid		(1 180)	(99)
Other proceeds/(payments) from financing activities, net		(587)	976
<b>Net cash flows from financing activities</b>		<b>808 725</b>	<b>29 957</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>264 349</b>	<b>65 756</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>333 149</b>	<b>157 446</b>

Prepared by:

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/Milena Guentcheva/

Date: 26.11.2021

**Eurohold Bulgaria AD**  
**Interim condensed consolidated statement of changes in equity**  
**For the first nine months of 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	(524)	-	-	-	-	(524)	-	(524)
Dividends	-	-	-	-	-	-	(637)	(637)
Change in non-controlling interest due to transactions without change of control	-	-	-	6 034	7 041	13 075	(2 566)	(10 509)
Change in non-controlling interest due to business combination	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	(13 384)	(13 384)	535	(12 849)
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	(6 988)	-	(6 988)	(365)	(7 353)
Change in reserve for subsequent valuations of associates	-	-	-	63	-	63	(63)	-
Changes in the fair value of financial assets through other comprehensive income	-	-	-	(75)	-	(75)	(3)	(78)
<b>Total other comprehensive income</b>	-	-	-	<b>(7 000)</b>	-	<b>(7 000)</b>	<b>(431)</b>	<b>(7 431)</b>
<b>Total comprehensive income</b>	-	-	-	<b>(7 000)</b>	<b>(13 384)</b>	<b>(20 384)</b>	<b>104</b>	<b>(20 280)</b>
<b>Balance as of 30 September 2020</b>	<b>195 649</b>	<b>49 568</b>	<b>7 641</b>	<b>(53 909)</b>	<b>(49 507)</b>	<b>149 442</b>	<b>30 324</b>	<b>179 766</b>
<b>Balance as of 1 January 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>
Issue of capital	62 974	94 462	-	-	-	157 436	-	157 436
Treasury shares repurchased	(9 880)	-	-	-	-	(9 880)	-	(9 880)
Dividends	-	-	-	-	-	-	(930)	(930)
Change in non-controlling interest due to transactions without change of control	-	-	-	1 395	(3 720)	(2 325)	(11 639)	(13 964)
Change in non-controlling interest due to business combination	-	-	-	-	-	-	276 693	276 693
Profit for the period	-	-	-	-	959	959	3 394	4 353
<b>Other comprehensive income:</b>								
Revaluation reserve from recalculations in the foreign currency presentation	-	-	-	100	-	100	(29)	71
Change in reserve for subsequent valuations of associates	-	-	-	-	-	-	-	-
Changes in the fair value of financial assets through other comprehensive income	-	-	-	(102)	-	(102)	967	865
<b>Total other comprehensive income</b>	-	-	-	<b>(2)</b>	-	<b>(2)</b>	<b>938</b>	<b>936</b>
<b>Total comprehensive income</b>	-	-	-	<b>(2)</b>	<b>959</b>	<b>957</b>	<b>4 332</b>	<b>5 289</b>
<b>Balance as of 30 September 2021</b>	<b>250 523</b>	<b>144 030</b>	<b>7 641</b>	<b>(67 166)</b>	<b>(83 064)</b>	<b>251 964</b>	<b>297 623</b>	<b>549 587</b>

Prepared by:

Signed on behalf of BoD:

Procurator:

/Ivan Hristov/

/Assen Minchev/

/Milena Guentcheva/

Date: 26.11.2021

Interim condensed consolidated statement of profit or loss by business segments  
for the first nine months of 2021

In thousand BGN

		30.09.2021	30.09.2021	30.09.2021	30.09.2021	30.09.2021	30.09.2021	30.09.2021	30.09.2021
	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	1 290 882	1 292 492	-	-	-	-	-	(1 610)
Revenue from energy business	5	327 989	-	328 017	-	-	-	-	(28)
Revenue from car sales and after sales	7	135 416	-	-	140 755	-	-	-	(5 339)
Revenue from leasing business	8	18 511	-	-	-	19 289	-	-	(778)
Revenue from asset management and brokerage	10	9 078	-	-	-	-	9 078	-	-
Revenue from the activities of the parent company	12	1 162	-	-	-	-	-	1 420	(258)
		1 783 038	1 292 492	328 017	140 755	19 289	9 078	1 420	(8 013)
<b>Expenses of operating activities</b>									
Expenses of insurance business	4	(1 233 495)	(1 239 796)	-	-	-	-	-	6 301
Expenses of energy business	6	(273 315)	-	(273 315)	-	-	-	-	-
Cost of cars and spare parts sold		(104 905)	-	-	(104 905)	-	-	-	-
Expenses of leasing business	9	(6 949)	-	-	-	(7 051)	-	-	102
Expenses of asset management and brokerage	11	(6 867)	-	-	-	-	(5 772)	-	(1 095)
Expenses of the activities of the parent company	13	(383)	-	-	-	-	-	(457)	74
		(1 625 914)	(1 239 796)	(273 315)	(104 905)	(7 051)	(5 772)	(457)	5 382
<b>Gross profit</b>									
		157 124	52 696	54 702	35 850	12 238	3 306	963	(2 631)
Other income/(expenses), net	14	2 473	-	279	2 020	159	60	-	(45)
Other operating expenses	15	(87 775)	(34 083)	(24 926)	(15 791)	(6 355)	(1 159)	(6 308)	847
(Accrued)/recovered impairment loss on financial assets, net	16	(3 859)	-	(2 068)	(679)	(1 100)	18	(30)	-
<b>EBITDA</b>		67 963	18 613	27 987	21 400	4 942	2 225	(5 375)	(1 829)
Financial expenses	17	(32 573)	(4 744)	(12 211)	(2 346)	(42)	(33)	(14 958)	1 761
Financial income	18	1 032	-	505	664	-	-	-	(137)
Foreign exchange gains/(losses), net	19	152	-	-	(34)	-	-	186	-
<b>EBTDA</b>		36 574	13 869	16 281	19 684	4 900	2 192	(20 147)	(205)
Depreciation and amortization	20	(30 996)	(5 365)	(15 766)	(4 415)	(4 804)	(165)	(510)	29
<b>EBT</b>		5 578	8 504	515	15 269	96	2 027	(20 657)	(176)
Tax expenses	21	(1 225)	(995)	(227)	-	-	(3)	-	-
<b>Net profit for the period</b>		4 353	7 509	288	15 269	96	2 024	(20 657)	(176)

These interim condensed consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD. The notes are integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of profit or loss by business segments  
for the first nine months of 2020

In thousand BGN

		30.09.2020	30.09.2020	30.09.2020	30.09.2020	30.09.2020	30.09.2020	30.09.2020	30.09.2020
	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	1 057 291	1 058 559	-	-	-	-	-	(1 268)
Revenue from energy business	5	-	-	-	-	-	-	-	-
Revenue from car sales and after sales	7	115 792	-	-	121 175	-	-	-	(5 383)
Revenue from leasing business	8	15 634	-	-	-	16 370	-	-	(736)
Revenue from asset management and brokerage	10	5 845	-	-	-	-	6 622	-	(777)
Revenue from the activities of the parent company	12	1 532	-	-	-	-	-	2 230	(698)
		<b>1 196 094</b>	<b>1 058 559</b>	<b>-</b>	<b>121 175</b>	<b>16 370</b>	<b>6 622</b>	<b>2 230</b>	<b>(8 862)</b>
<b>Expenses of operating activities</b>									
Expenses of insurance business	4	(1 014 990)	(1 021 152)	-	-	-	-	-	6 162
Expenses of energy business	6	-	-	-	-	-	-	-	-
Cost of cars and spare parts sold		(99 559)	-	-	(99 696)	-	-	-	137
Expenses of leasing business	9	(5 583)	-	-	-	(5 730)	-	-	147
Expenses of asset management and brokerage	11	(5 539)	-	-	-	-	(5 452)	-	(87)
Expenses of the activities of the parent company	13	-	-	-	-	-	-	(13)	13
		<b>(1 125 671)</b>	<b>(1 021 152)</b>	<b>-</b>	<b>(99 696)</b>	<b>(5 730)</b>	<b>(5 452)</b>	<b>(13)</b>	<b>6 372</b>
<b>Gross profit</b>		<b>70 423</b>	<b>37 407</b>	<b>-</b>	<b>21 479</b>	<b>10 640</b>	<b>1 170</b>	<b>2 217</b>	<b>(2 490)</b>
Other income/(expenses), net	14	1 319	-	-	1 062	242	16	-	(1)
Other operating expenses	15	(52 660)	(28 017)	-	(16 056)	(6 099)	(1 100)	(2 333)	945
(Accrued)/recovered impairment loss on financial assets, net	16	(977)	-	-	(231)	(764)	5	13	-
<b>EBITDA</b>		<b>18 105</b>	<b>9 390</b>	<b>-</b>	<b>6 254</b>	<b>4 019</b>	<b>91</b>	<b>(103)</b>	<b>(1 546)</b>
Financial expenses	17	(17 370)	(3 560)	-	(2 292)	(47)	(36)	(12 796)	1 361
Financial income	18	133	-	-	548	-	-	-	(415)
Foreign exchange gains/(losses), net	19	1 388	-	-	(15)	-	-	1 403	-
<b>EBTDA</b>		<b>2 256</b>	<b>5 830</b>	<b>-</b>	<b>4 495</b>	<b>3 972</b>	<b>55</b>	<b>(11 496)</b>	<b>(600)</b>
Depreciation and amortization	20	(14 800)	(5 070)	-	(4 927)	(4 257)	(140)	(512)	106
<b>EBT</b>		<b>(12 544)</b>	<b>760</b>	<b>-</b>	<b>(432)</b>	<b>(285)</b>	<b>(85)</b>	<b>(12 008)</b>	<b>(494)</b>
Tax expenses	21	(305)	(302)	-	-	-	(3)	-	-
<b>Net profit for the period</b>		<b>(12 849)</b>	<b>458</b>	<b>-</b>	<b>(432)</b>	<b>(285)</b>	<b>(88)</b>	<b>(12 008)</b>	<b>(494)</b>

These interim condensed consolidated financial statements have been approved by the Board of Directors of Eurohold Bulgaria AD. The notes are integral part of the interim condensed consolidated financial statements.

## Notes to the Interim Consolidated Financial Statements for the first nine months of 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 30.9.2021:

#### 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 30.09.2021 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 30.9.2021, 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 30.9.2021	% of participation in the share capital 31.12.2020
<b>Euroins Insurance Group AD (EIG AD) *</b>	<b>98.03%</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)	93.12%	93.12%

\*direct participation

#### Automobile Sector

Company	% of participation in the share capital 30.9.2021	% 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 OOD, 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 30.9.2021	% 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 30.9.2021	% 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%

\*direct participation

### Energy sector

Company	% of participation in the share capital 30.9.2021	% 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 EEEC B.V., the Netherlands - Acquisition date: 27.07.2021	67.00%	-
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 EEEC B.V., the Netherlands - Acquisition date: 27.07.2021	67.00%	-
CEZ Bulgaria EAD, Bulgaria, owned by EEEC B.V., the Netherlands -Acquisition date: 27.07.2021	100.00%	-
CEZ Trade Bulgaria EAD, Bulgaria, owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021	100.00%	-
Free Energy Project Oreshets EAD, Bulgaria, owned by EEEC B.V., the Netherlands - Acquisition date: 27.07.2021	100.00%	-
Bara Group EOOD, Bulgaria, owned by EEEC 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 30 September 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 30.9.2021. 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. During this review as of 30.9.2021 no indications for impairment of inventories were established.

### **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**

#### **o 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.

#### **o 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.

#### **o 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.

### o 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:

- o Sales of cars (spare parts);
- o 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> <p>1 / the client has a legal right of ownership;</p> <p>2 / The Group has transferred the physical possession of the asset;</p> <p>3 / the client carries significant risks and benefits from the asset;</p> <p>4 / The Group has an existing payment entitlement.</p> <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	<p>Separate obligation to implement. They are deferred if the Group is the principal of the extended guarantees.</p> <p>It is analyzed whether the Group is a principal or an agent.</p>	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 Vesrsiherung 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.

Income	IFRS / IAS - Applicable to Recognition of Revenue (Income)	Recognition approach
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 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 unexpired 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. 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:

- o foreign exchange swap;
- o interest rate swap;
- o forward foreign exchange and interest rate contracts;
- o futures;
- o 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 derecognized 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 lev 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%	3.4%	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%	2.0%	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.

	Before Covid-19		After Covid-19	
	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:

	Before Covid-19		After Covid-19	
	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 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 30 September 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**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Gross premiums written from insurance	829 993	660 499
Received recoveries from reinsurers	226 431	189 429
Positive change in the gross provision for unearned premiums and unexpired risk reserve	7 043	12 679
Positive change in reinsurers' share in unearned premium reserve	57 519	5 229
Change in the reinsurers' share in other reserves	40 118	91 447
Recourse income	4 901	6 252
Fees and commissions income	88 009	60 748
Investment income	21 218	27 636
Other revenue	15 650	3 372
	<b>1 290 882</b>	<b>1 057 291</b>

**4. Expenses of insurance business**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Paid claims, claims handling and prevention expenses	(488 573)	(406 654)
Change in the gross provision for unearned premiums and unexpired risk reserve	(34 145)	-
Share of the reinsurer in the change of the unearned premium reserve	(4 924)	-
Change in other technical reserves	(83 866)	(113 257)
Premiums ceded to reinsurers	(356 248)	(281 886)
Acquisition expenses	(204 685)	(150 261)
Investment expenses	(11 895)	(15 106)
Other expenses	(49 159)	(47 826)
	<b>(1 233 495)</b>	<b>(1 014 990)</b>

**5. Revenue from energy business**

	30.9.2021*	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Open market customers	189 937	-
Household consumers	93 834	-
Business consumers	35 600	-
Connections fee revenue	4 014	-
Penalties for late payments	703	-
Revenues from services for research, repair and maintenance of electricity distribution network, and commercial metering devices	1 065	-
Revenues from information, communication, technological services (ICT) and others	720	-
Revenues from the Power System Security Fund	475	-
Other income	1 641	-
	<b>327 989</b>	-

\*For the period 1.8.2021-30.9.2021

## 6. Expenses of energy business

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Costs for purchased electricity	(248 565)	-
Technological costs for electricity transmission	(19 871)	-
Balancing energy	(4 400)	-
Costs for transmission and access services	(447)	-
Other expenses	(32)	-
*For the period 1.8.2021-30.9.2021	<b>(273 315)</b>	-

## 7. Revenue from car sales and after sales

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from sale of cars and spare parts	120 108	111 559
Revenue from after sales and rent-a-car services	3 750	4 233
Profit from sale of investments	11 558	-
	<b>135 416</b>	<b>115 792</b>

## 8. Revenue from leasing business

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Revenue from services and sale of goods	13 726	10 949
Interest income	4 725	4 661
Gains from changes in exchange rates	1	1
Other financial revenue	59	23
	<b>18 511</b>	<b>15 634</b>

## 9. Expenses of leasing business

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expenses	(2 642)	(2 648)
Book value of goods sold	(4 109)	(2 699)
Foreign exchange losses	(42)	(49)
Other expenses	(156)	(187)
	<b>(6 949)</b>	<b>(5 583)</b>

## 10. Revenue from asset management and brokerage

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Interest income	376	344
Dividends	101	3
Gains from sale of financial assets and financial instruments	5 924	4 838
Other revenue	1 582	660
	<b>7 983</b>	<b>5 845</b>

**11. Expenses of asset management and brokerage**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expenses	(63)	(59)
Losses from sales of financial assets and financial instruments	(5 427)	(5 076)
Foreign exchange losses, net	(86)	(235)
Other expenses	(196)	(169)
	<b>(5 772)</b>	<b>(5 539)</b>

**12. Revenue from the activities of the parent company**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Gains from sale of financial assets and financial instruments	709	1 114
Interest income	17	-
Other revenue	436	418
	<b>1 162</b>	<b>1 532</b>

**13. Expenses of the activities of the parent company**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Losses from sales of financial assets and financial instruments	(383)	-
	<b>(383)</b>	-

**14. Other income/(expenses), net**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Other income/(expenses), net	2 473	1 319
	<b>2 473</b>	<b>1 319</b>

**14.1. Other income**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Energy business	279	-
Automotive business*	2 020	1 062
Leasing business*	159	242
Asset management and brokerage	15	15
	<b>2 473</b>	<b>1 319</b>

\*Government grants received in the first nine months of 2021 amounting to BGN 2 020 thousand for the Automotive business (Q3.2020: BGN 1 062 thousand) and BGN 159 thousand for the Leasing business (Q3.2020: BGN 82 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 N°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**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Expenses on materials	(3 737)	(1 770)
Expenses on hired services	(32 906)	(17 828)
Employee benefits expenses	(45 888)	(29 367)
Other expenses	(5 244)	(3 695)
	<b>(87 775)</b>	<b>(52 660)</b>

**15.1. Expenses on materials by segments**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Insurance business	(802)	(738)
Energy business	(1 770)	-
Automotive business	(938)	(831)
Leasing business	(210)	(194)
Asset management and brokerage	(15)	(5)
Parent company	(2)	(2)
	<b>(3 737)</b>	<b>(1 770)</b>

**15.2. Expenses on hired services by segments**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Insurance business	(11 832)	(8 282)
Energy business	(8 802)	-
Automotive business	(3 825)	(4 754)
Leasing business	(3 003)	(2 783)
Asset management and brokerage	(360)	(353)
Parent company	(5 084)	(1 656)
	<b>(32 906)</b>	<b>(17 828)</b>

**15.3. Employee benefits expenses by segments**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Insurance business	(18 524)	(16 617)
Energy business	(13 981)	-
Automotive business	(9 623)	(9 492)
Leasing business	(2 446)	(2 219)
Asset management and brokerage	(643)	(588)
Parent company	(671)	(451)
	<b>(45 888)</b>	<b>(29 367)</b>



**15.4. Other expenses by segments**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Insurance business	(2 925)	(2 380)
Energy business	(367)	-
Automotive business	(1 145)	(763)
Leasing business	(181)	(202)
Asset management and brokerage	(121)	(130)
Parent company	(505)	(220)
	<b>(5 244)</b>	<b>(3 695)</b>

**16. (Accrued) / recovered impairment loss on financial assets, net**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
(Accrued) impairment loss on financial assets	(5 297)	(1 392)
Recoverable impairment loss on financial assets	1 438	415
	<b>(3 859)</b>	<b>(977)</b>

**16.1 (Accrued) impairment loss on financial assets by segments**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Energy business	(2 068)	-
Automotive business	(1 101)	(413)
Leasing business	(2 039)	(971)
Asset management and brokerage	(44)	(8)
Parent company	(45)	-
	<b>(5 297)</b>	<b>(1 392)</b>

**16.2 Recovered impairment loss on financial assets by segments**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Automotive business	422	182
Leasing business	939	207
Asset management and brokerage	62	13
Parent company	15	13
	<b>1 438</b>	<b>415</b>

**17. Financial expenses**

	30.9.2021 <i>BGN'000</i>	30.9.2020 <i>BGN'000</i>
Interest expenses	(27 241)	(15 605)
Interest expenses – Right of use assets	(998)	(1 158)
Other financial expenses	(4 334)	(607)
	<b>(32 573)</b>	<b>(17 370)</b>

**17.1 Interest expenses by segments**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	(4 179)	(2 979)
Energy business	(8 492)	-
Automotive business	(1 410)	(1 321)
Parent company	(13 160)	(11 305)
	<b>(27 241)</b>	<b>(15 605)</b>

**17.2 Interest expenses – right of use assets by segments**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	(443)	(523)
Energy business	(30)	-
Automotive business	(402)	(495)
Leasing business	(42)	(47)
Asset management and brokerage	(32)	(35)
Parent company	(49)	(58)
	<b>(998)</b>	<b>(1 158)</b>

**17.3 Other financial expenses by segments**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Energy business	(3 689)	-
Automotive business	(440)	(361)
Parent company	(205)	(246)
	<b>(4 334)</b>	<b>(607)</b>

**18. Financial income**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Interest revenue	528	133
Other financial income	504	-
	<b>1 032</b>	<b>133</b>

**18.1 Financial income by segments**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Energy business	1	-
Automotive business	527	133
	<b>528</b>	<b>133</b>

**18.2 Other financial income by segments**

	30.9.2021	30.9.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Energy business	504	-
	<b>504</b>	-

**19. Foreign exchange gains/(losses), net**

	30.9.2021 BGN'000	30.9.2020 BGN'000
Automotive business	(34)	(15)
Parent company	186	1 403
	<b>152</b>	<b>1 388</b>

**20. Depreciation and amortization by segments**

	30.9.2021 BGN'000	30.9.2020 BGN'000
Insurance business incl. <i>Right of use assets</i>	(5 365) (2 858)	(4 986) (2 810)
Energy business incl. <i>Right of use assets</i>	(15 766) (832)	- -
Automotive business incl. <i>Right of use assets</i>	(4 398) (1 979)	(4 908) (2 221)
Leasing business incl. <i>Right of use assets</i>	(4 804) (204)	(4 257) (215)
Asset management and brokerage incl. <i>Right of use assets</i>	(153) (116)	(137) (119)
Parent company incl. <i>Right of use assets</i>	(510) (459)	(512) (462)
	<b>(30 996)</b>	<b>(14 800)</b>

**21. Tax expenses**

	30.9.2021 BGN'000	30.9.2020 BGN'000
Income tax expense	(1 627)	(524)
Deferred tax	402	219
	<b>(1 225)</b>	<b>(305)</b>

**21.1 Tax expenses by segments**

	30.9.2021 BGN'000	30.9.2020 BGN'000
Insurance business	(995)	(302)
Energy business	(227)	-
Asset management and brokerage	(3)	(3)
	<b>(1 225)</b>	<b>(305)</b>

**22. Cash and cash equivalents**

	30.9.2021 BGN'000	31.12.2020 BGN'000
Cash on hand	2 932	3 646
Deposits up to 3 months	329 350	64 133
Restricted cash	108	681
Cash equivalents	971	575
<i>Impairment</i>	(212)	(235)
	<b>333 149</b>	<b>68 800</b>

**23. Time deposits at banks by segments**

	30.9.2021 BGN'000	31.12.2020 BGN'000
Insurance business	31 709	23 594
<i>Impairment</i>	(139)	(139)
	<b>31 570</b>	<b>23 455</b>

**24. Reinsurers' share in technical reserves**

	30.9.2021 BGN'000	31.12.2020 BGN'000
Unearned premium reserve	216 177	161 103
Reserve for unexplored claims	783	5 561
Claims reserve, incl.:	393 356	352 505
<i>Reserves for incurred, but not reported claims</i>	177 343	157 423
<i>Reserves for reported, but not settled claims</i>	216 013	195 082
Other technical reserves	-	4 092
	<b>610 316</b>	<b>523 261</b>

**25. Receivables from insurance business**

	30.9.2021 BGN'000	31.12.2020 BGN'000
Receivables from direct insurance	136 413	108 227
Receivables from reinsurers or cedants	30 852	16 741
Receivables from recourse/subrogation	9 127	24 160
	<b>176 392</b>	<b>149 128</b>

**26. Trade receivables**

	30.9.2021 BGN'000	31.12.2020 BGN'000
Trade receivables	323 280	18 234
<i>Impairment</i>	(100 680)	(1 405)
Financial lease receivables	27 946	27 911
<i>Impairment</i>	(4 289)	(3 651)
Advances paid	5 376	3 252
Other	1 486	1 302
<i>Impairment</i>	(37)	(35)
	<b>253 082</b>	<b>45 608</b>

**26.1. Trade receivables by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	127	603
Energy business	309 794	-
<i>Impairment</i>	<i>(98 848)</i>	<i>-</i>
Automotive business	10 556	14 980
<i>Impairment</i>	<i>(1 119)</i>	<i>(917)</i>
Leasing business	2 691	2 469
<i>Impairment</i>	<i>(710)</i>	<i>(487)</i>
Asset management and brokerage	82	102
<i>Impairment</i>	<i>(1)</i>	<i>(3)</i>
Parent company	30	84
<i>Impairment</i>	<i>(2)</i>	<i>(2)</i>
	<b>222 600</b>	<b>16 829</b>

**27. Other receivables**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	65 276	38 566
<i>Impairment</i>	<i>(2 014)</i>	<i>(2 014)</i>
Energy business	30 744	-
<i>Impairment</i>	<i>(5 154)</i>	<i>-</i>
Automotive business	29 521	17 486
<i>Impairment</i>	<i>(76)</i>	<i>(73)</i>
Leasing business	1 098	1 397
<i>Impairment</i>	<i>(101)</i>	<i>(115)</i>
Asset management and brokerage	117	102
Parent company	1 860	1 314
<i>Impairment</i>	<i>(12)</i>	<i>(16)</i>
Prepaid expenses	20 355	10 208
Receivables under court procedures	7 659	2 640
<i>Impairment</i>	<i>(6 026)</i>	<i>(1 871)</i>
Tax receivables	2 274	802
	<b>145 521</b>	<b>68 426</b>

**27.1. Tax receivables by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	206	29
Energy business	1 756	-
Automotive business	80	436
Leasing business	94	111
Parent company	138	226
	<b>2 274</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	-	-	3 421	8 147	17 550	-	9 733	2	412	14 704	696	<b>54 665</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	-	-	-	(8 365)	(174)	-	(11 637)	(59)	(233)	(18 135)	(516)	<b>(39 119)</b>
Sale of subsidiaries***	(4 357)	-	(3 371)	(4 957)	(2 298)	-	(5 157)	-	(1 072)	-	(367)	<b>(21 579)</b>
Other changes	-	-	-	-	(12)	-	216	30	-	-	-	<b>234</b>
<b>As of 30 September 2021</b>	<b>37 712</b>	<b>169</b>	<b>177 764</b>	<b>71 356</b>	<b>1 712 957</b>	<b>5 372</b>	<b>104 321</b>	<b>692</b>	<b>10 542</b>	<b>45 400</b>	<b>8 183</b>	<b>2 174 468</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	-	32	1 074	6 188	13 387	172	7 844	56	563	-	240	<b>29 556</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	-	-	-	(1 480)	(81)	-	(4 700)	(72)	(149)	-	(23)	<b>(6 505)</b>
Sale of a subsidiaries***	-	-	(528)	(1 016)	(1 802)	-	(1 704)	-	(704)	-	(336)	<b>(6 090)</b>
Other changes	-	-	-	-	-	-	230	26	-	-	-	<b>256</b>
<b>As of 30 September 2021</b>	-	<b>114</b>	<b>95 768</b>	<b>27 548</b>	<b>1 061 886</b>	<b>3 003</b>	<b>66 514</b>	<b>594</b>	<b>8 033</b>	<b>(10)</b>	<b>5 408</b>	<b>1 268 858</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 30 September 2021</b>	<b>37 712</b>	<b>55</b>	<b>81 996</b>	<b>43 808</b>	<b>651 071</b>	<b>2 369</b>	<b>37 807</b>	<b>98</b>	<b>2 509</b>	<b>45 410</b>	<b>2 775</b>	<b>905 610</b>

\*Insurance business \*\*Energy business \*\*\*Automotive business

**28.1. Land and buildings by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	8 810	5 798
Energy business	109 524	-
Automotive business	1 374	8 705
	<b>119 708</b>	<b>14 503</b>

**28.2. Land and buildings by segments – Rights of use**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	17 729	19 417
Energy business	13 393	-
Automotive business	8 992	14 907
Leasing business	1 258	1 461
Asset management and brokerage	962	971
Parent company	1 529	1 988
	<b>43 863</b>	<b>38 744</b>

**28.3 Machinery and equipment by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	1 726	1 949
Energy business	648 829	-
Automotive business	479	997
Leasing business	37	40
	<b>651 071</b>	<b>2 986</b>

**28.4 Machinery and equipment by segments – Rights of use**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Energy business	2 369	-
	<b>2 369</b>	-

**28.5. Vehicles by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	2 693	3 706
Energy business	6 488	-
Automotive business	4 391	10 457
Leasing business	23 929	24 745
Asset management and brokerage	220	151
Parent company	86	130
	<b>37 807</b>	<b>39 189</b>

**28.6. Vehicles by segments – rights of use**

	30.9.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Energy business	98	-
	<b>98</b>	-

**28.7. Furniture and fittings and other assets by segments**

	30.9.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Insurance business	1 031	814
Energy business	2 213	-
Automotive business	1 878	2 685
Leasing business	114	118
Asset management and brokerage	47	32
Parent company	1	1
	<b>5 284</b>	<b>3 650</b>

**28.7. Assets under construction by segments**

	30.9.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
Insurance business	126	120
Energy business	45 211	-
Automotive business	73	749
Leasing business	-	8
	<b>45 410</b>	<b>877</b>

**29. Investment property**

	30.9.2021 <i>BGN'000</i>	31.12.2020 <i>BGN'000</i>
<b>Net book value at 1 January</b>	<b>9 652</b>	<b>15 703</b>
Acquired	-	-
Disposals	(7 713)	(6 305)
Revaluation / (Impairment)	(74)	-
Acquisition of subsidiaries *	-	254
<b>Net book value as at the period end</b>	<b>1 865</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	584	17	600	1 201
Acquisition of subsidiaries**	13 301	18 902	13 010	45 213
Disposals	(70)	(5)	(72)	(147)
Sale of subsidiaries***	(175)	-	-	(175)
Other changes	-	-	-	-
<b>As of 30 September 2021</b>	<b>24 542</b>	<b>19 042</b>	<b>15 235</b>	<b>58 819</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	584	17	600	1 201
Acquisition of subsidiaries**	13 301	18 902	13 010	45 213
Disposals	(70)	(5)	(72)	(147)
Sale of subsidiaries***	(175)	-	-	(175)
Other changes	-	-	-	-
<b>As of 30 September 2021</b>	<b>24 542</b>	<b>19 042</b>	<b>15 235</b>	<b>58 819</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 30 September 2021</b>	<b>7 801</b>	<b>1 297</b>	<b>8 455</b>	<b>17 553</b>

\*Insurance business \*\*Energy business \*\*\* Automotive business

### 31. Inventories by segments

	30.9.2021	31.12.2020
	BGN'000	BGN'000
Insurance business	441	438
Energy business	22 329	-
Automotive business	10 572	24 128
Leasing business	1 258	2 068
	<b>34 600</b>	<b>26 634</b>

### 32. Financial assets by segments

	30.9.2021	31.12.2020
	BGN'000	BGN'000
<b>Government bonds</b> measured at FVTPL, incl.:	35 387	96 246
<i>Insurance business</i>	34 660	95 494
<i>Asset management and brokerage</i>	727	752
<b>Government bonds</b> measured at OCI, incl.:	6 709	5 967
<i>Insurance business</i>	6 709	5 967
<b>Total government bonds</b>	<b>42 096</b>	<b>102 213</b>
<b>Corporate bonds</b> measured at FVTPL, incl.:	51 481	21 353
<i>Insurance business</i>	49 783	20 001
<i>Asset management and brokerage</i>	1 691	1 345
<i>Parent company</i>	7	7
<b>Total corporate bonds</b>	<b>51 481</b>	<b>21 353</b>
<b>Capital investments</b> measured at FVTPL, incl.:	186 529	127 598
<i>Insurance business</i>	167 359	125 528
<i>Energy business</i>	16 360	-
<i>Asset management and brokerage</i>	2 724	2 070
<i>Parent company</i>	86	-
<b>Total capital investments</b>	<b>186 529</b>	<b>127 598</b>
<b>Other financial assets</b> measured at amortised cost, incl.:	72 007	91 081
<i>Insurance business</i>	64 711	83 800
<i>Asset management and brokerage</i>	7 296	7 281
<i>Impairment</i>	(263)	(264)
<b>Total other financial assets</b>	<b>71 744</b>	<b>90 817</b>
	<b>351 850</b>	<b>341 981</b>

### 33. Deferred tax assets

	30.9.2021	31.12.2020
	BGN'000	BGN'000
Insurance business	10 861	10 804
Energy business	4 531	-
Automotive business	419	510
Leasing business	230	230
	<b>16 041</b>	<b>11 544</b>

### 34. Investments associates and other investments

	30.9.2021	31.12.2020
	BGN'000	BGN'000
Insurance business	8 119	6 457
Energy business	75	-
Asset management and brokerage	3 821	4 392
	<b>12 015</b>	<b>10 849</b>

**35. Other financial investments by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	498	1 580
Asset management and brokerage	685	281
Parent company	9	9
<i>Impairment</i>	(9)	(9)
	<b>1 183</b>	<b>1 861</b>

**36. Non-current receivables**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Finance lease receivables	49 895	51 102
<i>Impairment</i>	(654)	(652)
Subsidiaries	94	799
<i>Impairment</i>	-	(15)
	<b>49 335</b>	<b>51 234</b>

**37. Goodwill**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Euroins Insurance Group AD	165 123	165 123
Energy business*	79 361	-
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>269 758</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 30.9.2021, 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.

### 38. Subordinated debts

	30.9.2021	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	22 041	57 427
<i>Insurance business</i>	<i>14 879</i>	<i>24 643</i>
<i>Parent company</i>	<i>7 162</i>	<i>32 784</i>
	<b>41 599</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.

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 30.9.2021 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 30.9.2021 the tier 1 capital has a total value of BGN 7 162 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

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	20 209	21 872
Energy business	724 676	-
Automotive business	29 175	15 835
Leasing business	78 361	81 244
Parent company	45 329	55 390
	<b>897 750</b>	<b>174 341</b>

**39.1. Bank and non-bank loans by segments – long term**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business, incl.	19 220	21 866
<i>Loans from non-bank financial institutions</i>	<i>19 220</i>	<i>21 866</i>
Energy business, incl.:	707 375	-
<i>Bank loans</i>	<i>521 522</i>	<i>-</i>
<i>Loans from non-bank financial institutions</i>	<i>185 853</i>	<i>-</i>
Automotive business, incl.:	397	1 915
<i>Bank loans</i>	<i>397</i>	<i>1 915</i>
Leasing business, incl.:	50 818	53 870
<i>Bank loans</i>	<i>50 818</i>	<i>53 870</i>
Parent company, incl.:	9 001	41 297
<i>Bank loans</i>	<i>9 001</i>	<i>41 297</i>
	<b>786 811</b>	<b>118 948</b>

**39.2. Bank and non-bank loans by segments – short term**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business, incl.:	989	6
<i>Bank loans</i>	<i>987</i>	<i>5</i>
<i>Loans from non-bank financial institutions</i>	<i>2</i>	<i>1</i>
Energy business, incl.:	17 301	-
<i>Bank loans</i>	<i>12 782</i>	<i>-</i>
<i>Loans from non-bank financial institutions</i>	<i>4 519</i>	<i>-</i>
Automotive business, incl.:	28 778	13 920
<i>Bank loans</i>	<i>28 778</i>	<i>13 915</i>
<i>Loans from non-bank financial institutions</i>	<i>-</i>	<i>5</i>
Leasing business, incl.:	27 543	27 374
<i>Bank loans</i>	<i>27 543</i>	<i>27 374</i>
Parent company, incl.:	36 328	14 093
<i>Bank loans</i>	<i>36 328</i>	<i>14 093</i>
	<b>110 939</b>	<b>55 393</b>

**40. Bond obligations by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	14 080	14 606
Leasing business	4 500	5 212
Parent company	203 512	143 524
	<b>222 092</b>	<b>163 342</b>

**40.1 Bond obligations – long-term, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	13 591	13 542
Leasing business	4 005	2 524
Parent company	176 924	123 493
	<b>194 520</b>	<b>139 559</b>

**40.2 Bond obligations – short-term, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	489	1 064
Leasing business	495	2 688
Parent company	26 588	20 031
	<b>27 572</b>	<b>23 783</b>

**41. Non-current liabilities**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Other non-current liabilities	44 476	2 467
Finance lease liabilities	7 845	11 878
Deffered income	10 388	-
	<b>62 709</b>	<b>14 345</b>

**41.1. Other non-current liabilities by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	17	119
Energy business	19 572	-
Automotive business	1 451	1 521
Leasing business	842	795
Parent company	22 594	32
	<b>44 476</b>	<b>2 467</b>

**41.2. Finance lease liabilities – non-current, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	3 318	6 919
Leasing business	4 382	4 863
Asset management and brokerage	145	96
	<b>7 845</b>	<b>11 878</b>

**41.3. Deffered income – non-current, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Energy business	10 388	-
	<b>10 388</b>	<b>-</b>

## 42. Current liabilities

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Payables to employees	18 534	4 536
Social-security liabilities	6 300	3 248
Tax liabilities	22 409	6 619
Other current liabilities	70 940	33 960
Finance lease liabilities	4 582	6 377
Deferred income	5 922	219
Provisions	31 865	6 947
	<b>160 552</b>	<b>61 906</b>

### 42.1. Payables to employees by segments

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	3 791	3 243
Energy business	13 771	-
Automotive business	610	952
Leasing business	283	268
Parent company	79	73
	<b>18 534</b>	<b>4 536</b>

### 42.2. Social-security liabilities by segments

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	2 769	2 765
Energy business	3 144	-
Automotive business	274	386
Leasing business	82	81
Parent company	31	16
	<b>6 300</b>	<b>3 248</b>

### 42.3. Tax liabilities by segments

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	15 587	3 936
Energy business	4 837	-
Automotive business	1 131	1 976
Leasing business	507	417
Asset management and brokerage	9	77
Parent company	338	213
	<b>22 409</b>	<b>6 619</b>

**42.4. Other current liabilities by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	49 545	30 059
Energy business	18 046	-
Automotive business	116	910
Leasing business	1 627	1 460
Asset management and brokerage	360	587
Parent company	1 246	944
	<b>70 940</b>	<b>33 960</b>

**42.5. Finance lease liabilities – current, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Automotive business	1 232	2 699
Leasing business	3 326	3 678
Asset management and brokerage	24	-
	<b>4 582</b>	<b>6 377</b>

**42.6. Deferred income – current, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	-	8
Energy business	5 856	-
Automotive business	66	211
	<b>5 922</b>	<b>219</b>

**42.7. Provisions - by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	1 399	6 408
Energy business	30 131	-
Automotive business	120	259
Asset management and brokerage	215	280
	<b>31 865</b>	<b>6 947</b>

**43. Trade and other payables****43.1. Trade and other payables by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	66 443	4 179
Energy business	107 038	-
Automotive business	19 816	43 153
Leasing business	3 110	1 644
Asset management and brokerage	6	60
Parent company	29 306	27 522
	<b>225 719</b>	<b>76 558</b>



**43.2. Leasing liabilities – rights of use, by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	20 603	20 793
<i>Short-term</i>	3 822	2 713
<i>Long-term</i>	16 781	18 080
Energy business	16 319	-
<i>Short-term</i>	2 179	-
<i>Long-term</i>	14 140	-
Automotive business	9 428	15 124
<i>Short-term</i>	1 580	2 499
<i>Long-term</i>	7 848	12 625
Leasing business	1 313	1 533
<i>Short-term</i>	191	269
<i>Long-term</i>	1 122	1 264
Asset management and brokerage	1 002	1 001
<i>Short-term</i>	114	102
<i>Long-term</i>	888	899
Parent company	1 663	2 139
<i>Short-term</i>	405	686
<i>Long-term</i>	1 258	1 453
	<b>50 328</b>	<b>40 590</b>

**44. Payables to reinsurers**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	42 635	46 855
	<b>42 635</b>	<b>46 855</b>

**45. Deferred tax liabilities by segments**

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	2	2
Energy business	14 202	-
Automotive business	62	203
Leasing business	137	137
	<b>14 403</b>	<b>342</b>

#### 46. Insurance reserves

	30.9.2021 BGN'000	31.12.2020 BGN'000
Unearned premium reserve, gross amount	297 484	264 273
<i>Reinsurers' share in unearned premium reserve</i>	<i>(216 177)</i>	<i>(161 103)</i>
Unexpired risks reserve, gross amount	1 359	8 537
<i>Reinsurers' share in Unexpired risks reserve</i>	<i>(783)</i>	<i>(5 561)</i>
Reserve for incurred but not reported claims, gross amount	235 958	208 749
<i>Reinsurers' share in reserve for incurred but not reported claims</i>	<i>(177 343)</i>	<i>(157 423)</i>
Reserve for reported but not settled claims, gross amount	402 487	342 783
<i>Reinsurers' share in reserve for reported but unsettled claims</i>	<i>(216 013)</i>	<i>(195 082)</i>
Other technical reserve, gross amount	258	7 814
<i>Reinsurers' share in other technical reserves</i>	<i>-</i>	<i>(4 092)</i>
Mathematical reserves	4 920	4 774
	<b>942 466</b>	<b>836 930</b>

#### 47. Share capital and share premium

##### 47.1 Share capital

	30.9.2021 BGN'000	31.12.2020 BGN'000
Issued shares	260 500	197 526
Treasury shares	(9 977)	(97)
<b>Share capital</b>	<b>250 523</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 30.9.2021, 9 977 227 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 30.9.2021 is distributed as follows:

Share holders	%	Voting rights	Par value
Starcom Holding AD	51.36%	133 793 415	133 793 415
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.	9.16%	23 853 801	23 853 801
Other legal entities	26.98%	70 292 984	70 292 984
Other individuals	1.71%	4 442 927	4 442 927
<b>Total</b>	<b>100.00%</b>	<b>260 500 000</b>	<b>260 500 000</b>

##### 47.2 Share premium

	30.9.2021 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

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Current result attributable to the shareholders	959	(43 807)
Current result attributable to the non-controlling interest	3 394	264
	<b>4 353</b>	<b>(43 543)</b>

#### 48.1. Net profit for the year by segments

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Insurance business	7 509	(27 950)
Energy business	288	-
Automotive business	15 269	1 541
Leasing business	96	(544)
Asset management and brokerage	2 024	223
Parent company	(20 657)	(16 754)
Profit/(Loss) attributable to the non-controlling interest	(3 394)	(264)
Intercompany eliminations of dividends and other	(176)	(59)
	<b>959</b>	<b>(43 807)</b>

#### 49. Non-controlling interests

	30.9.2021	31.12.2020
	<i>BGN'000</i>	<i>BGN'000</i>
Non-controlling interest attributable to profit	3 394	264
Non-controlling interest attributable to equity	294 229	28 903
	<b>297 623</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.

Management will continue to monitor the potential impact and will take all possible steps to mitigate the potential effects.

#### **47.2. Parent company**

47.2.1. Extraordinary session of the General Meeting of the Shareholders

On 18.10.2021, after the extraordinary session of the General Meeting of the Shareholders, the following is voted:

- increase of a corporate guarantee issued by Eurohold Bulgaria AD from EUR 150 million to EUR 220 million; and
- election of an auditor for 2021 - Grant Thornton Ltd.

47.2.2. On November 26, 2021 the parent company made a second interest payment on a corporate bond issue with the issuer Eurohold Bulgaria AD and ISIN code BG2100013205.

#### **47.3. Euroins Insurance Group AD**

47.3.1. Pursuant to a Decision of September 2021 on a simultaneous reduction and increase of the capital under the Commercial Law of the subsidiary Euroins Insurance Group AD (EIG), on 07.10.2021 the European Bank for Reconstruction and Development (EBRD) paid EUR 18 900 thousand for the subscribed 36 965 187 newly issued ordinary, registered, available, non-preferred voting shares with a nominal and issue value of BGN 1 each. The funds will be used for the development and growth of the largest subsidiary of the group - Euroins Romania Insurance Reinsurance. The funding will also support the activities and growth of the EIG in Georgia, Greece, Northern Macedonia, Poland and Ukraine. To the extent that the Decision of the General Meeting of Shareholders of EIG of 20.09.2021. provides for the reduction of the capital to be carried out only if the simultaneous increase of the capital provided in the same decision is made, on 07.10.2021 the capital of the Company is reduced by the invalidation of 19 229 057 ordinary, registered, available, non-preferred shares. After the procedure, the capital of EIG in the amount of BGN 576 242 734 distributed in 576 242 734 shares with a par value of BGN 1 each, entered in the Commercial Register on 14.10.2021.

47.3.2. On November 3, 2021, the last transfer of shares in the amount of 10,681,773 was made, with which the commitment to repurchase the shares held 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.

#### **47.4. CEZ Group**

In November 2021, 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 BV increased its shares in both companies to 88.2% (by acquiring additional 408,552 shares or 21.2%) of the capital of CEZ Distribution Bulgaria AD and 69.3% (by acquiring additional 117 shares or 2.3%). ) from the capital of CEZ Electro Bulgaria AD.

#### **47.5. Avto Union AD**

In the middle of November of 2021 Avto Union AD signed a preliminary agreement for the sale of its subsidiary Star Motors EOOD, an official importer of Mazda cars in Bulgaria and Republic of North Macedonia.

#### **47.6. Eurolease group AD**

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.

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:*

### **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;

**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 REPORT OF EUROHOLD BULGARIA FOR Q3'2021**

*in accordance with art. 33, par. 1 of Ordinance No. 2 of September 17, 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies and the other issuers of securities*

### **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 another 11,307,556 shares of the capital of its subsidiary Euroins Insurance Group AD;

As of February 11, 2021, Euroins Insurance Group AD is the sole owner of the capital of Chad Euroins Insurance Company (Belarus), following a procedure to reduce the capital of the Company in connection with a decision taken in January 2021 by The General Meeting of the Company for invalidation of the shares held by the Company (repurchased shares in the amount of 1,448 shares) and respective reduction of the capital;

Euroins Insurance Group AD has increased its participation in its subsidiary Euroins Romania Asigurare-Reasigurare SA up to 98.54%, through an increase in the company's capital;

In July 2021, there was a change in the structure of the energy group as follows: "Eastern European Electric Company II" B.V. is the owner of "Eastern European Electric Company III" B.V., in turn "Eastern European Electric Company III" B.V. is the owner of the Eastern European Electric Company B.V.;

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 has acquired a 67% interest in CEZ Distribution Bulgaria - the largest distributor of electricity in Bulgaria (with 40% market share) and CEZ Electro Bulgaria – the largest power supplier in Bulgaria, in addition to 100% of the capital of CEZ Trade Bulgaria – the largest electricity trader in Bulgaria. Other assets acquired included IT services company CEZ ICT Bulgaria, solar park Free Energy Project Oreshetz, biomass-fired power plant Bara Group, and CEZ Bulgaria, the coordinator of CEZ Group's units in Bulgaria.

The automobile 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.

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 Auto Union AD - owning 80% of the capital of CHINA MOTOR COMPANY AD.

On 03.09.2021 in the commercial register at the Registry Agency on the account of the company Bulvaria Varna EOOD a change of the name of the company was entered, as from that moment it is Bulvaria EOOD.

On 08.09.2021 in the Commercial Register at the Registry Agency on the account of the company Motohub OOD was entered a change in the legal form of the company, as from that moment it is a sole proprietorship with limited liability with a sole owner of the capital Auto Union AD.

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.

### **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	133 793 415	51.36%
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>	23 853 801	9.16%

**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 Notes to the separate Financial statement for Q3'2021. 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 9

according to the requirements of Article 33, paragraph 1, item 3 of ORDINANCE № 2 of 17.09.2003 on prospectuses for public offering and admission to trading on a regulated securities market and for the disclosure of information

- 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**

Following a decision of the Management Board, a partial repayment in the amount of BGN 25,932 thousand of the subordinated debt instrument, representing unissued tier 1 capital to Starcom Holding AD;

Loan from KJK Fund II Sicav-Sif Balkan Discovery, with maturity 01.12.2021, annual interest rate - 12.0% and nominal value EUR 1,500 thousand;

Disbursed loan from the parent company (Starcom Holding AD) in the amount of BGN 22.3 million. The loan was provided under a contract at an interest rate of 5.5%, with a limit of BGN 25 million and a term until the end of January 2023 ;

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).

- 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. Since the beginning of 2021, Eurohold Bulgaria AD has acquired another 11,307,556 shares of the capital of its subsidiary Euroins Insurance Group AD.



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.

As a result of the acquisition, the participation in the capital of the subsidiary insurance subholding was increased to 98.03%, with which the total shares held by Eurohold Bulgaria AD amount to 543,445,791 shares.

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 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.

## **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 September 30, as well as to the date of preparation of this document are disclosed in detail in the Interim Condensed Activity Report as of September 30, 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 interim financial statements for Q3'2021, 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 interim management report of Eurohold Bulgaria AD for Q3'2021 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