

# **CONSOLIDATED MANAGEMENT REPORT FOR 2022**

**ACCOMPANIED BY**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED DECEMBER 31, 2022 AND  
INDEPENDENT AUDITOR'S REPORT**

(This document is a translation of the original Bulgarian text,  
in case of divergence the Bulgarian original shall prevail)

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## **CONSOLIDATED MANAGEMENT REPORT FOR 2022**

*THIS MANAGEMENT REPORT IS PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF ART. 100N, PAR.7 OF THE PUBLIC OFFERING OF SECURITIES ACT, ART. 45 AND ART. 47 OF THE ACCOUNTANCY ACT, ART. 187E, AND ART. 247 OF THE COMMERCIAL ACT, ART. 11 AND APPENDIX No.2 TO THE ORDINANCE No.2 OF NOVEMBER 09, 2021 FOR THE INITIAL AND SUBSEQUENT DISCLOSURE OF INFORMATION IN PUBLIC OFFERING AND ADMISSION OF SECURITIES FOR TRADING ON A REGULATED MARKET*

## Selected performance indicators

*Information pursuant to Art.39, item 2 of the Accountancy Act*

Financial indicators		2022	2021 restated	2020*
Net revenue	BGN thousand	812,431	493,393	390,521
	EUR thousand	415,389	252,268	199,670
Gross margin from sales of goods <sup>1</sup>	BGN thousand	65,487	53,453	51,005
	EUR thousand	33,483	27,330	26,078
	%	8.1	10.9	13.4
EBITDA <sup>2</sup>	BGN thousand	27,498	(1,636)	(795)
	EUR thousand	14,060	(836)	(406)
	%	3.3	(0.3)	(0.2)
EBIT <sup>3</sup>	BGN thousand	16,921	(5,059)	(6,453)
	EUR thousand	8,652	(2,587)	(3,299)
	%	2.0	(1.0)	(1.6)
Net profit (loss)	BGN thousand	11,961	(7,750)	(8,929)
	EUR thousand	6,116	(3,963)	(4,565)
	%	1.4	(1.6)	(2.3)
Share price <sup>4</sup>	BGN	0.20	0.30	0.41
	EUR	0.10	0.15	0.21
Assets	BGN thousand	192,145	127,028	149,716
	EUR thousand	98,242	64,948	76,549
Debt <sup>5</sup>	BGN thousand	50,995	42,863	46,551
	EUR thousand	26,073	21,916	23,801
Shareholders' equity	BGN thousand	20,058	3,353	28,802
	EUR thousand	10,255	1,714	14,726
Capital expenditure	BGN thousand	320	912	660
	EUR thousand	164	466	337

<sup>1</sup> Gross margin is estimated as difference between revenue from sales of goods and cost of goods sold, the percentage of gross margin is calculated as gross margin is divided to the revenue.

<sup>2</sup> EBITDA (earnings before interest, tax, depreciation and amortization).

<sup>3</sup> EBIT (earnings before interest and tax).

<sup>4</sup> Closing share price as of the end of respective year on Bulgarian Stock Exchange – Sofia.

<sup>5</sup> Includes interest-bearing loans and financial lease liabilities.

\* For the year ended 2020 the indicators concerning the consolidated statements for profit or loss and other comprehensive income include also discontinued operations

## Selected performance indicators (continued)

Financial ratios	2022	2021 restated	2020
Return on average capital employed (ROACE) <sup>6</sup> (%)	20.60	(7.99)	(8.99)
Return on assets (ROA) <sup>7</sup> (%)	10.60	(3.66)	(4.46)
Debt/assets (%)	26.54	33.74	31.09
Equity/Assets (%)	10.44	2.64	19.24
Current liquidity (ratio) <sup>8</sup>	1.13	0.94	0.97
Goods turnover ratio (days) <sup>9</sup>	11	16	21
Accounts receivable collection period (days) <sup>10</sup>	10	15	21
Accounts payable payment period (days) <sup>11</sup>	31	48	60

Operating ratios	2022	2021 restated	2020
Sales of fuels (thousand liters)	337,713	259,944	238,449
Sales of fuels (tons)	526	1,522	1,523
Number of fuel stations under “Petrol” brand (end of period)	285	301	320
Number of operated fuel storage facilities (end of period)	0	1	1
Share of sales revenue – corporate sales on credit	25%	27%	28%
Number of employees (end of period)	1,044	1,190	1,257

<sup>6</sup> ROACE (return on average capital employed) – is estimated as ratio between the EBIT and the average invested capital. The latter presents the difference between assets and current liabilities to non-related parties (that are not part of Petrol Group).

<sup>7</sup> ROA (return on assets) – presents the ratio between the EBIT and the average assets.

<sup>8</sup> Current liquidity – the ratio between current assets and current liabilities

<sup>9</sup> Inventories turnover – presents the ratio between average stocks and the cost of goods sold, multiplied by 365 days.

<sup>10</sup> Accounts receivable collection period – presents the ratio between trade receivable from non-related parties and revenue from non-related parties, multiplied by 365 days.

<sup>11</sup> Accounts payable payment period – presents the ratio between trade payables to suppliers and the cost of goods sold, multiplied by 365 days.

## Group Profile

*Information pursuant to Art. 48, par. 2, item 1 of the Accountancy Act*

### Petrol today – energy for people

Petrol Group (the Group) is one of the largest players in the fuels market in Bulgaria. At the end of 2022, besides the Parent company Petrol AD, sixteen other subsidiaries are included in Petrol Group (see Group Structure). The major activities of the Group include storage, wholesale and retail trading with fuels and other petroleum products. At present, under the Petrol brand operates the most well-developed retail distribution network of fuels in the country.

As at December 31, 2022, the retail network comprises 285 filling stations evenly spread throughout the country providing national coverage. In 2022 the Group continued the process of reconstruction and modernization of the filling stations included in the retail network for distribution of fuels and other goods.

Network modernization includes several areas: a programme for modernization of existing facilities, a programme for installation of Universal type filling stations and a programme for installation of LPG and CNG stations.



As at the end of 2022, all trade sites are equipped with systems for collection of vapour emitted during unloading of fuels complying with all environmental protection requirements, while 132 of the managed sites were reconstructed into a modern European style. All kinds of unleaded gasoline and Euro diesel are sold in all filling stations, LPG is offered in 183 of the fuel stations and four sites offer methane. The sites also offer a full

range  
of

Bulgarian and imported motor and transmission lubricants, brake and antifreeze fluids, automobile cosmetics, spare parts and accessories. In addition, the newly built and reconstructed sites have fast-food places and some provide internet access to customers. The stores at the sites offer more than 4,000 items of leading Bulgarian and world producers of food, personal cosmetics, gifts, accessories, newspapers, magazines and others.



## Petrol today – energy for people (continued)

Additional facilities and services are provided in many sites such as car washes, inspection/service pits, pits for dismounting, mounting and balance of tyres and other auto services. In all sites Visa, MasterCard and Transcard are accepted. Customers can also withdraw and pay in cash.

The wholesale trading and storage of fuels during 2022 are made through the operated until 28 of February 2022 by the Group storage depot in the city of Varna and through purchases from other storage facilities operated by third-party operators. At the end of February 2022, the subsidiary Varna Storage EOOD returned its tax warehouse management license issued by the Customs Agency due to its inability to negotiate an acceptable level of renting price for the leased storage depot subject to the license.

The activities of the Group concerning wholesale and retail trading of fuels are subject to strict control regarding the implementation of ecological requirements for environmental protection. In that relation the Group continues to invest in the construction and renovation of systems for collection and recovery of vapours (VRU) in the retail trade stations and storage facilities under the requirements of *Ordinance No 16 for restriction of the emissions of volatile organic compounds in storing, loading or unloading and transportation of petrol*.

## Quality control

The company's technical and ecological standards in trade sites established by Petrol Group are at a higher level than mandatory requirements in European Union. In the petrol stations and storage facilities are stored fuels keeping all technological requirements, in compliance with the assumed quality standards. The Management of the Group relies on the high quality of the sold fuels. The Group's policy excludes any compromises with the technology and the ecological standards. The fuel stations comply with all applicable regulations and with the best European and international practices.



The uncompromising quality of the offered fuels is guaranteed by laboratories, where with the help of modern technologies, the strict control and quality analysis of fuel and petroleum products are carried out. Experts on fuels quality are testing the Group's retail stations several times per year. The Group works in closely manner with various state institutions in the field of quality control of liquid fuels.

## Mission

The mission of Petrol Group is to accomplish a stable growth on shareholders' return in a long term along with commitment to its clients, employees, partners and generally to the society.

The Group's Management relies significantly on the high professional behavior, ethics and business integrity towards its partners in achieving the ambitious corporate goals. The Management of the Group is led by its striving to high quality.



## Strategy

The Group's major strategic objective is to maintain and to develop its leading position in the Bulgarian retail and wholesale fuel distribution market. To achieve this strategic goal, a long-term strategy has been adopted, which includes several key directions:

- Increasing the efficiency of managed assets;
- Optimizing and expanding the distribution network;
- Expanding the portfolio of products and services;
- Strengthening and expanding the market presence.



### *Increasing the efficiency of managed assets*

The Group will continue to invest in the modernization and reconstruction of the existing trade sites included in the retail and wholesale distribution networks. The budgeted investment will be aimed not only at improving of the technical condition and appearance of trade sites, but also at reducing the technological losses from operation of equipment and compliance with environmental requirements.

### *Optimizing and expanding the distribution network*

The Group intends to continue the expansion of the distribution network for retail sales. This will be achieved by opening new sites on new locations and by consolidation of the Group's smaller independent competitors through franchise or dealership arrangements. At the same time the process of optimizing the distribution network will continue to be aimed at identifying unprofitable sites, suspending their operations and eventually selling them.

The Group plans to continue the development of loyalty programs for retail clients. By increasing the advertising of the newly offered products and services under the Petrol brand, the Group aims to strengthen the image of Petrol AD as an innovative company working with care to the client, society and the environment.

### *Expanding the portfolio of products and services*

The Management of the Group places a high priority on being at the forefront of customer demand for cleaner and improved performance fuels. In that relation the Group plans to increase rapidly its sales of compressed natural gas (CNG). Since 2009 the Group offers a full range of branded Force Fuels – Blue Force Gas, Gasoline 96 Extra Force and Pro Force Diesel. In 2016 the Group started to offer a new branded diesel fuel, named Green Force Diesel. The new diesel fuel is blended with the engineered in Germany high quality supplement LIQUI MOLY. At the end of 2016 the offering of Gasoline 100 eXXtra Force has also been launched. The highly octane new product successfully replaces the Gasoline 96 Extra Force, increasing the efficiency of the engine performance, improves the automobile dynamics and decreases the fuel consumption.

The innovative fuels contain additives, which accelerate power of automobiles, reduce expense by up to 10% by improving system efficiency, decrease carbon deposits in the fuel system and the discharge of harmful emissions (CO<sub>2</sub>, CO, NO<sub>x</sub>) by approximately 70%.



## Strategy (continued)

In addition the Group intends to expand its product range by offering non-petroleum products and services to meet the needs of the modern consumer and to attract new clients, increasing the sales of trade sites, the Group's operating profit and therefore the returns to shareholders. The additional services include rental of a part of the commercial areas (for example car-washes and billboards), insurances etc.

### *Strengthening and expanding the market presence*

The Parent company Petrol AD plans to further increase the sales of petroleum and non-petroleum goods by investing in modernization of the trade sites, including renovation and expansion of the total commercial area. The Management aims to strengthen the position of the Group as an innovative company caring for the clients, the society and the environment, by advertising the new products and services with the Petrol brand more intensively.

Information pursuant to Art.39, item 5, in relation to Art. 45 of the Accountancy Act - In 2022 the companies of the Group did not carry out research and development activities.

## Group Structure

### Information pursuant to item. 7 of the Appendix No. 2 to the Ordinance No. 2 of November 9, 2021

As at December 31, 2022 Petrol Group consists the Parent company and 16 subsidiaries:

- **Varna Storage EOOD** is a solely owned limited liability company, registered in Varna in 2011 and registered in Registry Agency with UIC 201574637. The company specializes in the processing, storage and trading with petroleum and petroleum products and until 24 of February 2022 is an operator of the storage depot in Varna. From March 2022 the company discontinued its core operations as it returned the license for operator of the tax warehouse in Varna. The Petrol Group is a sole owner of the capital as at December 31, 2022. In 2022 the company generated total revenue of BGN 1,023 thousand, including BGN 15 thousand income from government financing, negative EBITDA of BGN 298 thousand and net loss for the year amounted to BGN 339 thousand. As at December 31, 2022 the total assets of the company amounted to BGN 947 thousand with total liabilities of BGN 24 thousand and positive net assets at the amount of BGN 923 thousand.
- **Petrol Technologies OOD** is a limited liability company incorporated in October 2014 and registered in Registry Agency with UIC 203259540. The company's activities include IT consulting, developing, administration and maintenance of computer networks and servers and any other activity not prohibited by law. As at December 31, 2022, the Group owns 98.8% of the company's shares. For 2022 the company reported total revenue of BGN 132 thousand, positive EBITDA of BGN 15 thousand and net loss for the period of BGN 26 thousand. As at December 31, 2022 the total assets of the company amounted to BGN 869 thousand, with total liabilities of BGN 174 thousand and positive net assets of BGN 695 thousand;

## Structure of the Group (continued)

- **Petrol Finances EOOD** is a limited liability company established under the name Petrol Technologies EOOD in December 2014 and registered in the Registry Agency with registration number 20141216164853/16.12.2014. In February 2015 Petrol AD bought 99% of the capital of Petrol Technologies EOOD, which was subsequently renamed to Petrol Finances OOD. The Company's scope of business includes financial and accounting services, preparation of financial analyzes, forecasts and recommendations for efficient organization of financial activity, as well as any other activity not prohibited by law. As at December 31, 2022 Petrol Group owns 99% of the company's capital. For 2022 the company generated total revenue amounting to BGN 1,581 thousand, including 154 thousand income from government financing, negative EBITDA of BGN 124 thousand and net loss for the period of BGN 114 thousand. As at December 31, 2022 the company owned total assets of BGN 258 thousand, total liabilities of BGN 249 thousand and positive net assets of BGN 9 thousand;
- **Petrol Finance EOOD** is a solely owned limited liability company registered in the Commercial Register at the Registry Agency on November 10, 2015 with registration № 20151110101104 and UIC 203776395. The Company's main business activity includes financial and accounting services, preparation of financial analyzes forecasts and recommendations for efficient organization of the financial activity, as well as any other activity not forbidden by law. As at December 31, 2022 the Group owns 100% of the company's capital. For 2022 the company was engaged in minimal commercial activity, generating total revenue of BGN 2 thousand;
- **Lozen Asset AD** is a joint-stock company incorporated under the Bulgarian legislation and registered in Commercial Register at the Registry Agency in July 2015 with UIC 203624804. The company's main activity includes acquisition, operation, management and disposal of property, consultancy and any other activity not prohibited by law. As at December 31, 2022 the Group owns 100% of company's capital. For 2022 the company generated total revenue of BGN 71 thousand, including BGN 1 thousand income from government financing, with negative EBITDA amounted to BGN 75 thousand and net loss for the period of BGN 144 thousand. As at December 31, 2022 the company owned total assets of BGN 1,443 thousand, total liabilities of BGN 2,124 thousand and negative net assets of BGN 681 thousand;
- **Elit Petrol – Lovech AD** is a joint-stock company incorporated and registered in the Registry Agency in January 2015. The main activity of the company includes processing, import, export, business and other petroleum products and any other activity not prohibited by law. As at December 31, 2022 the Group owns 100% of the capital. In 2022 the company did not generate revenue from operations. For 2022 the company reported negative EBITDA of BGN 4 thousand and net loss for the period of BGN 54 thousand. As at December 31, 2022 the company owned total assets of BGN 2,215 thousand and total liabilities of BGN 355 thousand, as a result at the end of 2021 the net assets of the company are positive amounting to BGN 1,860 thousand;
- **Petrol Properties EOOD** is a solely owned limited liability company incorporated under the Bulgarian legislation and registered in Sofia City Court under company court file number 20902/2007, respectively re-registered in the Commercial Register at the Registry Agency with UIC 175457505. The Company's scope of activity: trading with movable and immovable property, purchase of goods or other property for the purpose of resale in initial or processed form, internal and external trading, commercial representation and agency of local and foreign individuals and legal entities in the country and abroad, consulting services and many other activities not prohibited by law. As at December 31, 2022 the Group owns 100% of the capital. The company did not carry out commercial activity in 2022 and did not generate revenue;

## Structure of the Group (continued)

- **Kremikovtsi Oil EOOD** is a solely owned limited liability company incorporated under the Bulgarian legislation and registered in Commercial Register at the Registry Agency with UIC 205714200 in June 2019. The company was established with a contribution in-kind by Petrol AD of the assets to the SD Kremikovtsi, including land, buildings and removable property. The company's core business is processing, import, export and trading with oil and petroleum products. As at December 31, 2022 the Group is a sole owner of the company's capital. The company's total revenue for 2022 is BGN 18 thousand, with positive EBITDA at the amount of BGN 2 thousand and net result of BGN 0 thousand. As at December 31, 2022 the company owns total assets of BGN 1,735 thousand, has no liabilities and positive net assets of BGN 1,735 thousand;
- **Shumen Storage EOOD** is a solely owned limited liability company incorporated under the Bulgarian legislation and registered in Commercial Register at the Registry Agency with UIC 205714218 in June 2019. The company was established with a contribution in-kind by Petrol AD of the assets to the storage depot Shumen, including land and buildings. The company's core business is processing, import, export and trading with oil and petroleum products. As at December 31, 2022 the Group is a sole owner of the company's capital. The company's total revenue for 2022 is BGN 25 thousand, with positive EBITDA at the amount of BGN 14 thousand and net result of BGN 0 thousand. As at December 31, 2022 the company owns total assets of BGN 1,652 thousand, has BGN 1 thousand liabilities and positive net assets of BGN 1,651 thousand;
- **Office Estate EOOD** is a solely owned company incorporated under the Bulgarian legislation and registered in Commercial Register at the Registry Agency with UIC 205754383 in July 2019. The company was established with a contribution in-kind by Petrol AD of land and buildings in Sofia city. The company's core business is deals, management and ownership of real estates and any other activity not prohibited by law. As at December 31, 2022 the Group is a sole owner of the company's capital. The company's total revenue for 2022 is BGN 18 thousand, positive EBITDA of BGN 11 thousand and net result of BGN 1 thousand. As at December 31, 2022 the company owns total assets of BGN 1,539 thousand, has no liabilities and positive net assets of BGN 1,539 thousand;
- **Svilengrad Oil EOOD** is a solely owned limited liability company incorporated under the Bulgarian legislation and registered in Commercial Register at the Registry Agency with UIC 205818576 in September 2019. The company was established with a contribution in-kind by Petrol AD of the assets to the SD Svilengrad, including land, buildings and movable property. The company's core business is processing, import, export and trading with oil and petroleum products and any other activity not prohibited by law. As at December 31, 2022 the Group is a sole owner of the company's capital. The company's total revenue for 2022 is BGN 18 thousand, with positive EBITDA at the amount of BGN 11 thousand and net loss of BGN 31 thousand. As at December 31, 2022 the company owns total assets of BGN 1,738 thousand, has no obligations and positive net assets of BGN 1,738 thousand;

## Structure of the Group (continued)

- **Petrol Technology OOD** is a limited liability company established in December 2021 under Bulgarian law and entered in the Commercial Register at the Registry Agency with UIC 206758032. The company's core business is providing services and consulting in the field of information technology, construction, administration and maintenance of computer networks and server resources, as well as any other activity not prohibited by law. As of December 31, 2022, Petrol Group owns 98.8% of the company's shares. In 2022 Petrol Technology OOD did not carry out commercial activities resulting with BGN 3 thousand net loss;
- **Varna 2130 EOOD** is a solely owned limited liability company incorporated under the Bulgarian legislation and registered in Commercial Register at the Registry Agency with UIC 205838664 in September 2019. The company was established with a contribution in-kind by Petrol AD of the assets to a petrol station in Varna city, including land, buildings and movable property. The company's core business is processing, import, export and trading with oil and petroleum products and any other activity not prohibited by law. As at December 31, 2022 the Group is a sole owner of the company's capital. For 2022 the company has generated total operating income of BGN 51 thousand, negative EBITDA of BGN 104 thousand and net loss for the period of BGN 128 thousand. As of December 31, 2022 the company has total assets of BGN 1,378 thousand, total liabilities of BGN 6 thousand and positive net assets of BGN 1,372 thousand.
- **Petrol Export EOOD** is a solely owned limited liability company incorporated in July 2022 under the Bulgarian law and registered under UIC 207011058 in the Commercial Register at the Registry Agency. The company specializes in processing, trading, including import, export of petroleum and petroleum products, as well as any other activity not prohibited by law. As at December 31, 2022, Petrol AD owns 100% of the company's shares. For the year 2022 the Company has generated total operating income of BGN 105,777 thousand, including BGN 1 thousand from financing, positive EBITDA of BGN 197 thousand and net profit for the period of BGN 27 thousand. As at December 31, 2022, the Company has total assets of BGN 19,648 thousand, total liabilities of BGN 19,571 thousand and positive net assets of BGN 77 thousand;
- **Petrol Investment AD** is a joint stock company established under Bulgarian law and registered in the Commercial Register at the Registry Agency in January 2020 with UIC 205969610. The Company's main business activity is investment and real estate transactions, consulting services, representation and mediation in transactions, acquisition, sale, import and export of any goods, as well as any other activity not prohibited by law. As of December 31, 2022, Petrol AD owns 99.98% of the company's capital. In 2022 the Company did not carry out commercial activities;
- **Bulgaria Cargo Rail EOOD** is a solely owned limited liability company established in November 2022 under Bulgarian law and registered in the Commercial Register at the Registry Agency with UIC 207151868. The company's business activities include processing, trading, including import, export of petroleum and petroleum products, and any other activity not prohibited by law. As of December 31 2022 Petrol AD owns 100% of the company's shares. In 2022 the company did not carry out commercial activities;

All subsidiaries have a registered address in the Republic of Bulgaria. For additional information concerning the subsidiaries included in the preparation of the consolidated financial report (*see also Note 30 and Note 31 to the annual consolidated financial report for 2022*).

## Structure of the Group (continued)

Information pursuant to Art. 39, item 7 of the Accountancy Act - The Group has no registered branches.

Information pursuant to item 13 of the Appendix No. 2 to the Ordinance No. 2 of November 9, 2021

The Group has not adopted an investment policy for 2022 so it has not carried out an assessment of the opportunities of the applied investment intentions.

## Management Bodies

Information pursuant to Art. 100l, par. 8, item 5 of the Public Offering of Securities Act and Art. 48, par. 1 of the Accountancy Act

The Parent company has two-tier board structure, which includes Management Board (MB) and Supervisory Board (SB). The names and the functions of the members of the SB and MB of Petrol AD are presented below. For members of the Management Board a short biographical information is presented:

### Supervisory Board

Ivan Voinovski <sup>12</sup>	Chairman
„Petrol Correct“ EOOD, represented by Nikolay Gergov	Member
„Petrol Asset Management“ EOOD, represented by Armen Nazaryan	Member

### Management Board

Grisha Ganchev	Chairman of the Board
Georgi Tatarski	Deputy of the MB and Chief Executive Officer
Milko Dimitrov	Member of the MB and Chief Executive Officer
Lachezar Gramatikov	Member of the MB
Kiril Shilegov	Member of the MB

**Grisha Danailov Ganchev** has obtained his bachelor's degree in "Accounting and Control" from the University for National and World Economy - Sofia, obtained a master's degree in "BM" from American International Academy, St. Louis and a master's degree in "Law" from Blagoevgrad University "Neophyte Rilski". In the period since 1990 to 1999, Mr. Ganchev was Manager of "Litex Commerce" AD. Between 1999 to 2008 Mr. Ganchev was a CEO of "Litex Commerce" AD. In the period since 2008 until May 2014 he was a chairman of the Supervisory Board of "Litex Commerce" AD. Fluent in Russian and English.

<sup>12</sup> Ivan Alipiev Voinovski - died on February 23, 2017. On February 18, 2019, an EGMS of Petrol AD was held, where was voted a replacement of the deceased Ivan Voynovski. The application for entry in the CR was rejected, which was appealed by Petrol AD within the statutory term, and the registration proceedings were suspended at the request of minority shareholders until the District Court – Lovech rules on proceedings for annulment of decisions taken. In May 2019, the Lovech District Court ruled with a decision revoking the refusal and returning the file to the Registry Agency to make the requested entry after the resumption of the suspended registration proceedings. At present, the court proceedings on the claims for annulment of the decisions of EGMS from February 2019 are pending.



## Management Bodies (continued)

**Georgi Ivanov Tatarski** has obtained his bachelor's degree in "Technology of Mechanical Engineering" from Moscow State Technological University and a master's degree in "International Economic Relations" from the Russian Academy of Foreign Trade in Moscow. He has worked successively at management positions in "Mineralimpex" AD, "Interbrands Marketing End Distribution Inc." OOD "Hydro Bulgaria" EOOD, "Shell Gas Bulgaria" AD, "OMV Bulgaria" EOOD, "Opet Aygaz Bulgaria" EAD. Fluent in English and Russian.

**Milko Konstantinov Dimitrov** has obtained his bachelor's degree in "Investments and Management of Financial Risk" and has a master's degree in "Investment Management" from Cass Business School, City University, London, UK. He was Executive Director of "Litex Commerce" AD and CEO of "Litex" AD. Fluent in English.

**Lachezar Nikolov Gramatikov** has a master's degree in "Macroeconomics" from the University of National and World Economy Sofia. His professional experience includes various management positions in "Petrol AD" and "EKO Bulgaria" EAD. From March 2013 to June 2014 he took the position of Manager "Business Development" in "EKO Bulgaria" EAD. As of June 2014 topped the Commerce Department in "Petrol AD", as a director of "Trade and Marketing". Fluent in English.

**Kiril Emilov Shilegov** has obtained his bachelor's degree in "Communication Engineering" from the Technical University of Sofia. He started his work experience in the "British Council - Sofia", where he worked on projects related to the Ministry of Culture of the Republic of Bulgaria, then continued his career in "Bridge Consort" AD and "Elana Investment" AD. From 2007 to 2010 he took the position "Senior Expert European Programmes" in "Elana Investment" AD. Fluent in English.

### Information pursuant to item 14 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

In 2022, there were no changes in the core management principles of the Group and the Parent company Petrol AD in particular.

### Information pursuant to item 16 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

On February 23, 2017 the Chairman of the Supervisory Board of the Parent company passed away. On EGMS held in February 2019 a decision for the replacement of the deceased member of the Supervisory Board Ivan Voynovski with Rumens Konstantinov was taken. The application for registration of these circumstances in the account of the Parent company was refused, which was disputed by the Parent company within the statutory term.

In addition to the refusal, the registration proceedings were suspended by a request of minority shareholders until the pronouncing of the Lovech Regional Court on applications for annulment of the decision. In May 2019 the Lovech Regional Court enacted a decision, which repealed the enacted refusal and turn back the case to the Registry Agency for registration of the applied entry after a resumption of the ceased registration proceedings. At present, the court proceedings for repealing of the decisions of EGMS from February 2019 are pending.

In 2022 there are no changes in terms of the members of MB and SB of the Parent company.

### Information in compliance with the requirements of Art. 247, par.2, item 4 of the Commercial Act and item.18 and item.19 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

## Management Bodies (continued)

### Management Board:

#### Individuals

- Grisha Danailov Ganchev – Chairman
- Georgi Ivanov Tatarski – Vice Chairman and Executive Director
- Milko Konstantinov Dimitrov – Member and Executive Director
- Lachezar Nikolov Gramatikov – Member
- Kiril Emilov Shilegov – Member

No legal entities are members of the Management Board

### Supervisory Board:

Individuals – members of the Supervisory Board:

- Ivan Alipiev Voinovski – Chairman of the Supervisory Board<sup>13</sup>

Legal entities - members of the Supervisory Board:

- Petrol Correct EOOD UIC 203177666, represented on the Supervisory Board by Nikolay Borislavov Gergov – Member of the SB;
- Petrol Asset Management EOOD, UIC 203176781, represented on the Supervisory Board by Armen Lyudvigovich Nazaryan – Member of the SB.

**Procurators** – the Parent company has no procurators.

Expiration date of current contracts with the members of the Management and Supervisory Board as well as the period during which they have held office:

### Members of the Management Board:

- Grisha Danailov Ganchev – Chairman – held the position since 05.06.2014 until present. Mandate for five years;
- Georgi Ivanov Tatarski – Vice Chairman and Executive Director – held the position since 05.06.2014 until present. Mandate for five years;
- Milko Konstantinov Dimitrov – Member – held the position since 05.06.2014 until present. Mandate for five years;
- Lachezar Nikolov Gramatikov – Member – held the position since 27.10.2014 until present. Mandate for five years;
- Kiril Emilov Shilegov – Member – held the position since 27.10.2014 until present. Mandate for five years.

### Members of the Supervisory Board:

- Ivan Alipiev Voinovski – Chairman – held the position since 14.10.2014 until 23.02.2017;
- Petrol Correct EOOD, UIC 203177666, represented in SB by Nikolay Borislavov Gergov – Member – held the position since 14.10.2014 until the present. Mandate for five years;
- Petrol Asset Management EOOD, UIC 203176781, represented in the SB by Armen Lyudvigovich Nazaryan – Member – held the position since 18.01.2017. Mandate for five years.

For 2022 the Group did not negotiated contingent remunerations with the members of the boards.

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<sup>13</sup> On February 23, 2017 Ivan Voinovski passed away



## Management Bodies (continued)

As at December 31, 2022 the Group has no due amounts for retirement benefits or other compensations for the members of the Boards.

Information pursuant to Art. 247, par. 2, item 5 of Commercial Act in terms of Signed agreements during 2021 under Art.240b of the Commercial Act

In 2022 members of the Board of Directors or their related parties did not enter into agreements under Art.240b of the CA that go beyond the ordinary business of the Group or significantly deviate from market conditions.

Information pursuant to Art. 247, par. 2, item 1 of Commercial Act and to the item 17 of the Appendix No.2 to the Ordinance No.2 for the total remunerations received by the members of the boards during the year

The total amount of accrued remunerations of key management of the Parent company, included in personnel costs, amounted to BGN 1,595 thousand (2021: BGN 1,457 thousand). The unsettled liabilities as at December 31, 2022 amounting to BGN 90 thousand (2021: BGN 73 thousand).

Information pursuant to Art. 247, par. 2, item 2 of Commercial Act and to the item 18 of the Appendix No.2 to the Ordinance No.2 for the acquired and transferred shares and bonds by the members of the boards of the Parent company

During 2022 shares and bonds have not been acquired and/or transferred by the members of the boards of Petrol AD.

Information pursuant to item 19 of the Appendix No.2 to the Ordinance No.2 for arrangements with employees for participation in the capital of Petrol AD, including through issuance of shares, options and other securities of Petrol AD - There are no arrangements with employees for participation in the capital of Petrol AD, including through issuance of shares, options and other securities of Petrol AD and also arrangements with shareholders and/or bondholders of Petrol AD.

Information pursuant to Art. 247, par. 2, item 3 to the Commercial Act in terms of Members' rights to acquire shares and bonds of the Parent- company - The Statute of the Parent company does not provide specific rights of the members of the MB and SB to acquire shares and bonds of Petrol AD.

Granted to members options on shares by Petrol AD – type and size of the securities, on which options are set, exercise price on options, purchase price if any and term of the options - Petrol AD did not granted options on its shares in favor of the members of SB and MB.

Participation of the members of MB and SB in companies as general partners, possession of more than 25 per cent of the capital of another company, as well as their participation in the Management of other companies or cooperatives as procurators, managers or board members:

A) Participation in management:

### Grisha Danailov Ganchev

- Chairman, Managing of Association of horse breeders in Bulgaria, UIC 175861533;

## Management Bodies (continued)

- Chairman, Managing of the National Association for Horses, UIC 130290222;
- Chairman, Managing of the Bulgarian National Association for horse racing, UIC 115853902;
- Member of the collective Management body of the Bulgarian Wrestling Federation, UIC 121505512;
- Member of the Board of Directors of PFC CSKA - 1948 AD, UIC 200269839;
- Member of the collective Management body of the Foundation Beautiful Lovech, UIC 110562063;

### Milko Konstantinov Dimitrov

- Manager of MKD Property EOOD, UIC 202188364;
- Manager of MKD Investment EOOD, UIC 206712017;
- Manager of Organic Pack Trading EOOD, UIC 206805539
- Member of the collective Management body of the Bulgarian National Association for horse racing UIC 115853902;

**Georgi Ivanov Tatarski** - Is not involved in management or supervisory body of another company;

### Lachezar Nikolov Gramatikov

- Manager of 4 G Consult EOOD, UIC 204808732;
- Manager of 3M Properties EOOD, UIC 205603399;
- Member of the management body of the Union of Business Initiative, UIC 000707584

### Kiril Emilov Shilegov

- Manager of Grand-K EOOD, UIC 203461378;
- Manager of Shumen Storage EOOD, UIC 205714218;
- Manager of Office Estate EOOD, UIC 205754383;
- Manager of VARNA 2130 EOOD, UIC 205838664;
- Manager of Svilengrad Oil EOOD, UIC 205818576;
- Manager of Kremikovsi Oil EOOD, UIC 20571420;
- Manager of Petrol Export EOOD, UIC 207011058;
- Member of a collective managing body of Bulgarian petrol and gas association, UIC 121882075

**Petrol Correct EOOD, UIC 203177666** - Is not involved in management or supervisory body of another company;

### Nikolay Borislavov Gergov

- Manager of Petrol Correct EOOD, UIC 203177666;
- Member of the Board of the Bulgarian Wrestling Federation, UIC 121505512;

**Petrol Asset Management EOOD, UIC 203176781** - Is not involved in management or supervisory body of another company;

### Armen Lyudvigovich Nazaryan

- Manager of Petrol Asset Management EOOD, UIC 203176781;
- Member of a collective management body of Interdisciplinary Civil Academy, UIC 130321326;

## Management Bodies (continued)

B) Holdings:

**Grisha Danailov Ganchev** – no such holdings;

**Milko Konstantinov Dimitrov**

- Sole owner of the capital of MKD Property EOOD, UIC 202188364;

**Georgi Ivanov Tatarski**

- Partner with a 50% share in the capital of MB Properties OOD, UIC 200977005;
- Partner with a 10% share in the capital of Byala Reka OOD, UIC 101650607;

**Lachezar Nikolov Gramatikov**

- Sole owner of the capital of 4 G Consult EOOD, UIC 204808732;
- Sole owner of the capital of 3M Properties EOOD, UIC 205603399;

**Kiril Emilov Shilegov**

- Sole owner of the capital of Grand-K EOOD, UIC 203461378;

**Petrol Correct EOOD, UIC 203177666** - no such holdings;

**Nikolay Borislavov Gergov**

- Sole owner of the capital of Petrol Correct EOOD, UIC 203177666;

**Petrol Asset Management EOOD, UIC 203176781** - no such holdings;

**Armen Lyudvigovich Nazaryan**

- Sole owner of the capital of Petrol Asset Management, UIC 203176781;

Contracts under Art. 240b to the Commercial Act, signed during the year - Relations between Management Board and union employee organizations – there is no collective agreement.

Information about the Director of Investor relations, including telephone and correspondence address pursuant to item 21 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

Director of Investor Relations is Antoaneta Gyurova, tel. . 02 9690453, [antoaneta.gyurova@petrol.bg](mailto:antoaneta.gyurova@petrol.bg), mailing address - Sofia, bul. "Cherni vrah" № 43.

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## Risk Factors influencing the activity of Petrol Group

*Information pursuant to Art.39, item 1 of the Accountancy Act concerning the risks faced by the Group*

### Market Environment Analysis

The Group's results from operations are affected by a number of factors, including macroeconomic conditions in Bulgaria, competition, variation of gross margins, fluctuations in crude oil and petroleum product prices, product mix, relationships with suppliers, legislative changes, and changes in currency exchange rates, weather conditions and seasonality.

#### **Macroeconomic conditions in Bulgaria<sup>14</sup>**

The Petrol Group's activity is influenced by the general economic condition of the country and in particular the degree of the successful adoption of the market-oriented economic reforms by the government, changes in the gross domestic product (GDP) and the purchasing power of the Bulgarian customers. In the long term the change in the fuels consumption in the country is commensurate with the GDP.

In 2022 the consumer price inflation continued to rise significantly with the CPI recording double-digit growth towards the end of the year. During the year the central banks of the leading economies, in their efforts to normalize the rampant inflation, significantly raised the base interest rates, but this did not lead to a significant reversal of the upward trend in prices that started in 2020. The situation in Bulgaria followed the global trend of rising prices, as at the end of the year, the consumer price index published by the National Statistical Institute recorded an increase of 16.9% year over year, with inflation declining at the end of the year as a result of the reported significant slowdown in the annual increase of petrol and gas prices. The main reason for the increase compared to 2022 is the increase in the prices of food and non-food goods, which rose by 25.6% and 13.3% respectively over the period, while the cost of services increased by 10.3% compared to the same month of the previous year. The main reasons for the increase in the inflation rate in 2022 are the anti-crisis measures taken by the government in the last three years, the military conflict that occurred in Ukraine in February 2022, as well as the disruption caused by sanctions, and the change in some cases of supply chains led to the rise in prices of fuels and other goods and resources caused by increased demand.

In 2022 the country's Gross Domestic Product (GDP) reported a growth of 3.4%, excluding the inflation effect and reaching BGN 108,296 million based on 2015 prices. Based on current prices the country's GDP for 2022 reached BGN 165,384 million. For the same period the final consumption in the country reported an increase of 5.2%, compared to 6.7% for 2021 while the accumulation of fixed capital (gross) increased by 2.7%, with growth of 10.8% for 2021, compared to 2020. The export of goods and services increased by 10.5%, with growth of 10.9% for 2021 compared to 2020.

The quantitative tightening of the monetary policy started in 2022 and initiated by the leading central banks, combined with the sharp increase in the base interest rates begins to reflect on the economic activity and the financial health of the companies in the financial and non-financial sector as well. If these restrictive measures of the central banks continue, this inevitably will lead to a future long-term slowdown of the economic life in the country, which combined with a long lasting retention of the inflation and an increase in prices, will create risks, limiting the consumption of goods and services, including fuels, which will cause a decrease of Group's revenue, difficulties in servicing regular payments and generate losses.

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<sup>14</sup> Source: NSI, BNB

## Risk Factors influencing the activity of Petrol Group (continued)

### COVID-19 influence on Group's activity

#### *Long-term impact of the COVID-19 pandemic*

The global spread of the COVID-19 virus and the subsequent imposition of anti-epidemic measures in the country have created a number of obstacles and negative consequences for the Bulgarian economy. As a result of the disturbances in the supply chains internationally, the forced restriction of the movement of citizens, as well as the temporary suspension of the activity of specific business sectors, led to disturbances in the economic activity in the country. Unlike the previous two consecutive years, in 2022 no anti-epidemic measures limiting the movement of people and goods were imposed. In 2021, the government of the Republic of Bulgaria, represented by the Minister of Health, twice imposed anti-epidemic measures limiting the movement of people and goods. Despite the imposed restrictive measures in 2021, the country's GDP recorded a growth of 7.6% on an annual basis compared to 2020, with a decrease of 4% in 2020 compared to 2019. For 2022 the GDP of the country grew by 3.4% on an annual basis.

In 2020 and 2021 COVID-19 had a significant impact on the activities of the Petrol Group, as in 2020 the Group reduced its sales revenue by 27.5% on an annual basis, which in the past 2021 were partially recovered to BGN 499,841 thousand (before restatement for discontinued operations) compared to BGN 538,499 thousand for 2019. In 2022 the Group increases its sales revenue to BGN 812,431 thousand. Despite the growth of sales revenue over the last two consecutive years, the Petrol Group cannot restore its retail sales to pre-pandemic levels, which in the event of unfavorable future development and further spread of the virus could become a long-term negative effect from the pandemic for the Group. The accumulated historical information on the financial condition of the Petrol Group for the last three consecutive years and the effects on the Group caused by COVID-19 for this period create future preconditions in the medium and long term if the pandemic continues to spread at certain intervals, the Group will fail to restore sales to its pre-pandemic levels. Subsequent restrictions on the movement of people may permanently change people's attitudes and habits in the medium term, which would directly reflect on the financial performance, liquidity, cash flow and sales of the Group, as double-digit sales declines close to those of 2020 (-27.5%) and loss of market share in such a scenario are not excluded.

In response to the complex economic and geopolitical situation, the Group's management takes action to optimize costs and diversify products and services for its customers. One of the projects in this direction is the construction of a chain of self-service petrol stations that provide customers with an alternative to the standard service, reduce the carbon footprint, including electricity, heating and water consumption, and last but not least the costs for the Group. As of December 31, 2022 the Group operates 15 full or partial self-service petrol stations, and for the last year alone they have increased by 66%, and the Group plans to double them in two years. With the self-service chain projects and processes undertaken by the Petrol Group management, the Group will try to respond to the change in consumer demand and the new challenges posed by COVID-19 and the increase in expenses during the last year.

## Risk Factors influencing the activity of Petrol Group (continued)

### *Recovery after COVID-19*

Following the initial shock caused by COVID-19, in 2021 the Petrol Group recovered part of the sales lost due to COVID-19, as at December 31, 2021 the Group reports an annual increase in sales revenue of goods and services of 28% to BGN 499,841 thousand (before restatement for discontinued operations). In 2022 the Group managed to realize an additional growth of 64.7% on an annual basis, with a major contribution of sales of wholesale fuels. Despite the rise in revenue from sales of goods and services in two consecutive years, in 2022 the Petrol Group failed to reach the retail fuel sales from pre-pandemic levels. The rapid recovery after the pandemic inspires a dose of optimism that the main upheavals for the Petrol Group caused by the virus have passed. Growth in revenues from sales of fuel and other goods in 2021 and 2022 have helped the Group to restore to a large extent the normal rhythm of work, however, the negative effects on liquidity, retail fuel sales and the general financial condition of the Petrol Group have not completely faded away. The high inflation, the growth of the minimum wage and the increase in fuel prices have prevented the Group from reaching pre-pandemic levels of financial results and retail fuel sales (*see Operating Results section*). In addition, the dynamics of the spread of COVID-19 combined with the emerging military conflict between Russia and Ukraine and its potential risks, as well as the high volatility of international crude oil prices in recent months, which directly affect the activities of the Petrol Group, create significant risks in front of the Group and at the same time hinder the coverage and the successful planning of the potential intensity of the negative effects on the activity of the Petrol Group.

### **War conflict between Russia and Ukraine**

On February 24, 2022 Russian military units enter the territory of Ukraine, while the Russian army begins to launch missile strikes on strategic Ukrainian targets. From that day in February, the military conflict between Russia and Ukraine began. The clash between the two countries and the departure of Ukrainian civilians of their homelands to save themselves from Russia's military invasion in Ukraine has created an unprecedented humanitarian crisis in Europe since World War II. All business sectors are influenced to some extent by the military conflict.

The arising military conflict and the imposed by the EU and the US economic, financial and other sanctions on Russia to end the conflict are blocking the economic activity between the European Union and Russia, restricting the payments and the free movement of people, goods and services, and simultaneously cause significant ubiquitous disruptions on financial markets and non-financial sector.

The military conflict has further affected the prices of many goods, resources and services, as Russia is a major exporter of fossil fuels, metals and other resources, and the purpose of sanctions imposed by the European Union and the United States is to limit Russia's economic activity. Fossil fuels are still a major part of the process from the creation to final consumption of almost all goods in the EU, as a result of which a future uncertainty about prices and availability of fossil fuels and other resources worsens the economic prospects for the EU and Bulgaria in particular. The warm winter and the increase in the fossil supplies from alternative sources help the EU countries to overcome the breaking out short-term anomalies caused by the sanctions and restrictions.



## **Risk Factors influencing the activity of the Petrol Group (continued)**

As the main activity of the Petrol Group is wholesale and retail trade and storage of fuels and other petroleum products, a lasting increase in international fossil fuel prices will have a negative impact on the Group's sales, leading to significant losses and deterioration of the financial condition and operational results of the Petrol Group. As the majority of fossil fuel supplies in the country are of Russian origin, a potential complete ban on fuel supplies from Russia could lead to a shortage of fuels in the country and problems for the Petrol Group to secure its sales, with the risk of closure of retail petrol stations, temporary working hours and other negative consequences. To respond to this scenario, the Group's management is examining the possibility of importing fuels from third countries, thus being able to reduce the potential future consequences for the Petrol Group of the EU and the US sanctions imposed on Russia and potential reciprocal sanctions.

An important decision for the activities of Petrol Group is the amendment by the Council of the European Union, adopted on June 4, 2022 of Council Regulation (CR) № 833/2014 of July 31, 2014 regarding the restrictive measures concerning the Russia's destabilizing actions in Ukraine, which amendment allows, after approval by the Council of Ministers of Republic of Bulgaria, import by sea of crude oil and petroleum products under Annex XXV of Council Regulation (EU) 833/2014 with a origin from Russia under contracts signed before June 4, 2022 or under additional contracts necessary for execution of such contracts.

Additionally, with a decision of the Council of Ministers from December 2, 2022 is allowed the execution in the period from December 5, 2022 to December 31, 2024 of contracts signed before June 4, 2022 or of additional contracts necessary for the execution of such contracts, for the purchase, import or transfer of crude oil transported by sea, and of petroleum products listed in Annex XXV of Council Regulation (EU) 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, originating in Russia or exported from Russia, in accordance with Article 3m, paragraph 5 of the European Regulation.

The Petrol Group does not carry out business activities on the territory of Ukraine or Russia and does not bear direct negative consequences of the breaking out military conflict. Moreover in 2022 the Group generating a significant increase in wholesales of fuels, which reached BGN 220,554 thousand compared to BGN 16,817 thousand for the previous year, as BGN 168,557 thousand are from export of fuels to third countries.

With the adopted decisions by the Council of the European Union and the Council of Ministers aiming to ensure the consumption of fuels, the Management of the Group believes that in the short-term disruptions leading to significant losses for the Group should not be expected. However in a situation of war on the territory of a country close to Bulgaria, there is always a risk of expansion and/or worsening of the military conflict with a subsequent destructive consequences.

### **Grant funding and government financing**

As a result of the negative impact and consequences of the global pandemic from the spread of a new type of coronavirus - COVID-19, the Group has taken a series of actions to reorganize the activities of some of its stores and to establish reduced working hours of the staff. The Petrol Group has submitted to the Employment Agency documents for application under employers' compensation program for maintaining employees in emergency situations from the beginning of 2020, and for 2022 the income from government financing under this program are at the amount of BGN 147 thousand (2021: BGN 2,212 thousand).



## **Risk Factors influencing the activity of the Petrol Group (continued)**

By a Decision № 739 of October 26 2021, amended by a Decision № 771 of November 06 2021 and a Decision № 885 of December 16 2021, the Council of Ministers adopted a program for compensation of non-residential end customers of electricity. The program aims to protect and assist all non-household end-users to deal with the effects of fluctuations in electricity prices. At December 31, 2022 the Group received and reported income from financing for 2022 under this program of BGN 2,314 thousand (2021: BGN 340 thousand, including BGN 25 thousand from discontinued operations).

### ***Competition***

In the past few years a trend for customers gradually choosing the well-known brands with traditions in retail fuel sales was observed. As a result some small players were forced to drop out of business or to sign franchise/dealership arrangements with the major companies in the sector. As a result of the change in customer preferences and the implementation of additional legislation control by the government, the market share of the small independent players continues to decline. The absence of strategic deals in the retail sector and significant investment programmes by the major players led to minimum change in the retail market shares of the companies. In 2022, seven companies dominated in the retail market – Lukoil Bulgaria EOOD, Petrol AD, OMV Bulgaria EOOD, Shell Bulgaria EAD, Eko Bulgaria EAD, Rompetrol Bulgaria AD and NIS Petrol EOOD.

Concerning the wholesale market the fuel needs in the country are met by the output of the refinery Lukoil Neftochim in Burgas, the refinery “Insa oil” in Ruse and from import. The refinery in Burgas sells its oil products in the country exclusively through Lukoil Bulgaria EOOD. Major importers of fuels are OMV Bulgarian OOD, Insa Oil EOOD, Rompetrol Bulgaria AD, Eko Bulgaria EAD, Saksa OOD and Astra Bioplant EOOD. The import of petroleum products in the country is carried out mainly by the neighboring Bulgaria countries. This is determined by the fact that some of the fuel market participants are economically related to the owners of the capital of the refineries in those countries. In 2022, the wholesale market followed the trend and volatility of crude oil prices on international markets.

Gradual introduction of new environmental standards and additional means of control by the government, increased the costs for companies in the sector, but on the other hand minimized the unfair competition, eliminating market participants who are part of the grey economy.

### **Key trade partners**

#### ***Information pursuant to item 2 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021***

Due to the specific of the primary business of Petrol Group, namely retail and wholesale trading with fuels, the Group’s fuels supplies are provided by a small number of suppliers, as a result of which the Group is at risk of discontinuation of relationships with key suppliers, which may lead to a short-term depletion of inventories and trading activity difficulties. For 2022 the major Group’s suppliers with share over 10% from the total sales and distribution costs is Litex AD, Saksa OOD, Storage Oil EAD, Insa oil EOOD.

## **Risk Factors influencing the activity of the Petrol Group (continued)**

- Litex AD – fuels supplier. The headquarter address of Litex AD is 3 Lachezar Stanchev Str. fl.14, Sofia. The company's business includes purchase, production, processing of goods for sale, commission and any other activity not forbidden by the law.
- Saksa OOD – fuels supplier. The headquarter address of Saksa OOD is 1 Targovska Str., Sofia. The company's activities include wholesale and retail trade, storage and processing of petroleum products and derivatives, production and trade of goods and services in the country and abroad, and any other activity not prohibited by law.
- Storage Oil EAD – supplier of fuels and fuel storage services. The company's registered office address is in Sofia, 43 Cherni Vrah Blvd. The company's activity includes processing, trading, marketing, import, export of oil and oil products, as well as any other activity that is not prohibited by law .
- Insa Oil EOOD – fuels supplier. The company's registered address is Rakovski, 1 Predel Str. The company's activities include production and processing of petroleum product, trading, import and export, as well as any other activity not prohibited by law.

Group's revenue from operations are generated primarily from two segments - retail sales and wholesale sales. In 2022 there is no client the sales revenue to which to exceed 10% of total sales revenue. Petrol Group's wholesale and retail trading with fuels, lubricants and other goods is carried out through its own and rented from third parties petrol stations and storage facilities. A risk from the suspension of the relationships with the lessors and discontinuation of the lease contracts of the petrol stations and/or storage facilities existed, which can have a negative impacts on Petrol Group as decrease in sales, worsening the financial results and loss of market share.

### ***Trade margins***

In 2022 91% (2021: 87.2%) of Petrol Group's sales revenue are formed of wholesale and retail sales of fuels and a significant and lasting decrease in gross margin from sales of fuels would negatively reflect on the final financial results of Petrol Group.

In 2022 the average gross margin per liter of fuel (methane in kg) decreases in 2022 compared to 2021, despite that in absolute value it increases by BGN 8,489 thousand (EUR 4,340 thousand) compared to 2021. The latest is due to the significant increase of the wholesales of fuels in 2022 compared to the previous period and respectively the increase of their share in the total volumes of sales to 35% compared to 4.7% for 2021. Traditionally the wholesale margins are lower compared to retail margins, as a result the average Petrol Group's margin from sales of fuels decreases in 2022.

### ***Price fluctuations in crude oil and petroleum products***

The Petrol Group is at risk of frequent and sharp changes in prices of fuels and non-petroleum goods. Because of that, the future financial results may diverge significantly from the expectations of Petrol Group's Management. Any future sharp fluctuations in the prices of fuels and non-petroleum goods may lead to a deterioration of the financial position of the Group.

## Risk Factors influencing the activity of the Petrol Group (continued)

Since the international quotations of crude oil serve as a basis for the calculation of purchasing and selling prices, the volatility of the crude oil and petroleum products prices have a significant impact on the sales revenue and cost of goods sold of the oil products.

After two years of market turbulence, at the beginning of 2022 the brent crude oil started at around US dollars 78 per barrel, and throughout the first quarter of 2022 rose, reaching the highest levels of 128 US dollars per barrel at the beginning of March. Over the rest of the year, the price calmed down, gradually falling to levels around US dollars 86 per barrel in late 2022.

### *Product mix*

The fuels market can be conditionally divided to light fuels and dark fuels according to the applied technological schemes of crude oil fractioning in its processing. The dark fuels are mainly used for heat energy production or are used in construction and form a relatively small part of the fuels market (approx. 10-15%). The light fuels are used mainly for ensuring the needs of the different types of transport. The most widely distributed are motor gasoline A-95H and diesel.

In 2022 the Bulgarian market of motor fuels has not undergone a significant change. The last-years tendency of shifting from all types of gasoline to LPG and diesel has remained. The increased diesel consumption is explained by the arising of modern diesel engines and the fact that the transportation industry uses this type of fuel. An additional factor for the lower gasoline consumption was the usage of LPG systems for gasoline engines driven by the significantly lower price of LPG compared to the prices of motor gasolines.

On July 5, 2022 in 52 issue of the State newspaper, the Law of amendments and additions to the Law for the State budget of Republic of Bulgaria for 2022 was published, which adopted the actualization of the State budget for 2022, comprising package of anti-crisis measures, aiming to limit the negative consequences of the increasing fuel prices and energy and to counter the inflation.

Part of the package of anti-crisis measures of the government and as a measure against high fuel prices, is the accepted fuel compensation for individuals, included in §17 of the Law on Amendments and Additions to the Law on the State Budget of the Republic of Bulgaria for 2022, with which the Parliament accepted the provision of compensation of BGN 0.25 for end users - natural persons for each liter or kilogram of A95 gasoline, diesel, natural gas (methane) or propane-butane (liquefied petroleum gas - LPG) from filling stations, LPG stations or methane stations, which agree to provide the compensation. The compensation entered into force on July 09, 2022. According to the new Art. 112 (1), funds are provided in the budget to compensate for the increase in the price of gasoline A95, gas oil (diesel fuel), liquefied petroleum gas (LPG) and natural gas.

The measure adopted by the government further attracted the interest of LPG users due to the lower price of the fuel and the additional compensation provided by the State.

Since the branded fuels did not fall into the scope of the Government's compensation measure of BGN 0.25 per liter or kg. for methane, their consumption in 2022 significantly decreased. However, the Group's Management believes that the tendency of the consumers to use more often branded fuels and methane will preserve in the future, due to increasing standard of living and the tendency of higher share of the new cars in the total car fleet.

## **Risk Factors influencing the activity of the Petrol Group (continued)**

Due to their better quality and the additives, the branded fuels are presumption for increasing engine power, decreasing fuel consumption and increasing longevity of the engine.

The main activities of the Petrol Group's companies include trading with motor gasoline, diesel, LPG and methane (CNG). Possible widespread future penetration of alternative substitutes of the traditional fossil fuels would have significant impact on the sales and financial results of Petrol Group.

### ***Interest risk***

Risks arising from the increase of the price of Group's financing (*see also Financial instruments and risks management*);

### ***Credit risk***

Risk arising from the inability of the Group's counterparties to execute their contractual obligations, as a result the Group may bear losses (*see also Financial instruments and risks management*);

### ***Extraordinary expenses***

There is a risk from arising of unforeseen expenses, which to reflect negatively on the Group's financial position;

### ***Political risk***

Risks for the Group arising from global and regional political and economic crises;

### ***Legislation***

The companies in the Group are accountable to various regulatory bodies in the country. Future changes in regulatory framework, regulating the activity of the companies in the Group, may have negative impact on the financial results of the Group. Fuels trading sector is one of the most strictly regulated and controlled by the national institutions, as the provisions have increased with every passing year. The regulations regarding the excise legislation and environment protections, combined with the requirements of the *Stocks of Crude Oil and Petroleum Product Act (SCOPPA)*, required access to significant financial and management resources.

Thus, changes in the current legislation affect the financial performance of the Group. Significant influence in this direction proved the adoption in 2003 of the Stock of Crude Oil and Petroleum Product Act (SCOPPA) requiring all liable parties (importers and manufacturers) and the state to create and store inventories down based on the average daily consumption of oil products in country's territory during the previous year. The adopted changes in 2020 for registration of the parties carried out activities related with oil and petroleum products in connection with the Law of the Administrative Regulation of the Economic Activities related to Oil and Petroleum Products (*LAREAOPP*) additionally burden financially and operatively the market participants.

## Risk Factors influencing the activity of the Petrol Group (continued)

In terms of the Excise Duty and Tax Warehouse Act (EDTWA) from the beginning of 2022 a series of changes have been imposed among which:

- Traders who receive excise goods on the territory of the country, released for consumption in another member state or send such goods from Bulgaria to another member state, are subject to compulsory registration under EDTWA;
- The recipient of excise goods in Bulgaria, which are exempted for consumption in another member state, will also be able to be a person who is a trader within the meaning of the legislation of an EU member state, or of another state - a party to the Agreement on the European economic space. For this purpose, the person will have to have a branch registered in Bulgaria;
- Persons registered under the Value Added Tax Act who send excise goods released for consumption on the territory of the country to the territory of another member state under the conditions of distance sales within the meaning of VAT will also be subject to compulsory registration under EDTWA;
- With the changes, denatured ethyl alcohol, which is used in the production of final products that are not for consumption, is exempted from excise duty, explicitly clarifying in which cases this is applicable;
- With the adopted changes to Art. 4 of the EDTWA from February 2022 new concepts effective from February 13, 2023 are added, such as "Illegal entry", "Certified consignor", "Temporarily certified consignor", "Certified consignee", "Excise goods delivered for commercial purposes", etc;
- Art. 25c has been added, according to which excise duty is not due in case of complete destruction or irretrievable loss of the excise goods during their transportation on the territory of a member state other than the member state in which they are released for consumption, due to force majeure or as a result of permission to destroy the goods from the competent customs authorities.

Since February 13, 2023 came into force the next additional amendments:

- The taxable persons include the recipients on the territory of the country of excise goods that are not subject to excise duty in the Member State of dispatch.
- Obligation to declare on the part of the persons importing/introducing certain energy products to the customs authorities and the purpose of these products - whether the goods are intended for use as heating fuel or motor fuel.
- Certified recipients should submit a monthly excise declaration, instead of declaring and paying the excise tax for each receipt of excise goods released for consumption in the territory of another member state.

The other main legal acts regulating the activities of fuel market participants are related to environmental protection.

From January 1, 2012 the *Renewable Energy Sources Act (RESA)* has introduced a requirement for consumption release of diesel fuel for transport within the meaning of EDTWA to contain at least 5% by volume biodiesel. From June 1, 2012 the rate was increased to at least 6% vol. Upon the release of fuel for gasoline engines, it had to contain bioethanol or ethers produced from bioethanol least 7% vol. as of March 1, 2015. From September 1, 2018 the gasoline should be with a content of bio-ethanol or ethers, produced from bio-ethanol of minimum 8% vol. and from March 1, 2019 up to 9% vol.

## **Risk Factors influencing the activity of the Petrol Group (continued)**

The other major legal acts regulating the activity of fuel market participants are related to environmental protection. Pursuant to *Ordinance No.16 of August 12, 1999 on restriction of the emissions of volatile organic compounds in storing, loading or unloading and transportation of petrol*, the tanks storing gasoline should have coating for reflecting at least 70% of solar radiation and installed internal floating roofs or seals on external floating roofs. In the storage depots where gasolines are stored, loaded, or unloaded should have installed a hydrocarbon vapour recovery system, bottom loading systems on tank trucks, displays for control of overloading and grounding etc.

According to *Ordinance on the requirements for the quality of liquid fuels, conditions, terms and ways of their control* from January 1, 2009 the fuel for diesel engines and motor gasoline must have a maximum Sulphur content of 10 mg/kg (10 ppm).

### ***Weather conditions and seasonality***

The Group's results of operations are affected by weather conditions and seasonal variations in demand oil products. The fuel consumption is highest in the second and third quarters, which is due to the annual vacations during the summer months as well as to the agricultural producers, who usually increase their consumption during autumn months.

### ***Other risks***

See section *Contingent liabilities*

## Financial instruments and risk management

*Information pursuant to item 12 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021 and Art.39, item 8 of the Accountancy Act*

### Accounting classifications and fair values

The table below shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. There is no information included about the fair values of these short-term financial instruments that Management believes that the book value in the statement of financial position is a reasonable approximation of fair value.

December 31, 2022 BGN'000	Financial assets and liabilities			Total	Fair value level 3
	Debt instruments at amortised cost	At fair value through profit or loss	Liabilities at amortised cost		
<b>Financial assets</b>					
Loans granted, net	22,449	-	-	22,449	-
Trade and other receivables, net	26,071	-	-	26,071	-
Cash and cash equivalents	8,773	-	-	8,773	-
Financial assets measured at fair value through profit and loss	-	2,200	-	2,200	2,200
	<b>57,293</b>	<b>2,200</b>	<b>-</b>	<b>59,493</b>	<b>2,200</b>
<b>Financial liabilities</b>					
Trade and other liabilities	-	-	(50,856)	(50,856)	-
Loans and borrowings	-	-	(50,995)	(50,995)	-
	<b>-</b>	<b>-</b>	<b>(101,851)</b>	<b>(101,851)</b>	<b>-</b>

December 31, 2021 BGN'000	Financial assets and liabilities			Total	Fair value level 3
	Debt instruments at amortised cost	At fair value through profit or loss	Liabilities at amortised cost		
<b>Financial Assets</b>					
Loans granted, net	22,131	-	-	22,131	-
Trade and other receivables, net	25,477	-	-	25,477	-
Cash and cash equivalents	4,027	-	-	4,027	-
Financial assets measured at fair value through profit and loss	-	2,235	-	2,235	2,235
	<b>51,635</b>	<b>2,235</b>	<b>-</b>	<b>53,870</b>	<b>2,235</b>
<b>Financial liabilities</b>					
Trade and other liabilities	-	-	(64,921)	(64,921)	-
Loans and borrowings	-	-	(42,863)	(42,863)	-
	<b>-</b>	<b>-</b>	<b>(107,784)</b>	<b>(107,784)</b>	<b>-</b>



## Fair values estimation

### *Trade and other receivables*

Determining the fair value of trade and other receivables includes the following:

- analysis of analytical trail balances and reporting of internal transformations;
- differentiation between receivables and payables, excluding the presumption of future offsetting of receivables from different customers;
- valuation of receivables based on their collectability;
- revaluation of receivables in foreign currencies at the respective rates as at the date of the financial statements.

### *Debenture loan*

The fair value of the debenture liability is determined based on a quotable price as at the date of the consolidated financial statement, in case the instrument is quoted at an active market. In case it is not actively traded, the fair value is determined based on alternative valuation techniques. The valuation techniques used include analysis of discounted cash flows through expected future cash flows and discount level in relation with the market, the credit rating of the issuer, etc. The fair value is determined only for disclosure purposes.

### *Trade and other payables*

Determining the fair value of trade and other payables includes the following:

- complete review of payables as at the date of valuation;
- identification of overdue payables and determination of due interests and penalties;
- revaluation of payables in foreign currencies at rates as at the date of the financial statements.

### **Receivables and payables related to trade loans**

The fair value of the received and granted trade loans is determined for disclosure purposes and is calculated based on the present value of future cash flows of principal and interest discounted at the market rate at the reporting date.

## Financial risk management

### **Risk management framework**

The use of financial instruments exposes the Group to market, currency and interest rate risk. This section presents information about the objectives, policies and processes for managing these risks, as well as capital management.

Despite the shocks caused by COVID-19, the country's economy grew in the past reporting period, covering a wide range of industries and sectors. However, the country currently faces a number of challenges and future risks. The ongoing military conflict between Russia and Ukraine is creating the conditions for a lasting humanitarian crisis, shortages of raw materials and supplies, rising inflation and geopolitical turmoil that could extend to Bulgaria. At the same time, commodity prices continue to rise, and high prices are likely to persist. On the other hand, the pandemic has not completely subsided and new outbreaks are possible. This leads to the risk of a slowdown in cash flows and payments, an increase in intercompany indebtedness, a reduction in earnings and, ultimately, an overall deterioration in the economic environment in the country in which the Group operates. The macroeconomic environment in the country, as well as the level of political stability, has a significant impact on the price, market, credit, liquidity, interest rate, operational and other risks to which the Group is exposed.

## Financial risk management (continued)

As a consequence of the aforementioned factors there is a risk regarding the ability of customers to repay their obligations in accordance with the agreed terms. Therefore, the amount of impairment losses on interest-bearing loans, sales receivables, available-for-sale financial assets and other financial instruments, as well as the amounts of other accounting estimates, in subsequent reporting periods could differ materially from those determined and reported in these financial statements. The Group's management applies the necessary procedures to manage these risks.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Because of the nature of its activity, the Group is exposed to price, currency and interest rate risk.

### Currency risk

The Group performs transactions in a currency other than its functional currency, and thus it is exposed to risk, related to potential foreign exchange rate fluctuations. Such risk arises mainly from the fluctuations of the US dollar, since the Group performs purchases and has received loans denominated in US dollars. Transactions primarily denominated in euro do not expose the Group to currency risk, since the Bulgarian lev is fixed to the euro effective January 1, 1999.

Financial assets and liabilities denominated in US dollars are presented in the following table:

	December 31, 2022		December 31, 2021	
	USD'000	BGN'000	USD'000	BGN'000
<b>Financial assets</b>				
Cash and cash equivalents	1,503	2,756	7	12
Trade and other receivables	127	233	-	-
<b>Financial liabilities</b>				
Trade and other liabilities	(25)	(46)	-	-
	<b>1,605</b>	<b>2,943</b>	<b>7</b>	<b>12</b>

The sensitivity analysis to currency risk is calculated based on 10% fluctuation in the exchange rate of the US dollar towards the Bulgarian lev. The Management considers that it is a reasonably possible fluctuation, based of statistical data for the dynamics of fluctuations in the exchange rate in the previous period, based on the daily deviation calculated for 250 days. If on December 31, 2022 the rate of the US dollar had decreased/increased by 10% assuming that all other variables remained constant, loss after tax would have increased/decreased by BGN 265 thousand as a result of exchange rates differences from revaluation of cash in US dollars.

## Financial risk management (continued)

### Interest rate risk

The Group is exposed to interest rate risk as part of borrowings have variable interest rate agreed as basis interest increased by a certain margin. The Group continuously monitors and analyzes its main interest rate exposures by developing various scenarios for optimization as refinancing, renewal of existing loans, alternative financing (contracts for the sale and leaseback of assets) and calculates the impact of changing interest rates within a certain range on the financial result.

As at the date of these consolidated financial statements, the structure of the interest-bearing financial instruments is as follows:

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<b>Instruments with fixed interest rate</b>		
Financial assets	16,686	16,880
Financial liabilities	(36,811)	(36,274)
	<b>(20,125)</b>	<b>(19,394)</b>
<b>Instruments with variable interest rate</b>		
Financial liabilities	(13,500)	(5,913)
	<b>(13,500)</b>	<b>(5,913)</b>

The sensitivity analysis of the interest rate risk is prepared based on the presumption that interest positions with variable interest rates as of the end of the reporting period have existed in the same amount during the entire year and the reasonably possible increase/decrease of the interest rate is by 1,679 basis points. If the interest rates were higher/lower by 1,679 basis points, and all other variables were constant, the loss after tax would have been higher/lower by BGN 2,040 thousand.

### Price risk

The Group is exposed to a risk of frequent and sharp fluctuations in fuels prices and other tradable goods. In order to decrease sensitivity to fluctuations in the prices of fuels, the Group updates its selling prices on a daily basis in accordance with the geographic region and the selling prices of its main competitors.

In 2022, the Group held comparatively high inventory turnover. For approximately 12 days (2021: 17 days) the inventory makes a whole cycle, which reduces the Group's price risk exposure.

### Credit risk

Credit risk is the risk that one party to a financial instrument fails to meet its obligation and thus causing loss to the other. Financial assets that potentially expose the Group to credit risk are mainly trade receivables and interest loans granted.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk the Group is exposed to. The maximum exposure to credit risk as at the reporting date is as follows:

## Financial instruments and risk management (continued)

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Loans granted	22,449	22,131
Trade and other receivables	28,271	27,712
Cash and cash equivalents	8,707	3,980
	<b>59,427</b>	<b>53,823</b>

### *Trade and other receivables*

The Group is exposed to credit risk, in case its customers do not pay their obligations in the expected term and amount. The policy of the Group regarding credit risk is to sell goods and services only to customers with an appropriate credit standing and to use adequate collaterals as a means of reducing the risk of financial losses. The creditworthiness of customers is estimated by taking into consideration their financial position, past experience and other factors. Credit limits have been stipulated and their compliance is regularly monitored. In case of exceeding the credit limits, interest on arrears is accrued. Retail sales are settled in cash predominantly or by credit cards.

### *Impairment of trade and other receivables*

Time structure of trade and other receivables at the reporting date are not impaired, is as follows:

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Up to 30 days	719	1,623
31 - 120 days	426	633
121 - 210 days	108	433
Over 211 days	3,486	5,150
	<b>4,739</b>	<b>7,839</b>

### *Cash and cash equivalents*

Cash and cash equivalents of the Group are located in banks with high ratings.

### **Liquidity risk**

Liquidity risk is the risk that the Group may not be able to meet its financial obligations when they fall due. The policy is aimed at ensuring sufficient liquidity with which to serve liabilities when they fall due, including abnormal and emergency situations. The goal of management is to maintain a constant balance between continuity and flexibility of financial resources using various forms of financing. Liquidity risk management includes maintaining sufficient stocks of cash, arranging adequate credit lines, preparation, analysis and updating cash flow forecasts.

## Financial instruments and risk management (continued)

The following table presents the contractual maturities of financial liabilities based on the earliest date on which the Group may be required to pay them.

The table shows the undiscounted cash flows, including principal and interest, excluding the effect of netting arrangements:

<b>December 31, 2022</b> <b>BGN'000</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to one year</b>	<b>Between one and five years</b>
Debentures	36,979	44,021	1,678	42,343
Loans from financial institutions	13,500	13,500	-	13,500
Trade loans	516	516	516	-
Trade and other payables	50,856	50,856	50,856	-
	<b>101,851</b>	<b>108,893</b>	<b>53,050</b>	<b>55,843</b>
<b>December 31, 2021</b> <b>BGN'000</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to one year</b>	<b>Between one and five years</b>
Debentures	36,942	45,700	1,678	44,022
Loans from financial institutions	5,921	5,921	471	5,450
Trade and other payables	64,921	64,921	64,921	-
	<b>107,784</b>	<b>116,542</b>	<b>67,070</b>	<b>49,472</b>

The Group does not expect cash flows included in the table to occur significantly earlier or at significantly different amounts.

In 2022 the Petrol Group did not use any financial instruments for hedging-risk purposes.

The Group operates with ERP system, which supports the ongoing reporting, analysis, planning, implementation and control of the business processes in Petrol Group. The internal control system of the Group monitors for the effective functioning of the Group's reporting, preventive identification of risks accompanying activities and the timely identification of potential errors and shortcomings. At the same time, the Parent company's SB exercises general and continuous control over the Parent-company's activity, including the accompanying reporting and verifies the annual financial statements and annual reports of Petrol AD (*see also Corporate management declaration*).

### Information pursuant to item 10 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

In 2022 the Group did not issue any new securities.

## Significant events occurred in 2022

### Information pursuant to item 3 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

In February 2022 a notification under Art. 145 of the Public Offering of Securities Act by Corporate Commercial Bank AD (CCB AD) was entered in the Parent-company's office. With the notification the Bank notifying that the shareholder CCB AD has transferred all its shares (5.51%) of the capital of Petrol AD on February 21, 2022, thus lowering its shareholding below the 5% threshold. In the same month another shareholder - Trans Express Oil EOOD, increased its share in the capital of the Parent company from 9.86% to 15.31%. As a result of subsequent transactions, the share of Trans Express Oil EOOD decreased to 9.82% as of the date of approval of the consolidated financial statements.

At the end of February 2022, several countries (including the United States, the United Kingdom, Canada, Switzerland, Japan and the EU) imposed sanctions on certain legal entities and individuals in Russia due to its official recognition of two regions separating from Ukraine, the Donetsk Republic and the Luhansk Republic and the military operations on the territory of Ukraine started on February 24, 2022. Subsequently, additional sanctions against Russia were announced. The recent events arising from the military conflict in Ukraine have created challenges for businesses located and operating there. As a result of the beginning of 2022, there has been a significant increase in the fuel prices - a sector in which the Group also operates. The Group has no assets in the affected countries. In 2022 the Group has direct relationships with counterparties operating in these countries. See also (section Military conflict between Russia and Ukraine).

In connection with the Annex to the contract for purchase and sale of electricity signed in February 2021, the Group paid cash deposit in February 2022 in the amount of BGN 50 thousand as a collateral.

In February 2022, the Group entered into a financial collateral agreement under the Financial Collateral Contracts Act to secure in full all receivables of a commercial bank in connection with an investment loan agreement for a principal in the amount of USD 1,260 thousand granted to an unrelated entity, providing a pledge on cash receivables on bank accounts opened with the bank.

At the end of February 2022, the subsidiary Varna Storage OOD returned a License № 544 for tax warehouse operation, issued by the Customs Agency, due to inability to negotiate an acceptable level of remuneration for the leased storage depot, subject to the license. In this regard, the present consolidated financial statements report an impairment of goodwill arising on the acquisition of the subsidiary in the amount of BGN 19,787 thousand. (*see also Note 13 and Note 20 to the consolidated financial statements for 2022*).

In April 2022 the Group prepaid BGN 50 thousand principal on received bank credit line for working capital.

In April 2022, the Group negotiated a new tranche for working capital under the current bank facility with a maximum amount of up to BGN 4,500 thousand, reducing with the same amount the credit line limit for bank guarantees. The amount has been drawn down and as at December 31, 2022 the Group has a liability under this tranche for the principal amount of BGN 4,500 thousand. The agreed annual interest rate is the SIR (Savings Interest Rate) for the BGN plus a premium of 4.174 percentage points but not less than 4.25%. This tranche matures on December 16, 2024.

On April 26, 2022 the Ministry of Energy announced to the public that Bulgargaz EAD has received notification that the supplies of natural gas from Gazprom Export would be ceased as of April 27, 2022. The Bulgaria has fully fulfilled its obligations and made all payments required under this agreement, in a timely manner, strictly and in accordance with the clauses of the agreement.

## Significant events occurred in 2022 (continued)

The ministry assures that they have taken steps for alternative agreements for the supply of natural gas and to deal with the situation. As of the date of preparation of this consolidated report, the Management Board of the Parent-company is not able to assess the future effects on the activities of the Group.

In the period from May to the end of June 2022, through share purchase agreements, the Group acquired 4,999 (four thousand nine hundred and ninety-nine) shares with a nominal value of BGN 10 (ten), representing 99.98% of the capital of Petrol Investment AD.

In June 2022, the Group agreed to further increase the working capital under the credit line with a new tranche up to a maximum amount of BGN 3,600 thousand, reducing the provided credit line for bank guarantees by the same amount up to BGN 5,400 thousand, and the total limit under the revolving bank line becomes BGN 18,900 thousand. The amount has been received and as at December 31, 2022 the Group has a liability under this tranche for the principal amount of BGN 3,600 thousand. The agreed annual interest rate is the SIR (Savings Interest Rate) per BGN plus a margin of 4.1764 percentage points but not less than 4.25%. This tranche matures on December 14, 2024.

In July 2022, the subsidiary company Petrol Export EOOD was established with 100% owned by the Group capital of BGN 50 thousand to separate and facilitate the administration of fuels wholesale for export.

On September 30, 2022, the Parent company received a notice from the lender bank to unilaterally increase the premium by 0.5%, effective October 1, 2022, on the agreed annual interest rate on the three tranches provided by the bank, as a result of the changed interest rate environment and high inflation rates.

In December 2022 a new subsidiary Bulgaria Cargo Rail EOOD was established with 100% owned by the Group capital amounting to BGN 50 thousand. The newly established company is engaged in the export and transport of oil and petroleum products.

Additional information concerning other Group events during the period, which could be considered as significant is disclosed in the notes to the consolidated annual financial report of the Group for 2022.

## Events after the reporting date

### Information pursuant to Art. 39, item 3 of the Accountancy Act

In connection with the claims of a minority shareholder for the annulment as unlawful pursuant to Art.74 of the Commercial Law of the resolutions of the Ordinary General Meetings held on June 26, 2019, September 28, 2020, June 30, 2021 and July 19, 2022, the Board of Directors of the Parent company has convened a new Extraordinary General Meeting on March 29, 2023 with an agenda to re-vote on all contested resolutions. At the EGM held on March 29, 2023, 71.30% of the shareholders entitled to vote were present and all resolutions were passed unanimously.



## Unusual events and indicators having a significant impact on the Group's operations

### Information pursuant to item 5 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

On February 24, 2022, Russian military units entered the territory of Ukraine, at the same time the Russian army began launching missile strikes on strategic Ukrainian facilities. From that day in February, the military conflict between Russia and Ukraine has begun. The clash between the two countries and the departure of Ukrainian civilians from their homes to escape Russia's military invasion of Ukraine created a humanitarian crisis in Europe unprecedented in the post-World War II period. All business sectors have been affected in one way or another by the military conflict.

The resulting military conflict and the economic, financial and other sanctions imposed by the EU and the US on Russia to stop the conflict are blocking economic activity between the European Union and Russia, restricting payments and the free movement of people, goods and services, while causing significant disruption across the board in the financial markets and non-financial sector.

The military conflict has further affected the prices of various goods, resources and services, as Russia is a major exporter of fossil fuels, metals and other resources, and the aim of the sanctions imposed by the European Union and the United States is to restrict Russia's economic activity. Fossil fuels are still a major part of the process from the creation to the final consumption of almost all goods in the EU, with the result that future uncertainty over the price and availability of fossil fuels and other resources is worsening the economic outlook for the EU and Bulgaria in particular.

By Decision No739 of October 26, 2021, as amended by Decision No 771 of November 06, 2021 and Decision No 885 of December 16, 2021, the Council of Ministers adopted a program to compensate non-household final customers of electricity. The Program for the Compensation of Non-domestic final customers of electricity adopted by the Council of Ministers aims to protect and assist all non-domestic final customers in coping with the effects of fluctuations in electricity prices.

See also the section *Events after the reporting period, Contingent liabilities, COVID-19 influence on the Petrol Group's operations, Military conflict between Russia and Ukraine.*

## Results from operations

*Information pursuant to item 11 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021*

The Petrol Group has not disclosed any financial and operating projections for 2022, thus there is no analysis of the ratios between the reached and disclosed financial results.

*Operating and financial data pursuant to item 1 and item 2 of Appendix No.2 to the Ordinance No.2 of November 9, 2021 and Art. 39, item 1 and item 2 of the Accountancy Act*

### Revenue

In 2022 the Group's consolidated revenue from operations increased to BGN 825,614 thousand (EUR 422,130), recording an increase of 66% compared to 2021, when the Group reported consolidated revenue from continuing operations of BGN 498,278 thousand (EUR 254,765). The growth in total revenue in 2022 is almost entirely due to the higher revenue of BGN 319,038 thousand (EUR 163,122 thousand) from sales of fuels, goods and services, with other operating income increasing by BGN 8,298 thousand (EUR 4,243 thousand). The increase in total income is mostly due to the increase by BGN 205,953 thousand (EUR 105,302 thousand) in the segment - wholesale fuels as a result of higher sales of wholesale fuels, the increase of BGN 109,368 thousand (EUR 55,920 thousand) in the segment - retail fuels as a result of higher average selling prices in 2022 compared to 2021, as well as to the increase in revenue from other segments by BGN 12,015 thousand (EUR 6,143 thousand), mainly as a result of the penalty income accrued during the reporting period.

The table below presents the change of revenue during the period 2020 - 2022 on a consolidate base and by separate business segments:

		2022	2021	2020	Δ B % 2022/2021
Sales revenue, incl:	BGN thousand	813,313	499,841	390,521	63%
	EUR thousand	415,840	255,565	199,670	
Sales revenue (discontinued operations - wholesale)	BGN thousand	882	6,448	5,198	(86%)
	EUR thousand	451	3,297	2,658	
Other income, incl:	BGN thousand	13,322	6,274	4,126	112%
	EUR thousand	6,811	3,208	2,110	
Other income (discontinued operations - wholesale)	BGN thousand	139	1,389	568	(90%)
	EUR thousand	71	710	290	
<b>Total revenue (continuing operations), incl.:</b>	<b>BGN thousand</b>	<b>825,614</b>	<b>498,278</b>	<b>388,881</b>	<b>66%</b>
	<b>EUR thousand</b>	<b>422,130</b>	<b>254,765</b>	<b>198,832</b>	
Retail segment (continuing operations)	BGN thousand	588,443	479,075	372,749	23%
	EUR thousand	300,866	244,946	190,583	
share of total revenue	%	71.3%	94.5%	94.5%	
Wholesale segment (continuing operations)	BGN thousand	222,755	16,802	14,582	1226%
	EUR thousand	113,893	8,591	7,456	
share of total revenue	%	27.0%	5.1%	5.1%	
Other activities (continuing operations)	BGN thousand	14,416	2,401	1,550	500%
	EUR thousand	7,371	1,228	793	
share of total revenue	%	1.7%	0.4%	0.4%	

## Results from operations (continued)

As in all previous years, the Group's sales revenue for 2022 is almost entirely 99.1% (2021 continuing operations: 99%) came from sales of fuels, lubricants, and other merchandise. In 2022, these sales amounted to BGN 804,845 thousand (EUR 411,511 thousand), or 64.8% more than in 2021 (continuing operations), when they were BGN 488,274 million (EUR 249,651 thousand).

The increase of BGN 316,571 thousand (EUR 161,860 thousand) in revenue from sales of fuels and other goods in 2022 compared to the previous year is due to both the increase of BGN 309,088 thousand (EUR 158,034 thousand) in sales of fuels and the increase of BGN 7,483 thousand (EUR 3,826 thousand) in revenue from sales of lubricants and other merchandise compared to the previous year.

In 2022, the major part of revenue from sales of fuels and other commodities, or 91% (2021: 87.2%), is generated from wholesale and retail sales of fuels, the amounts of which, after eliminating intercompany transactions, are as follows:

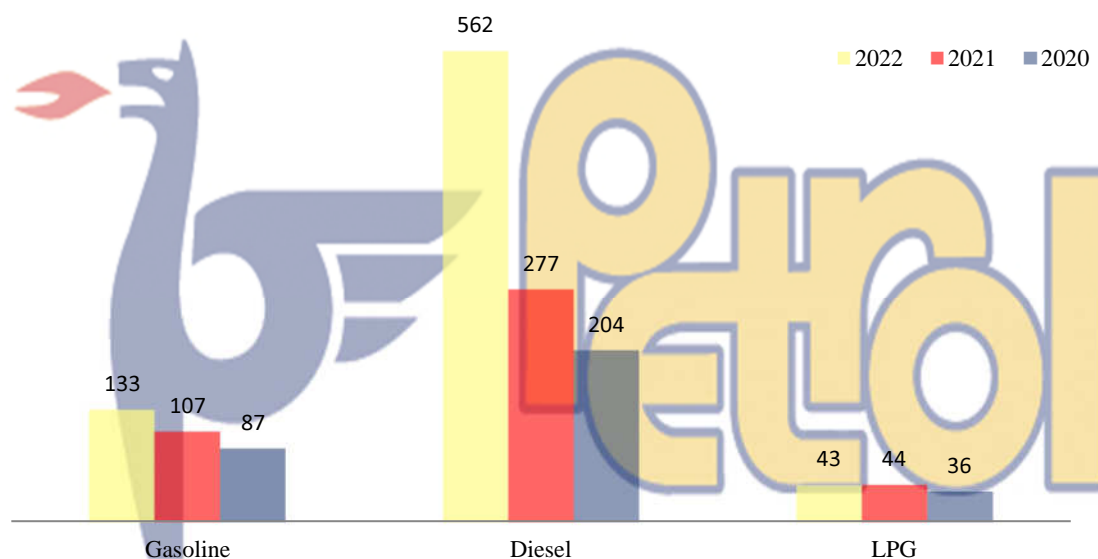
		2022	2021 restated	2020 restated	Δ B % 2022/2021
Retail sales of fuels	BGN thousand	518,651	413,301	314,554	25.5%
	EUR thousand	265,182	211,318	160,829	
<i>share of total sales of fuels</i>	%	70.2%	96.1%	95.6%	
Wholesale sales of fuels (Continuing operations)	BGN thousand	220,554	16,817	14,597	1,211.5%
	EUR thousand	112,768	8,598	7,463	
<i>share of total sales of fuels</i>	%	29.8%	3.9%	4.4%	
<b>Total sales of fuels</b>	<b>BGN thousand</b>	<b>739,205</b>	<b>430,118</b>	<b>329,151</b>	<b>71.9%</b>
	<b>EUR thousand</b>	<b>377,950</b>	<b>219,916</b>	<b>168,292</b>	
<b>Total sales of fuels (Discontinued operations)</b>	<b>BGN thousand</b>	<b>121</b>	<b>1,157</b>	<b>536</b>	<b>(89.5%)</b>
	<b>EUR thousand</b>	<b>62</b>	<b>592</b>	<b>274</b>	

Following the unprecedented decline in revenue from wholesale and retail sales of fuels, due entirely to COVID-19 and the imposed in 2020 and 2021 by the government restrictive measures for movement of citizens, the Group managed to partially recover its revenue from sales of fuels, as the total revenues from wholesale and retail sales of fuels reached BGN 739,205 thousand (EUR 377,950 thousand) or more by BGN 309,087 thousand (EUR 158,034 thousand) compared to 2021 (see also *Retail sales and Wholesale sales*).

In the current year, the relative share of revenue from wholesale sales of fuels increased in Petrol Group's total consolidated revenue from sales of fuels at the expense of revenue from retail fuel sales. While in 2021 wholesale revenue from sales of fuels from continuing operations amounted to 3.9%, in 2022 it increases to 29.8% of the Group's consolidated revenue from sales of fuels, which is the result of sales to new wholesale customers, both domestic and export, with the Group reporting BGN 168,557 thousand (EUR 86,182 thousand) in revenue from export fuel sales in 2022.

The dynamics of sales revenues from continuing operations in millions of BGN of the main types of fuels traded by the Group in the period 2020 - 2022 is presented in the following chart. Prior periods have been restated.

## Results from operations (continued)



### Retail sales

The Group's retail sales are made through a network of retail stations owned and/or operated by Petrol AD. These retail stations are evenly spread throughout the country giving the Group comprehensive geographic coverage. As of December 31, 2022 the Group operated 285 working retail stations (2021: 301 retail stations).

The results for the period 2020 – 2022 are as it follows:

	2022	2021	2020	$\Delta$ B % 2022/2021
Retail sales volumes (thousand liters, methane in kg.)	218,899	249,067	226,582	(12.1%)
<i>incl. corporate sales</i>	79,800	79,235	73,957	0.7%
Sales revenue				
BGN thousand	518,651	413,301	314,554	25.5%
EUR thousand	265,182	211,318	160,829	

Despite the increase in 2022 in retail fuel sales revenue, the Group reports a 12.1% decrease in retail fuel sales in quantitative terms compared to the previous 2021. The higher average retail sales prices in 2022, as a result of the military conflict arising at the end of February between Russia and Ukraine and the subsequent sanctions imposed on Europe's trade and financial exchanges with Russia, directly impacted the fuel prices and the subsequent higher international crude oil prices, contributed to the increase in retail fuel sales revenue by BGN 105,350 thousand (EUR 53,864 thousand) compared to 2021. The decrease in consumption due to higher average selling prices in the reporting period compared to the previous year resulted in a decline in retail sales volumes for all fuel types.

The following table sets out the Group's retail sales of fuel by major types of oil products for 2020 – 2022:

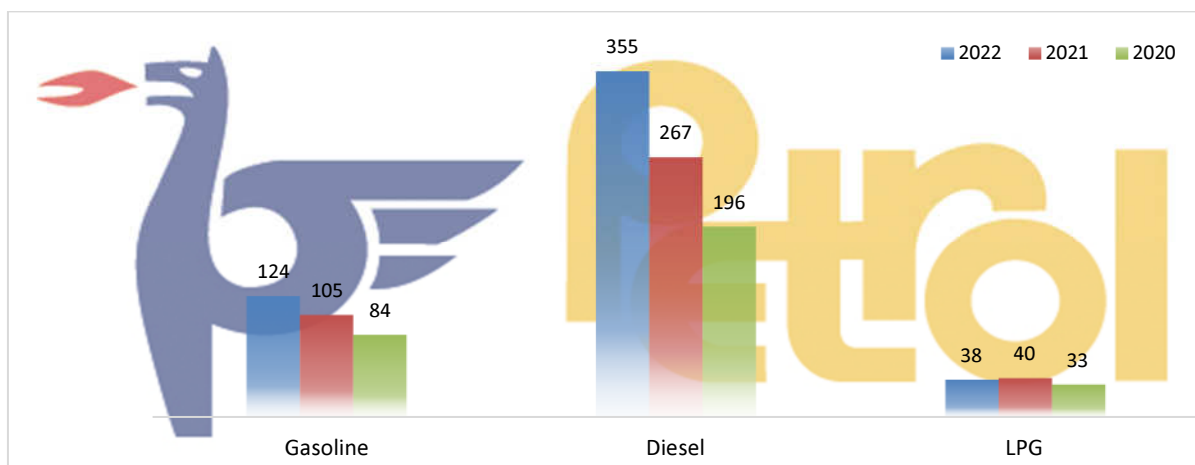
## Results from operations (continued)

		2022	2021	2020	Δ в % 2022/2021
Gasoline A-95H	BGN thousand	119,974	100,123	80,556	19.8%
	EUR thousand	61,341	51,193	41,187	
share of total retail sales of fuels	%	23.0%	24.3%	25.6%	
Gasoline 100 Extra Force	BGN thousand	3,896	4,380	3,466	(11.1%)
	EUR thousand	1,992	2,239	1,772	
share of total retail sales of fuels	%	0.8%	1.1%	1.1%	
Blue Force LPG	BGN thousand	38,306	39,794	33,319	(3.7%)
	EUR thousand	19,586	20,346	17,036	
share of total retail sales of fuels	%	7.4%	9.6%	10.6%	
Green Force diesel	BGN thousand	19,178	25,410	18,171	(24.5%)
	EUR thousand	9,806	12,992	9,291	
share of total retail sales of fuels	%	3.7%	6.1%	5.8%	
Pro Force Diesel	BGN thousand	335,925	241,420	177,399	39.1%
	EUR thousand	171,756	123,436	90,703	
share of total retail sales of fuels	%	64.8%	58.4%	56.4%	
Methane	BGN thousand	1,372	2,174	1,643	(36.9%)
	EUR thousand	701	1,112	840	
share of total retail sales of fuels	%	0.3%	0.5%	0.5%	
<b>Total retail sales of fuels</b>	<b>BGN thousand</b>	<b>518,651</b>	<b>413,301</b>	<b>314,554</b>	<b>25.5%</b>
	<b>EUR thousand</b>	<b>265,182</b>	<b>211,318</b>	<b>160,829</b>	

The highest increase for 2022 in absolute value of BGN 94,505 thousand (EUR 48,320 thousand) reported the revenue from sales of Pro Force Diesel. In addition an increase of BGN 19,851 thousand (EUR 10,148 thousand) reported the sales of Gasoline A-95.

As a result of the high average sales prices and the suspension of the activities of some of the retail trade sites, the revenue from sales of Green Force diesel, 100 eXXtra Force gasoline, Blue Force gas and methane decreased by BGN 6,232 thousand (BGN 3,186 thousand), 484 thousand BGN (247 thousand euros), 1,488 thousand BGN (760 thousand euros) and 802 thousand BGN (411 thousand euros), respectively.

The dynamics of retail sales revenue (in BGN millions) of the major types of oil products during the period 2020 – 2022 are presented on the following diagram:



## Results from operations (continued)

In 2022 the Group continues the process aimed at reorganizing the retail network, including shutdown and sale of unprofitable sites, termination of contracts with unfair partners in franchising and dealership programs, concluding contracts with new contractors under the same programs and more.

### Wholesale sales

The Group's wholesale sales are made through the SD Varna operated by the Group until end of February and by purchases from other storage depots of third-party entities.

The reported results from wholesale sales of fuels in 2020 – 2022 are, as follows:

Continuing operations		2022	2021 restated	2020 restated	Δ B % 2022/2021
Volume of wholesale sales (thousand litres) <sup>15</sup>		119,310	12,400	13,390	862.2%
Volume of wholesale sales (tonnes) <sup>16</sup>		31	0	0	
Sales revenue	BGN thousand	220,554	16,817	14,597	1,211.5%
	EUR thousand	112,768	8,598	7,463	
Discontinued operations		2022	2021 restated	2020 restated	Δ B % 2022/2021
Volume of wholesale sales (thousand litres) <sup>17</sup>		59	736	787	(92%)
Volume of wholesale sales (tonnes) <sup>18</sup>		0	0	0	
Sales revenue	BGN thousand	121	1,157	536	(89.5%)
	EUR thousand	62	592	274	

In 2022 revenue from wholesale fuel sales increased by BGN 203,737 thousand (EUR 104,170 thousand) compared to 2021. The increase is due to both the growth in wholesale volumes by 106,910 thousand liters and the higher average sales prices in 2022 compared to 2021.

The largest increase of BGN 197,003 thousand (EUR 100,727 thousand) on an annual basis is reported in the revenue from sales of diesel fuel. The growth is due to both higher average sales prices in 2022 compared to 2021, as well as the growth in sales volumes due to the sales for export in 2022. In addition, in 2022 the revenue from sales of A-95 gasoline and LPG and jet fuel (other fuels) also reported growth, which increased by BGN 6,307 thousand (EUR 3,224 thousand) and BGN 527 thousand (EUR 270 thousand), respectively.

Revenue from sales of Gasoline A-98 decreases by BGN 100,000 (EUR 51,000) compared to 2021, entirely due to the drop in sales in 2022. As a result, in 2022 the total revenue from wholesale fuel sales increased by 1,211% to BGN 220,554 thousand (EUR 112,768 thousand) compared to BGN 16,817 thousand (EUR 8,598 thousand) for 2021.

<sup>15</sup> Wholesale volumes for all types of gasoline, diesel and gas oil are measured in litres

<sup>16</sup> Wholesale volumes for jet, LPG, heating oil and other heavy fuels are measured in tonnes

<sup>17</sup> Wholesale volumes for all types of gasoline, diesel and gas oil are measured in litres

<sup>18</sup> Wholesale volumes for jet, LPG, heating oil and other heavy fuels are measured in tonnes

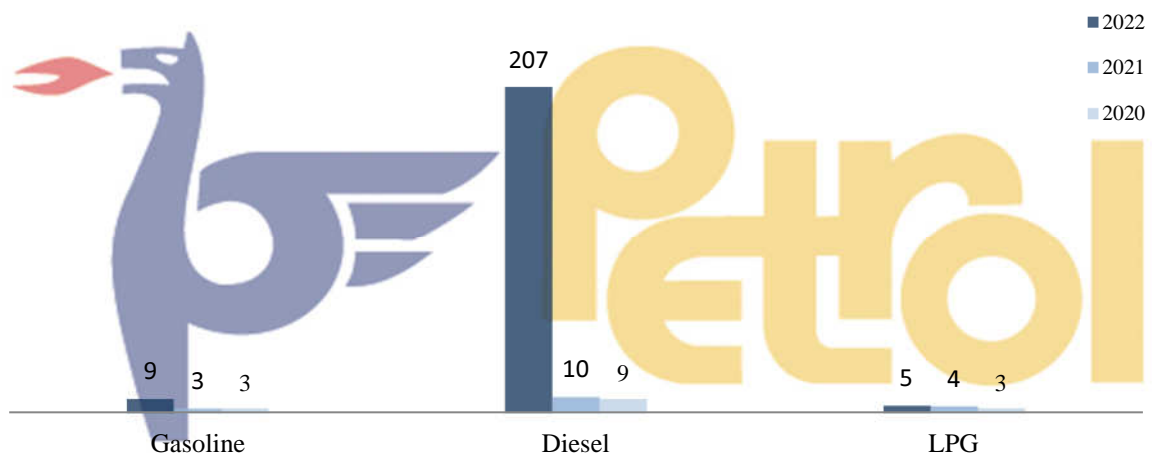


## Results from operations (continued)

The following table sets out the Group's wholesale sales of fuel by major types of oil products:

		2022	2021 restated	2020 restated	Δ B % 2022/2021
Gasoline A-95H	BGN thousand	8,671	2,364	2,661	267%
	EUR thousand	4,433	1,209	1,361	
	share of total wholesale sales of fuels	%	3.9%	14.1%	18.2%
Gasoline A-98	BGN thousand	93	193	136	(52%)
	EUR thousand	48	99	70	
	share of total wholesale sales of fuels	%	0.0%	1.1%	0.9%
Gasoline A-100	BGN thousand	-	-	51	-
	EUR thousand	-	-	26	
	share of total wholesale sales of fuels	%	0.0%	0.0%	0.3%
Diesel	BGN thousand	207,251	10,248	8,807	1,922%
	EUR thousand	105,966	5,239	4,502	
	share of total wholesale sales of fuels	%	94.0%	60.9%	60.4%
Other fuels	BGN thousand	4,539	4,012	2,942	13%
	EUR thousand	2,321	2,051	1,504	
	share of total wholesale sales of fuels	%	2.1%	23.9%	20.2%
<b>Total wholesale sales of fuels</b>	<b>BGN thousand</b>	<b>220,554</b>	<b>16,817</b>	<b>14,597</b>	<b>1,211%</b>
	<b>EUR thousand</b>	<b>112,768</b>	<b>8,598</b>	<b>7,463</b>	

The dynamics in wholesale sales revenue from continuing operations of the major types of petroleum products during the period 2020 – 2022 are presented on the following diagram. Previous periods are restated.



## Gross margin

In 2022 the Group's total gross trade margin (GTM) from sales of goods, calculated as a percentage of the consolidated net revenue from sales of fuels and other goods, decreased from 10.9% in 2021 to 8.1% in 2022. In absolute terms, however, the gross trade margin increased by BGN 12,034 thousand (EUR 6,153 thousand) and was driven by both the increase of BGN 8,489 thousand (EUR 4,340 thousand) in the consolidated gross trade margin from the sale of fuels and the increase of BGN 3,545 thousand (EUR 1,813 thousand) in the gross trade margin from the sale of other goods.

## Results from operations (continued)

In 2022 the total gross margin from sales of fuels increased to BGN 52,730 thousand (EUR 26,960 thousand) compared to BGN 44,241 thousand (EUR 22,620 thousand) in 2021. The main reason for the increase in gross margin from sales of fuels in 2022 is the increase in fuel sales for export, which led to an increase of BGN 6,697 thousand (EUR 3,424 thousand) in gross margin from wholesale fuel sales, while gross margin from retail fuel sales increased by BGN 1,792 thousand (EUR 916 thousand). Gross margin from the sale of lubricants and other merchandise, including the sale of assets classified as goods grew in 2022 by 39% year-over-year to BGN 12,757 thousand (EUR 6,523 thousand), compared to BGN 9,212 thousand (EUR 4,710 thousand) in 2021.

### Operating expenses

#### *Hired services*

In 2022 the cost of hired services decreases by BGN 8,389 thousand (EUR 4,289 thousand) to BGN 26,180 thousand (EUR 13,386 thousand), compared to BGN 34,569 thousand (EUR 17,675 thousand) in 2021. In 2022 the Group reported the largest decrease of BGN 11,718 thousand (EUR 5,991 thousand) in rental expenses, mainly due to the right-of-use assets recorded at the end of 2022 under IFRS 16 and the corresponding reclassification of rental expenses of BGN 10,479 thousand (EUR 5,358 thousand) in 2022, also due to the lower rental prices agreed for some of the petrol stations in 2022 compared to 2021. In addition, in 2022 the Group reported lower cash collection costs, which decreased by BGN 40 thousand (EUR 21 thousand) due to the reduction in the number of petrol sites during the year, and consulting and training costs, which decreased by BGN 73 thousand (EUR 37 thousand).

Rental expenses in 2022 include rental costs of BGN 3,136 thousand (EUR 1,603 thousand) compared to BGN 14,858 thousand (EUR 7,597 thousand) in 2021 in relation to petrol stations leased under operating leases that fall within the IFRS 16 exemptions, including BGN 2,862 thousand (EUR 1,603 thousand) in respect of contracts that are included until, and based on new terms agreed in 2022, they fall within the scope of IFRS 16 and are recognised as right-of-use assets.

In terms of other items, the Group reported an increase in costs, with the largest increase of BGN 2,016 thousand (EUR 1,031 thousand) in the cost of transport services, which is the result of accrued transport costs associated with the significant increase in wholesale fuel sales in 2022, including for export. In 2022 the cost of dealer fees and other commissions increases by BGN 674 thousand (EUR 345 thousand), which is entirely due to accrued agency costs and higher costs of commissions for terminals and payment services related to the increase in prices of goods and services, and the consequent higher value of transactions, and hence their costs. In 2022, an increase of BGN 252 thousand (EUR 129 thousand) compared to 2021 was also recorded in advertising expenses due to the higher marketing budget for the year.

During the reporting period, the cost of dealer remuneration decreased by BGN 390 thousand (EUR 199 thousand), including salaries and social security costs for staff at partner-managed petrol stations, due to the reduction in the number of petrol stations under dealer management in 2022 compared to the previous year. In terms of the remaining items, the repair and maintenance expenses, insurance expenses, and software licenses recorded higher increases for the reporting period, increasing by BGN 157 thousand (EUR 80 thousand), BGN 82 thousand (EUR 42 thousand) and BGN 81 thousand (EUR 41 thousand), respectively, compared to 2021, due to the inflation, higher cost of insurance and increase in the cost of insurance premiums, and payment of additional licenses and subscriptions in 2022 related to the wholesale fuel sales and the overall technological provisioning of the Group.

## Results from operations (continued)

An additional effect towards the reduction in the cost of hired services was the separation in 2022 and the comparative period of the Group's discontinued operations, respectively, of hired service costs in the amount of BGN 772 thousand (EUR 395 thousand) for 2022 and in the amount of BGN 179 thousand (EUR 92 thousand) for 2021.

Following two consecutive years of reduction in hired service costs as a result of the efforts and actions taken by the Group's management to optimize operating costs, renegotiate commercial terms with suppliers and other counterparties, as well as search for hidden reserves in response to the severe economic consequences caused by the pandemic. In 2022 the government-imposed anti-epidemic measures in the country, as well as the arising military conflict in Ukraine, led to a double-digit two-year inflationary growth in the country and growth of the operating costs of the Group.

### *Materials and consumables*

The Group's material costs include the costs incurred for fuel, marketing materials, spare parts, office supplies, utilities, etc. In 2022 the Group reports an increase in total materials and consumables expenses to BGN 7,636 thousand (EUR 3,904 thousand) from BGN 5,058 thousand (EUR 2,586 thousand). The main contributors to the overall increase in material costs were the higher electricity and heating costs by BGN 2,456 thousand (EUR 1,256 thousand), which grew by 76% year-over-year. The latter is the result of the unprecedented increase in electricity and natural gas prices, which led to a significant increase in the Group's electricity and heating costs in 2022. In 2022 the Petrol Group receives compensation for consumed electricity of BGN 2,314 thousand (EUR 1,183 thousand). In addition, in 2022 the Petrol Group reports an increase in the costs of fuels and lubricants, and office consumables and marketing materials by BGN 189 thousand (EUR 97 thousand), BGN 23 thousand (EUR 12 thousand) and BGN 14 thousand (EUR 7 thousand), respectively, due to the significant increase in 2022 in the prices of fuel, materials and office consumables. In 2022 and 2021, the reported material costs related to discontinued operations amount to BGN 56 thousand (EUR 23 thousand) and BGN 179 thousand (EUR 92 thousand), respectively.

### *Employee benefits*

In 2022 the employee benefits costs increase to BGN 22,131 thousand (EUR 11,315 thousand) compared to BGN 20,558 thousand (EUR 10,511 thousand) in 2021. The increase is mainly due to the increase in the remuneration of the employees of the petrol stations, including expenses for vouchers, overtime, etc., following the actions that were taken in previous periods to reduce expenses in order to preserve the Group's financial position and liquidity in a situation of global pandemic and economic crisis. In 2022 and 2021, the reported personnel costs related to the discontinued operations amount to BGN 127 thousand (EUR 64 thousand) and BGN 1,338 thousand (EUR 684 thousand), respectively.

### *Depreciation and amortization*

Depreciation and amortization charges on non-current tangible and intangible assets are accrued based on the useful life of the assets by applying the straight-line method. In 2022 the Group's depreciation and amortization expenses amount to BGN 10,577 thousand (EUR 5,408 thousand) compared to BGN 3,423 thousand (EUR 1,750 thousand) in 2021. The increase is due to the accounting for leases falling within the scope of IFRS 16 in 2022 as right-of-use assets and the accrued depreciation on these assets during the period amounting to BGN 9,202 thousand (EUR 4,705 thousand).

## Results from operations (continued)

From 2020 the Group has changed the approach adopted for the subsequent valuation of property, plant and equipment to the revaluation model under IAS 16 and for intangible assets under IAS 38, which was applied for the first time as of January 1, 2020 (*see also note 17 Property, plant, equipment and intangible assets to these financial statements*). In 2022 and 2021, the reported depreciation expense related to discontinued operations amounts to BGN 11 thousand (EUR 6 thousand) and BGN 2,261 thousand (EUR 1,156 thousand), respectively.

### *Impairment losses of assets*

For 2022 the Group reports a net impairment loss of BGN 664 thousand (EUR 339 thousand), compared to a net impairment loss of BGN 3,410 thousand (EUR 1,744 thousand) for 2021. The decrease for 2022 is due to lower impairment losses recognised in 2022 on trade and other receivables by BGN 1,353 thousand (EUR 692 thousand) and loans granted by BGN 789 thousand (EUR 403 thousand).

During the comparative period the Group recognised an impairment loss on goodwill of BGN 19,787 thousand (EUR 10,117 thousand) due to the suspending of the operations of the subsidiary Varna Storage EOOD and the return in February 2022 of the License No 544 for tax warehouse management, issued by the Customs Agency, due to the incapability to negotiate a fair rental price for the operated until February 2022 by the company storage facility. (*see also Note 20 to the 2022 consolidated financial statements*). In 2022 the Group do not reported any impairment losses on assets related to discontinued operations, as for 2021 the Group reported impairment losses on assets related to discontinued operations of BGN 19,787 thousand (EUR 10,117 thousand) for 2021.

### *Other operating expenses*

In 2022 the Group's reported other operating expenses at the amount to BGN 2,147 thousand (EUR 1,098 thousand) compared to BGN 1,498 thousand (EUR 766 thousand) in 2021. The increase of BGN 649 thousand (EUR 332 thousand) is mainly due to the higher by BGN 503 thousand (EUR 257 thousand) expenses for scrap, shortages and liquidation of assets resulting from scrapped fuel during the reporting period and an increase of BGN 97 thousand (EUR 50 thousand) in expenses for local taxes and taxes on expenses. The largest decrease in 2022 was reported in the cost of fines and penalties, which decreased by BGN 87 thousand (EUR 44 thousand) as a result of more fines imposed on the Group in the comparative period - 2021 and donations made in a smaller amount in 2022. In 2022 and 2021 the other expenses related to discontinued operations amounted to BGN 106 thousand (EUR 54 thousand) and BGN 15 thousand (EUR 8 thousand), respectively.

## Operating profit

In 2022 the Group reports a positive result before net finance costs, taxes, depreciation and amortization (EBITDA) of BGN 27,498 thousand (EUR 14,060 thousand) compared to a loss of BGN 1,636 thousand (EUR 836 thousand) in 2021. The improvement of the indicator is due to several factors. On the one hand, to the net impairment loss reported at the end of the comparative period on December 31, 2021 of BGN 3,410 thousand (EUR 1,744 thousand), in addition to the improved financial results in 2022 compared to the comparative period, and the recognition of new lease agreements in 2022 as right-of-use assets that fell within the scope of IFRS 16 in the reporting year 2022 and, accordingly, the elimination of the rental expense associated with these agreements from the date these agreements fell within the scope of IFRS 16.

## Results from operations (continued)

Eliminating the effect of the impairment charges for 2022, the Petrol Group reports an operating profit before interest, taxes, depreciation and amortization of BGN 28,162 thousand (EUR 14,399 thousand) compared to an operating profit of BGN 1,774 thousand (EUR 907 thousand) for 2021, or an increase of BGN 26,388 thousand (EUR 13,492 thousand), due to the increase in 2022 of the gross trade margin by BGN 12,034 thousand (EUR 6,153 thousand), an increase in other income of BGN 8,298 thousand (EUR 4,243 thousand), as a result of income from contractual penalties with counterparties and income from government financing, an increase in income from the sale of services of BGN 2,467 thousand (EUR 1,261 thousand), and a decrease in operating expenses excluding depreciation and amortization of BGN 3,589 thousand (EUR 1,835 thousand).

The increase in EBITDA in 2022 also has a positive effect on the Group's operating result before net finance costs and taxes (EBIT). For 2022 the Group is reporting an operating profit before finance costs and taxes of BGN 16,921 thousand (EUR 8,652 thousand) compared to an operating loss of BGN 5,059 thousand (EUR 2,587 thousand) for 2021, as the depreciation and amortisation expenses in 2022 increased to BGN 10,577 thousand (EUR 5,408 thousand) compared to BGN 3,423 thousand (EUR 1,750 thousand) for 2021 due to the lease agreements reported in 2022 as right-of-use assets and the related depreciation expense accrued in 2022.

### Net finance costs

The Petrol Group's finance income and costs consist of interest income and expenses, foreign exchange gains and losses and transactions with financial instruments, dividends and other. Interest expense includes interest on borrowings as well as interest expense on trading relationships. In 2022, the Group reports net finance costs of BGN 4,930 thousand (EUR 2,521 thousand) compared to net finance costs of BGN 3,189 thousand (EUR 1,631 thousand) in 2021. In 2022, the Group's finance income amounts to BGN 1,399 thousand (EUR 715 thousand) against BGN 1,433 thousand (EUR 733 thousand) for 2021. The largest effect on the overall decrease in finance income is the decrease of BGN 25 thousand (EUR 13 thousand) in interest income on trade receivables in 2022 (*see also note 15 to the 2022 annual consolidated financial statements*).

The Group's financial expenses for 2022 amount to BGN 6,329 thousand (EUR 3,236 thousand) compared to BGN 4,622 thousand (EUR 2,363 thousand) in 2021. The increase of BGN 1,707 thousand (EUR 873 thousand) is mostly due to the higher by BGN 1,807 thousand (EUR 924 thousand) interest expenses on lease agreements falling under IFRS 16, while interest expenses on trade and other payables decreased by BGN 670 thousand (EUR 343 thousand). Interest expense on bank loans and borrowings increased by BGN 120 thousand (EUR 61 thousand) as a result of net new bank working capital credit lines received in 2022 amounting to BGN 8,050 thousand (EUR 4,116 thousand). During the reporting period, the Petrol Group reported an increase of BGN 104 thousand (EUR 53 thousand) in bank fees and commissions expenses to BGN 461 thousand (EUR 236 thousand) from BGN 357 thousand (EUR 183 thousand) in 2021, mainly due to BGN 75 thousand higher factoring commission expenses.

The Petrol Group's reported foreign exchange gains and losses follow the trend of changes in the US dollar exchange rate against the euro and the Bulgarian lev, respectively, as the exchange rate of the Bulgarian lev is fixed against the single European currency. As at December 31, 2022, the Group reports negative foreign exchange differences of BGN 318 thousand (EUR 163 thousand), net, compared to BGN 15 thousand (EUR 8 thousand) in 2021. The significant increase is due to the active wholesale operations in 2022 and the fact that a large part of the transactions is carried out in US dollars. In 2022 and 2021 the Group's reported net finance costs related to discontinued operations for BGN 71 thousand (EUR 36 thousand) and BGN 353 thousand (EUR 180 thousand), respectively.



## Financial position

In order to carry out its business the Petrol Group requires unrestricted capital resources primarily to provide the working capital necessary for its operations, to service its obligations in a timely manner and to pursue the execution of its investment intentions. The main sources of liquidity are cash and cash equivalents, intra-group cash flows, long-term and short-term borrowings, reducing the period for collection of trade receivables and extending the period for payment of trade payables. The key indicators that provide information on the financial position of the Petrol Group are presented in the *Selected Operating Highlights* section.

As at December 31, 2022, the Group's current ratio increased to 1.13 from 0.94 a year earlier. The improvement in the ratio is due to the increase of BGN 17,106 thousand (EUR 8,746 thousand) to BGN 88,771 thousand (EUR 45,388 thousand) in current assets as at December 31, 2022 from a year earlier. The increase in current assets is the result of the increase in trade and other receivables of BGN 5,702 thousand (EUR 2,915 thousand) resulting from higher prices and turnover in 2022 compared to 2021, the increase in cash as at December 31, 2022 of BGN 4,746 thousand (EUR 2,427 thousand) and the increase of BGN 5,440 thousand (EUR 2,781 thousand) in inventories resulting from the higher stock at the end of the reporting period.

The increase in current liabilities is entirely due to the higher liabilities under IFRS 16 lease agreements by BGN 11,146 thousand (EUR 5,699 thousand), while short-term payables to suppliers decreased by BGN 8,666 thousand (EUR 4,431 thousand). The increase in lease liabilities under IFRS 16 is due to new lease agreements falling under IFRS 16 in 2022.

As at December 31, 2022 the Group's consolidated indebtedness including short-term and long-term interest-bearing loans and borrowings increased to BGN 50,995 thousand (EUR 26,073 thousand) compared to BGN 42,863 thousand (EUR 21,916 thousand) as at December 31, 2021. The increase of BGN 8,132 thousand (EUR 4,157 thousand) is due to the Group's credit lines for working capital received during the year of BGN 8,050 thousand, net. In 2022 the Debt/Assets ratio decreases to 27% compared to 34% at the end of 2021. The improvement in the indicator is due to the increase of BGN 65,117 thousand (EUR 33,294 thousand) to BGN 192,145 thousand (EUR 98,242 thousand) in the Group's total assets as at December 31, 2022. The main reason for the increase in the Group's assets is the falling in 2022 within the scope of IFRS 16 of petrol stations lease agreements, which were previously outside the scope of IFRS 16, due to Group's negotiation of a specific term of the agreements and a material penalty on termination.

As at December 31, 2022 the Debt/Equity ratio stands at 254%, compared to 1,278% on December 31, 2021. The improvement in the indicator is mainly due to the change in the financial result for 2022 of BGN 37,090 thousand (EUR 18,964 thousand) from a loss of BGN 25,386 thousand (EUR 12,980 thousand) including the loss from discontinued operations for 2021 to a profit for 2022 of BGN 11,704 thousand (EUR 5,984 thousand) including the loss from discontinued operations.

In 2022 the Group reduces the turnover ratio to 11 days compared to 16 days at December 31, 2021. The time taken by the Group to collect its receivables from customers decreases to 10 days at the end of 2022 compared to 15 days for 2021.



## Capital management

In order to ensure the going concern functioning of the Group, the Management has undertaken series of purely procedural and business-oriented measures (*see also section Outlook*), aimed to bring the equity of the Parent company in consistence with the requirements of Art. 252, par. 1, item 5 of the Commercial Act (CA) and overall improvement of the financial position of the Group. As at December 31, 2022 and 2021 the Group's net assets amounted to BGN 20,058 thousand (EUR 10,255 thousand) and BGN 3,353 thousand (EUR 1,714 thousand) (*see also Results from operations section*).

Some of the measures include taking action to reduce the registered capital below the Parent Company's net assets. The first step in this direction was the holding of several Extraordinary General Meeting of Shareholders (EGMS) in the period 2016 - 2017, whereby a proposal for a reverse split (merging) procedure to merge 4 old shares with a par value of BGN 1 into 1 new share with a par value of BGN 4 and a subsequent reduction of the Parent company's capital to cover losses by reducing the par value of the shares from BGN 4 to BGN 1, was voted.

In March 2018 following a ruled decision by the Lovech Regional Court, which canceled the refusal of the Commercial Register (CR) for registration of the voted on EGMS decision for merging 4 old shares with a nominal value of BGN 1 in 1 new share with nominal of BGN 4, the applied change was registered in CR. As a result of that the registered capital of the Parent company is BGN 109,249,612 distributed in 27,312,403 shares with nominal value of BGN 4 each. The change in structure of the capital was registered also in Central Depository AD. The Commercial Register enacted a refusal on the application submitted on April 2018 for registration of the decision of EGMS for the second stage of the procedure reducing the nominal value of the shares from BGN 4 to BGN 1 in order to cover losses.

At the EGMS of Petrol AD held on November 8, 2018 the decision to decrease the capital of the Parent company in order to cover losses by decreasing the nominal value of the shares from BGN 4 to BGN 1 was voted again. A refusal was given on the application for registration of the decision in CR, which was appealed by the Parent company within the legal term. The minority shareholders disputed the decision of the EGMS and additionally to the refusal the application proceeding was postponed until the pronouncing of the Lovech Regional Court on the court proceedings, initiated on minority shareholders request. In March 2019 Lovech Regional Court enacted a decision, which indicates CR to register the decrease of the capital after a resumption of the registration proceedings after the pronouncing on the legal proceedings initiated by the minority shareholders.

The decision for decreasing the capital was voted again on a new EGMS held in February 2019. At the same EGMS was also taken a decision for replacement of the deceased member of the Supervisory Board Ivan Voynovski with Rumen Konstantinov. The application for registration of these circumstances in the account of the Parent company was refused, which was disputed within the statutory term by the Parent company.

In addition to the refusal, the registration proceedings were suspended by a request of minority shareholders until the pronouncing of the Lovech Regional Court on applications for annulment of the decision. In May 2019 the Lovech Regional Court enacted a decision, which repealed the enacted refusal and turn back the case to the Registry Agency for registration of the applied entry after a resumption of the ceased registration proceedings. At present, the court proceedings for repealing of the decisions of EGMS from February 2019 are pending.

## Capital management (continued)

The next capital adequacy measure that the Group has taken is a change in the accounting policy regarding non-current tangible assets - property, plant and equipment from the applied model in its financial statements until 2019, including a cost model, with application from the beginning of 2020 of the other applicable model - the revaluation model, which the Management considers to reflect more objectively the held non-current tangible and intangible assets.

As a result of the effects of the pandemic and the arising military conflict in early 2022 and the economic consequences they have caused and continue to cause, together with geopolitical risks and high commodity prices, the Group's management expects competition to intensify in the coming years, mainly in the retail market, with a gradual extinction of some of the smaller independent traders from the fuel business. At the same time, trading margins, particularly in the retail market, are expected to be around or below the average European levels.

In 2023 Management will continue the process of analyzing and exploring the opportunities to expand its wholesale business, including through the import and export of petroleum products.

The Group's future development plans are closely related to the expectations set out for changes in the market environment. The Management continues to follow the outlined program for restructuring the activities in the Petrol Group, which has to change as a result of the rapidly changing market situation and the risks and difficulties that have arisen, with the aim of concentrating efforts in the direction of optimizing the Group's main operations – retail and wholesale fuel trade and at the same time developing and expanding the Group's activities in line with climate change and new prospects. With the aim of improving the financial position, the Management continues to actively analyze all expenses for hidden reserves for their optimization.

In the coming years the Group's results will also depend on the possibility to carry out the investments and the successful delivery of new projects. The investments of the Group will be focused predominantly on the development of new petrol stations and increasing the sales and market share of Petrol AD, mainly through transformation of the trade sites managed by the Group into modern places for complex customer service.

Following the strategy of expanding the market share in retail market, the Group plans to attract new sites under Petrol brand through the franchise program.

The Management of the Group will direct its effort towards conducting an active marketing campaign. Marketing activities are planned – games, promotions and other, supported by enough media appearances to increase the sales of fuels. The Management will continue to develop its card system and plans to create a loyalty clients system.

The Group's Management activities are directed to validation of the principles and traditions of good corporate governance, increasing the trust of the interested parties, namely shareholders, investors, and counterparties, and to disclosure of timely and precise information in accordance with the legal requirements.

In addition to the above measures to increase the value of the Group's equity, active actions have also been taken to expand the company's market share by ensuring the long-term use of storage facilities - licensed fuel storage facilities strategically located in the country through a subsidiary, as well as through direct licensing of the Parent-company, as the Management is in the process of analyzing and exploring the possibilities for increasing wholesale trade, including through import of petroleum products.

## Capital management (continued)

The Group's management monitors the emergence of risks and negative consequences as a result of the pandemic caused by COVID-19, the military conflict between Russia and Ukraine and the high levels of inflation, making ongoing assessments of the possible effects on the Group's assets, liabilities and operations, seeking to comply as far as possible with contractual commitments, despite the force majeure circumstances that have arisen. In view of the effects of the pandemic, military conflict and high inflation, which are challenging economic activity in the country and creating significant uncertainty about future business developments, there is a real risk of a decline in sales and losses for the Group. However, management believes that it will be able to successfully bring the Group out of the emergency situation in which it has been placed. (*see also sections Long-term Influence of the COVID-19 pandemic, Military conflict Russia – Ukraine, Outlook*).

In order to carry out its business, the Group requires unrestricted capital resources primarily to provide the working capital required for its operations, to service its obligations in a timely manner and to pursue its investment intentions. The principal sources of liquidity are cash and cash equivalents, long-term and short-term borrowings, reducing the period for collection of trade receivables and extending the period for payment of trade payables.

The major indicators which give better information on the financial position of the Group are disclosed in sections *Selected performance indicators* and *Financial position*.

## Disclosure of additional information in compliance with regulatory requirements

*Information pursuant to the requirements of item 6, 8 and 9 of the Appendix No. 2 to the Ordinance No. 2 of November 9, 2021*

### Loans granted by the issuer

Type of borrower	Company	Annual interest rate	Maturity	Outstanding Principal	Impairment till Dec.31, 2022	Net Principal Dec.31, 2022	Purpose
				BGN'000	BGN'000	BGN'000	
Trade company	Naftex Petrol EOOD	9.50%	21.1.2017	44	44	0	Working capital
Trade company	PSFC Chernomorets Burgas AD	8.75%	17.7.2015	1,500	1,500	0	Working capital
Trade company	Correct Farm EOOD	8.50%	26.8.2015	12	12	0	Working capital
Trade company	Trans Express Logistic EOOD	5.00%	31.12.2025	3,555	747	2,808	Working capital
Trade company	Trans Express Logistic EOOD	5.00%	31.12.2022	3,000	748	2,252	Working capital
Trade company	Technical Services Support EOOD	6.70%	31.12.2023	4,080	1,087	2,993	Working capital
Trade company	Petrol Gas EOOD	9.50%	28.10.2015	2,210	2,210	0	Working capital
Trade company	Petrol Sever EOOD	6.70%	31.12.2019	1,004	229	775	Working capital
Trade company	Prima Consult Industry EOOD	6.70%	31.12.2023	8,172	1,050	7,122	Working capital
Trade company	VIP Properties EOOD	5.00%	31.12.2023	121	121	0	Working capital
Trade company	Petrol Bulgaria AD	5.00%	31.12.2023	350	0	350	Working capital
Trade company	Petrol Properties EOOD	9.50%	29.04.2014	104	104	0	Working capital
Trade company	Lozen Asset AD	6.70%	31.12.2023	1,668	431	1,237	Working capital
Trade company	Elit Petrol – Lovech EAD	6.70%	31.12.2023	220	60	160	Working capital
<b>Total loans granted</b>				<b>26,040</b>	<b>8,343</b>	<b>17,697</b>	

## Disclosure of additional information in compliance with regulatory requirements (continued)

### Loans and borrowings received by the issuer

Type of lender	Name of lender	Annual interest rate	Maturity	Principal 31 Dec.22 BGN'000	Purpose
Bondholders	Bondholders	4.24%	26.01.2027	36,311	Working capital, financing of investment projects and restructuring of previous debt
Financial Institution	First Investment Bank AD	SIR+5.7802%, but not less than 5.5%	15.12.2024	5,400	Working capital
Financial Institution	First Investment Bank AD	SIR+4.174%, but not less than 4.25%	16.12.2024	4,500	Working capital
Financial Institution	First Investment Bank AD	SIR+4.1764%, but not less than 4.25%	14.12.2024	3,600	Working capital
Trade company	Petrol Export EOOD	5.00%	23.12.2023	2,000	Working capital
Trade company	Varna Storage Oil EAD	5.00%	31.12.2022	500	Working capital
Trade company	Varna Storage EOOD	5.00%	10.01.2023	350	Working capital
<b>Total loans received</b>				<b>52,661</b>	

### Loans received by companies controlled by the issuer

Type of lender	Name of borrower	Annual interest rate	Maturity	Principal Dec.31, 2022 BGN'000	Purpose
Parent company	Petrol Properties EOOD	9.50%	29.04.2014	104	Working capital
Parent company	Lozen Asset AD	6.70%	31.12.2023	1,668	Working capital
Parent company	Elit Petrol Lovech EAD	6.70%	31.12.2023	220	Working capital
Petrol Technologies OOD	Petrol Technology OOD	5.00%	31.12.2023	65	Working capital
<b>Total loans received</b>				<b>2,057</b>	

## Disclosure of additional information in compliance with regulatory requirements (continued)

### Loans granted by companies controlled by the issuer

Category	Name	Annual interest	Maturity	Outstanding Principal	Impairment	Net Principal	Purpose
Lender/depositor	Borrower			BGN'000	till Dec.31, 2022 BGN'000	Dec.31, 2022 BGN'000	
Lozen Asset AD	BPI AD	6.70%	31.12.2023	1,260	1,260	0	Working capital
Lozen Asset AD	Petrol Gas EOOD	6.70%	31.12.2023	22	22	0	Working capital
Varna Storage EOOD	Perfeto Consulting EOOD	7.00%	07.08.2023	314	0	314	Working capital
Petrol Technologies OOD	Petrol Technology OOD	5.00%	31.12.2023	65	0	65	Working capital
Varna Storge OOD	Petrol AD	5.00%	10.01.2023	350	0	350	Working capital
Petrol Export EOOD	Petrol AD	5.00%	23.12.2023	2,000	0	2,000	Working capital
<b>Total loans granted</b>				<b>4,011</b>	<b>1,282</b>	<b>2,729</b>	



## Contingent liabilities

### Information pursuant to the requirements of item 6 of the Appendix No. 2 to the Ordinance No. 2 of November 9, 2021

As at December 31, 2022 the Group has contingent liabilities, including issued mortgages and pledges of property, plant and equipment, which serve as a collateral for bank loans, overdraft, credit limits for issuance of bank guarantees and factoring agreements, granted to the Group and unrelated parties and with total carrying amount of BGN 25,242 thousand, including in favour of First Investment Bank AD – BGN 19,526 thousand, in favour of Investbank AD – BGN 3,634 thousand and in favour of DSK AD – BGN 2,082 thousand.

Pursuant to an agreement dated October 17, 2018 and the annexes thereto, the Group is a joint debtor and an endorser under a promissory note for the amount of BGN 48,750 thousand in favour of Investbank AD under an unrelated party supplier bank credit line agreement, including an overdraft facility and a bank guarantee facility in favour of the Customs Agency, with a total amount and valid bank guarantees issued on all of the debtor's exposures with the Bank up to a total credit limit of BGN 45,000 thousand. In connection with this credit commitment, the Group has established a pledge in favour of Investbank AD on cash receivables in a bank account with a carrying amount as at December 31, 2022 of BGN 11 thousand and a special pledge over receivables from counterparties for BGN 4,000 thousand average monthly turnover.

Pursuant to an agreement dated June 22, 2020 and the annexes thereto, the Group is a joint co-debtor under a Loan Agreement - overdraft facility from a financial institution granted to an unrelated party - a major fuel supplier for an amount of up to BGN 7,000 thousand and an endorser under a promissory note under the same facility at the amount of BGN 9,000 thousand.

Pursuant to an agreement dated June 17, 2021, the Group is a joint co-debtor in favour of Investbank AD under a Bank Guarantee Facility Agreement granted to an unrelated supplier in the amount of BGN 600 thousand.

Pursuant to an agreement dated February 24, 2022, the Group is a joint co-debtor in favour of Investbank AD under an Investment Credit Agreement granted to an unrelated supplier in the amount of USD 1,260 thousand.

The Group is jointly liable under a Debt Incurrence Agreement dated January 13, 2017 for the obligation of its subsidiary until March 2018, Elite Petrol plc, which amounts to BGN 2,346 thousand as at December 31, 2022.

According to an agreement for revolving credit line from First Investment Bank AD signed on September 21, 2016 with a total limit as at December 31, 2022 of BGN 18,900 thousand, including a credit line for bank guarantees of BGN 5,400 thousand, bank guarantees have been issued for a total amount of BGN 5,382 thousand, including BGN 2,550 thousand for contracts with the Group's third party suppliers, BGN 500 thousand bank guarantee in favour of the Ministry of Economy securing the Parent company's operations in connection with its registration under the Law on Administrative Regulation of Economic Activities Related to Petroleum and Petroleum Products, and bank guarantees securing the Group's obligations under contracts in connection with the Public Procurement Law in the amount of BGN 2,332 thousand. As at December 31, 2022, the contract is secured by a pledge over all the Group's receivables on bank accounts to secure obligations up to the amount of the credit limit with a carrying amount as at December 31, 2022 of BGN 86 thousand, as well as by mortgages of property and pledges of plants and equipment, and by assets of a subsidiary amounting to BGN 1,500 thousand.

### Contingent liabilities (continued)

There is pending litigation in relation to a signed in 2015 guarantee contract of the liabilities of a subsidiary until February 2018, arising of a cession contract with outstanding book value of BGN 245 thousand. In April a final decision on the pending case was ruled. The court held that the Group is responsible as a guarantor for the obligations of the subsidiary under the cession contract. The Court of Appeal annulled the decision of the first-instance court in its entirety and found that the Group's claim under the warranty agreement had been established jointly with the other related party. The decision of the Court of Appeal was appealed by the Parent company in the Supreme Court of Cassation, but was not allowed to appeal. The Group has filed a claim to establish the non-existence of these receivables, and the case initiated is pending. A collateral at the amount of BGN 25 thousand to the court's account was admitted for a future claim against the provision of a guarantee in favor of the Group, as a result of which the enforcement proceedings initiated against the Group for these receivables were suspended. The decision from November 2021 has been appealed by the defendant and the case is currently pending before a second instance. In August 2022, the Sofia Court of Appeals (SCA) overturned the decision of the first instance court in its entirety. The decision of the SCA has been appealed and the case is currently pending before the Supreme Court of Cassation.

The funds given as collateral under Art. 180 and Art. 181 of the Law on Obligations and Contracts (LOC) at the amount of BGN 245 thousand in the case initiated against the Group in 2015, together with the amount of BGN 93 thousand, were collected by the bailiff under the enforcement proceedings initiated against the Group. However, they have not been distributed due to the suspension of the enforcement case, based on the security of a future claim provided in favor of the Group and remain blocked on the account of the bailiff until the final conclusion of the litigation.

In the previous reporting periods companies from the Group have entered into the debt under two loan agreements of a subsidiary with a bank-creditor (until December 2015) for USD 15,000 thousand and USD 20,000 thousand, respectively. In 2015 the bank – creditor acquired court orders for immediate execution and receiving orders against the subsidiaries – joint debtors. In relation to the claims filed by the subsidiaries, the competent court has revoked the immediate enforcement orders and has invalidated the receiving orders. In October and December 2015 the creditor filed claims under Art. 422 of Civil Procedure Code (CPC) against the subsidiaries for the existence of the receivables under each loan agreement. The court proceedings of the creditor are still pending.

In December 2016 the first-instance court decreed a decision (the Decision) which admit for established that the bank has a receivable amounted to USD 15,527 thousand from the subsidiaries – joint debtors, arising from a signed loan agreement for USD 15,000 thousand. With the same decision the court has ordered the joint-debtors to pay BGN 411 thousand to the bank – creditor for legal advisory fees and court dispute expenses and BGN 538 thousand state fee in favor of the judiciary state for the ordered proceedings and BGN 538 thousand state fee for claim proceedings. In January 2017, the co-debtors filed in time appeals against the court decision, because of that the decision did not come into force. As at the date of the preparation of these consolidated financial statements, the court dispute is pending in the appeal court. The Group's Management considers that there are grounded chances the Decision to be entirely repealed.

### Contingent liabilities (continued)

As at the date of the preparation of these consolidated financial statements, the filed proceedings against the subsidiaries – joint debtors for estimation of the bank receivables due to the loan agreement for USD 20,000 thousand is pending before the first-instance court. The Management expects favorable decision by the competent court. In 2018 the Parent company sold its interest in one of co-debtor subsidiaries and the potential risk for the Group is reduced to the court proceedings against the second subsidiary.

Corporate Commercial bank AD (in insolvency) – a creditor of a subsidiary (until December 2015) unreasonably claimed in court the responsibility of the Parent company under a contract of guarantee for liabilities arising from a contract for a framework credit limit as a result of that the bank accounts of the Parent company amounting to USD 29,983 thousand were garnished. This claim was disputed in court by the Group because the liability as guarantor has not occurred and / or extinguished pursuant to Art. 147, par. 2 of the LOC. At the time of signing of the guarantee agreement, the deadline of the arrangements between the lender and subsidiary contractual framework for credit limit was July 1, 2014. The term of the framework credit limit was extended without the consent of the customer, therefore the responsibility of the latter has fallen by six months after initially agreed period, during which the creditor has brought an action against the principal debtor. The term of Art. 147, par. 1 of the LOC is final and upon its expiration the company's guarantee has been terminated, so the objection of the Parent company was granted by the court and imposed liens on bank accounts lifted.

After the writ of execution, pursuant to order proceedings, was canceled on which were imposed liens on bank accounts of the Parent company, the creditor has initiated legal claim proceedings under Art. 422 of the CPC to establish the same claims against the subsidiary (until December 2015) and the guarantor the Parent company. In these proceedings the objections are repeated, that liability as guarantor has not occurred and / or extinguished pursuant to Art. 147, par. 2 of the LOC, and therefore the Management expects that the claim of the creditor against the Parent company will be dismissed permanently by a court decision on those cases. At present, the case is suspended due to the existence of a preliminary ruling, which is important for the correct resolution of the case.

The Group has appealed its receivables to the subsidiary (until December 2015). The filed receivables are included in the list of accepted receivables under Art. 686 of the Commercial Act (CA), but the same are disputed by another creditor in the bankruptcy proceedings. At present, the pending court proceedings to establish the existence of these receivables under Art. 694 of the CA ended with a decision, as the court accepted the receivables of the Group up to the amount of BGN 4,794 thousand.

The Group has secured the Contract for purchase of receivables on trade invoices (standard factoring) concluded in March 2021 with a commercial bank by pledging receivables on bank accounts opened with the bank with a carrying amount as at December 31, 2022 of BGN 75 thousand. As at December 31, 2022, cash in the Group's bank accounts amounting to BGN 41 thousand is blocked in enforcement proceedings to which the Group is a party.

In May 2020, the Commission for the Protection of Competition ruled a decision on the Parent company for initiating proceedings to establish possible infringements under Art. 15 and Art. 21 of the Competition Act and/or under Art. 101 and Art. 102 of the Treaty on the Functioning of the European Union (TFEU) determining the prices of mass automotive fuels in the production / import - storage – wholesale - retail trade, both at the individual horizontal and vertical levels, by eleven companies, including the Parent company. To date, the inspection has been concluded without adverse findings for the Parent company.

## Contingent liabilities (continued)

Information on pending legal, administrative or arbitration proceedings amounting to at least 10% of equity of the Company pursuant to item 20 of the Appendix No.2 to the Ordinance No.2 of November 9, 2021

CCB AD - in bankruptcy has claimed in court a responsibility of the Parent company under a contract of guarantee for obligations arising from a contract for a framework credit limit of a subsidiary /till December 2015/ Naftex Petrol EOOD amounting to USD 29,983 thousand.

This claim was disputed in court by Petrol AD because the obligation as guarantor has not occurred and / or has been extinguished on the basis of Art. 147, paragraph 2 of the Law on Obligations and Contracts. At the time of signing the guarantee contract, the deadline of the arrangements between the lender and the subsidiary under the contractual framework for credit limit, was July 1, 2014.

The term of the framework credit limit was extended without the consent of the guarantee, therefore the responsibility of the latter has fallen by six months after the initially agreed period, during which the creditor has not brought an action against the principal debtor. The term of Art. 147, paragraph 1 of the CPA is final and upon its expiration the Petrol AD's guarantee has been terminated, so the Management expects the claim of the creditor against Petrol AD to be finally rejected by the court. At present the court proceedings are pending and the Management expects positive outcome for Petrol AD.

The Parent company claimed its receivables to Naftex Petrol EOOD – in bankruptcy. The claimed receivables are included in the prepared by the syndic list of the approved receivables under Art. 686 of Commercial Act (CA), but the same were appealed by other creditor to the bankruptcy proceedings. At present, the pending court proceedings to establish the existence of these receivables under Art. 694 of the CA has ended with a decision, as the court has accepted the receivables of the company up to the amount of BGN 4,794 thousand.

The Group has filed claims in bankruptcy proceedings of a company under common control until November 2013 in the total amount of BGN 2,444 thousand, of which BGN 1,500 thousand - principal under the loan agreement of July 17, 2013, BGN 211 thousand - interest, BGN 643 thousand - statutory interest for delay accrued on the principal, as well as BGN 90 thousand. - statutory default interest on the due interest. Of the claims thus submitted, the receiver of the company under common control until November 2013 included in Supplementary List No. 1 of the accepted claims only the claims for the principal amount under the loan agreement, as well as a part of the claims for statutory interest on the principal amount (approximately BGN 40 thousand). The claims for remuneration interest under the loan agreement totaling BGN 211 thousand, the claims for statutory interest on that remuneration in the form of interest, as well as the disallowed part of the statutory default interest on the principal are included in the list of disallowed claims drawn up by the insolvency administrator. In an order under Article 692 of the Commercial Code, the bankruptcy court confirmed the inclusion of the following claims of the Group in the list of accepted claims - a claim for principal amounting to BGN 1,500 thousand and BGN 457 thousand representing a claim for statutory default interest on the principal. The Debtor / a company under common control until November 2013 / filed negative claims against the Group for non-existence of the Group's accepted claims for the principal amount of BGN 1,500 thousand and statutory interest on the same principal amounting to BGN 457 thousand, which claims are currently the subject of pending proceedings under case No. 124.2021, in the inventory of the General Court - Burgas.

## Disclosure of transactions with related parties

*Information pursuant to item 4 of Appendix No. 2 to the Ordinance No. 2 of November 9, 2021*

Related parties that the Parent company controls and over which it exercises significant influence are disclosed in Note 30 to the annual consolidated financial report.

The Parent company (Controlling company) is Petrol AD.

All transactions between the Parent company and the subsidiaries are eliminated for the purposes of these consolidated financial statements. Detailed information on these transactions is disclosed in the annual separate financial statements of the Parent company for 2022.

The Parent company (Controlling company) is Petrol AD. It has a two-tier management system, which includes a Management Board (MB) and a Supervisory Board (SB). (*see also the Management Board section*).

The total amount of accrued remuneration of key management of the Parent company, included in the personnel costs, amounts to BGN 1,595 thousand (2021: BGN 1,457 thousand), and the outstanding liabilities as of December 31, 2022 of BGN 90 thousand, including BGN 78 thousand are reported as liabilities to personnel and BGN 12 thousand as liabilities to related parties (2021: BGN 73 thousand, including BGN 61 thousand reported as liabilities to related parties (see Note 28 to the annual consolidated financial statements)).

In 2022 and 2021 there were no transactions with related parties.

## Share capital

The registered and fully paid-in share capital of Petrol AD as of December 31, 2022 amounts to BGN 109.25 million (EUR 55.86 million) and is distributed into 27,312,403 personal dematerialized ordinary registered shares, with a par value of BGN 4 each. Each share provides a voting right in the General Meeting of Shareholders (GMS), right to dividend and right to liquidation share. The shares, issued by the Parent company are transferable with no limitations or conditions, by its owner's free will, in accordance with the Bulgarian legislation, and according to the rules of Central Depository AD concerning the acquiring and ordering with registered shares, as well as in compliance with the regulations of the market they are traded on. Detailed information about the rules and procedures for trading Petrol's shares is available in the published prospectuses of the Parent company.

### Information pursuant to Art.187e of the Commercial Act and Art. 39, item 6 of the Accountancy Act

In 2022 the Parent company did not carry out transactions subject to notification under Art. 187e of Commercial Act.

As at December 31, 2022 the Parent company did not hold common uncertificated own shares.

The following table sets out information about the changes in the structure of share capital:

In percentage	2022	2021
Alpha Capital AD	28.85%	28.85%
Yulinor EOOD	23.11	23.11
Perfeto Consulting EOOD	16.43	16.43
Trans Express Oil EOOD	9.82	9.86
Petrol Bulgaria AD	7.05	7.32
Gryphon Power AD	5.49	-
Storage Invest EOOD	3.66	3.66
VIP Properties EOOD	1.94	2.26
Ministry of Energy	0.65	0.65
Other minority shareholders	3.00	2.35
<b>Total</b>	<b>100%</b>	<b>100%</b>

As at the date of these financial statements more than 5% of the capital of Petrol AD is owned by Alpha Capital AD (28.85%), Yulinor EOOD (23.11%), Perfeto Consulting EOOD (16.43%), Trans Express Oil EOOD (9.82%), Petrol Bulgaria AD (7.05%) and Gryphon Power (5.49%).

Shares owned by other minor shareholders are held by investors, which have acquired them through trading at the regulated stock market and none of them owns more than 5% of Parent company's shares. The Parent company does not have shareholders with special controlling rights.

As at December 31, 2022, according to a list of shareholders, received from Central Depository AD, the members of SB and MB, procurators and senior management of Petrol AD did not own shares of the Parent company.



## Share capital (continued)

### Persons or entities directly or indirectly controlling Petrol AD

By the meaning of par. 1, item 14 of the Public Offering of Securities Act (POSA), one person or entity exercises directly or indirectly control over the company, when that person or entity holds over 50% of the votes of the GMS or may appoint directly or indirectly more than half of the members of the company's bodies, or may otherwise exercise a decisive influence on decision-making in relation to the business of the legal entity.

As at December 31, 2022 no person holds more than 50% of votes at the General Meeting of Shareholders of Petrol AD.

In 2022, the Parent company Petrol AD has not issued any new issue of shares.

### *Stock market information*

In 1998 the issue of shares of Petrol AD at the amount of registered capital of the Parent company is registered for trading on the Bulgarian Stock Exchange since January 15, 2007 the shares are traded on the "B" segment of the Official market of the Bulgarian stock exchange - Sofia.

The following table sets out summarized market information about the trading of Parent company's shares on the Bulgarian Stock Exchange – Sofia:

		2022	2021
Share capital as at 31 December	BGN million	109.3	109.3
	EUR million	55.9	55.9
Share price as at 31 December	BGN	0.20	0.30
	EUR	0.10	0.15
Market capitalization as at 31 December	BGN million	5.5	8.2
	EUR million	2.8	4.2
Highest price throughout the year	BGN	0.40	0.40
	EUR	0.20	0.20
Lowest price throughout the year	BGN	01.52	0.094
	EUR	0.08	0.05

## Outlook

### Information pursuant to Art. 39 item 4 of the Accountancy Act and Art. 247, par. 3 of the Commercial Act

Despite the consequences of COVID-19 and the turmoil caused by the military conflict, the country's economy grew in the past reporting period, covering a wide range of industries and sectors. The country's economic environment, however, is currently facing several challenges and future risks related to monetary tightening by central banks and, at the same time, high double-digit inflation rates that are prompting the central banks to further monetary tightening. The ongoing military conflict between Russia and Ukraine is creating the conditions for a lasting humanitarian crisis, shortages of raw materials and supplies, rising inflation and geopolitical turmoil that could spread to Bulgaria. At the same time, commodity prices continue to rise, and high prices for raw materials, goods and services are likely to persist. On the other hand, the pandemic has not completely calmed down and new viral outbreaks are possible, which will further complicate the current market situation. This entails the risk of a slowdown in cash flows and an increase in intercompany indebtedness, a reduction in earnings and, ultimately, an overall deterioration in the economic environment in the country in which the Group operates.

As a result of the timely actions taken aimed at optimizing costs, searching for hidden reserves, maintaining the Group's liquidity and at the same time tapping new market niches, the Petrol Group has so far successfully navigated through the difficulties encountered, and in 2022 was able to recover some of the losses caused by the pandemic and significantly increase its wholesale sales.

As a consequence of the effects of the pandemic and the resulting military conflict in early 2022 and the economic consequences they have caused and continue to cause, together with geopolitical risks and high commodity prices, Group Management expects competition to intensify in the coming years, mainly in the retail market, with a gradual exit of some of the smaller independent traders from the fuel business. At the same time, trading margins, particularly in the retail market, are forecast to be around or below the average European levels.

The plans for the future development of the company are closely related to the stated expectations for changes in the market environment, in particular, sector of trading with fuels. The Management continues to follow the program outlined and started in the beginning of 2014 for restructuring the activities of Petrol Group, aiming to concentrate the efforts to optimize and develop the core business – wholesale and retail trading with fuels and simultaneously to develop and expand Group's operations according to climate change and new perspectives. In order to improve the financial position of the Group, the Management continues to actively analyze all expenditure items looking for hidden reserves for their optimization.

European legislation provides for additional reporting requirements on climate matters and in this regard the Group is acting in relation to sustainability and development, environmental and climate matters requirements to ensure that its reporting is in line with legislative requirements. As the core business of the Petrol Group is the storage and wholesale and retail trade of fossil fuels and petroleum products, the Group is in the process of analysing and considering the economic activities and processes that fall under the first two groups of objectives, climate change mitigation and climate change adaptation, effective from January 1, 2022, and which the Group can qualify as environmentally sustainable revenues and activities under Art. 3 and Art. 9 of Regulation (EU) 2020/852.

## Outlook (continued)

In terms of wholesale trading, in 2023 the Management will continue the active action for expansion of market share that has been taken since mid-2016, as the Management is in the process of analyzing and exploring the possibilities of increasing wholesale trading, including by import of petroleum products.

In the coming years the results of the Group will also depend on the possibilities to carry out the investments and the successful delivering of new projects. The investments of the Group will be focused predominantly on the development of new sites on attractive locations and increasing the sales and market share of Petrol AD, mainly through transformation of the trade sites managed by the Parent company into modern places for complex customer service.

All these investment intentions, however, are linked to the market environment, the intensity of the upcoming risks and the development of the transport sector in the country. In May 2020, the government launched the idea of creating a state-owned enterprise, the State Oil Company, which would operate up to 100 petrol stations located throughout the country, as well as tax warehouses for storing fuels for wholesale trading. The entry of a new player in the fuel market of such a scale in the face of the State will inevitably lead to turbulence in the fuel market and will reflect on the future development of the Group. In 2022, the Government approved a law amending the Law on State Reserves and Wartime Stocks. The amendments to the Bill abolished the State Oil Company.

Following the strategy of expansion of its retail market share, the Group plans to attract new fuel stations under the Petrol brand within the franchising program. Additionally in the following years, the Group's Management will look for opportunities, through external funding, to build several new petrol stations at excellent locations. Regarding the implementation of corporate quality management and environmental standards, in the following year, the Group will continue the installation of energy-saving systems on the existing sites. Additionally, the Group plans to continue the implementation of the investment programs for reconstruction and modernization of the operated retail network.

With the aim of improving the financial position, the Management continues to analyze actively all expenses and to look for hidden reserves for optimization. In order to increase the efficiency of the main operating activity it is necessary to restructure the storage facilities and to reduce the losses from the storage services.

The Group's Management monitors the emergence of risks and negative consequences following the COVID-19 pandemic and the military conflict between Russia and Ukraine, currently assessing the possible effects on the assets, liabilities and activities of the Group, striving to comply with contractual commitments, despite the uncertainties and force-majeure circumstances. In view of the introduced anti-epidemic measures and restrictions in the pandemic, which cause a significant reduction in economic activity and creates significant uncertainty about future business processes, there is a real risk of a decline in sales of the Group. However, Management believes that it will be able to successfully bring the Group out of the state of emergency in which it is placed.

Factors relating to climate change and sustainability are expected to have an increasing impact on business operations and lead to changes in business models. The Group is monitoring the processes and taking action to reorganise (see also Non-financial declaration).

## Outlook (continued)

Regulation 2020/852 of the European Parliament of June 18, 2020 establishing a framework to facilitate sustainable investments establishes the criteria determining whether an economic activity is classified as environmentally sustainable for the purpose of establishing the environmental sustainability of an investment. Six environmental objectives can be highlighted as defined by the Regulation:

- 1) climate change mitigation;
- 2) adaptation to climate change;
- 3) sustainable use and protection of water and marine resources;
- 4) transition to a circular economy;
- 5) pollution prevention and control;
- 6) protection and restoration of aquatic biodiversity and aquatic ecosystems.

## NON-FINANCIAL DECLARATION

The non-financial declaration of the Petrol Group has been prepared in accordance with the reporting requirements of Art. 51 to the Accountancy Act and contains the policies, commitments and supported causes regarding the activities of the Group in the scope of ecology, social policy, human resources, human rights and the fight against corruption.

## GROUP'S BUSINESS MODEL

Petrol (the Group) is one of the largest players in the fuels market in Bulgaria. The major activities of the Group include storage, wholesale and retail trading with fuels and other petroleum products. At present, under the Petrol brand operates the most well-developed retail fuel distribution network in the country. As at December 31, 2022, the retail network includes 285 petrol stations operating under the Petrol brand, including trade sites managed by dealer and franchise agreements, evenly spread throughout the country, providing national coverage. In 2022 wholesale trading and fuel storage activities are carried out through the managed until February 24, 2022 by the Group petrol facility in Varna, as well as through purchases from other petrol facilities managed by third parties. For additional information on the business model of the Group, as well as the operational and financial results for 2022, see the Annual report for 2022.

In addition to the Parent company, the Petrol Group includes 16 subsidiaries. Apart from Petrol AD, only the newly established company Petrol Export EOOD has been involved in transactions with petroleum products, while the other Group companies either do not have active trading activities or these are not related to environmental protection, such as the rental of real estate.

In 2022, the subsidiaries Petrol Finance OOD and Petrol Technologies OOD were engaged in financial, accounting and information technology services, and in their activities, both companies implemented the Parent company's approved policies on environmental, social and employee issues, respect for human rights, anti-corruption and anti-bribery.

The subsidiaries included in the consolidation controlled by the Group as at 31 December 31, 2022 are as follows:

## NON-FINANCIAL DECLARATION (continued)

Subsidiary	Main operations	Operations in 2022	Investment as at December 31, 2022
Petrol Finance EOOD	Financial and accounting services	Does not have operations	100%
Elit Petrol – Lovech AD	Trade with petrol and petroleum products	Does not have operations	100%
Lozen Aset AD	Acquisition, management and exploitation of property	Renting out Real Estate	100%
Petrol Properties EOOD	Trading movable and immovable property	Does not have operations	100%
Kremikovtsi Oil EOOD	Processing, import, export and trading with petroleum products	Renting out Real Estate	100%
Shumen Storage EOOD	Processing, import, export and trading with petroleum products	Renting out Real Estate	100%
Office Estate EOOD	Ownership and management of real estates	Renting out Real Estate	100%
Svilengrad Oil EOOD	Processing, import, export and trading with petroleum products	Renting out Real Estate	100%
Varna 2130 EOOD	Trade with petrol and petroleum products	Renting out Real Estate	100%
Petrol Export EOOD	Wholesale export trading with fuels	Wholesale export trading with fuels	100%
Bulgaria Cargo Rail EOOD	Export and transport of fuels and other petroleum products	Does not have operations	100%
Petrol Investment AD	Acquisition, management, exploitation with Real Estate	Does not have operations	99.98%
Petrol Finances OOD	Financial and accounting services	Financial and accounting services	99%
Petrol Technologies OOD	IT services and consultancy	IT services and consultancy	98,80%
Petrol Technology OOD	IT services and consultancy	Does not have operations	98,80%
Varna Storage EOOD	Trade with petrol and petroleum products	Wholesale trading and storage of crude oil and petroleum products. Discontinued operations since February 24, 2022	100%

## SPECIFIC RISKS FACING THE GROUP

In 2023, the need for measures and actions on climate change continues, with all actors of economic and social life in the form of consumers, governments and businesses making efforts to reduce gas emissions and the greenhouse effect.

In the past reporting year, the world economy, and the domestic economy were strongly affected by the military conflict that started in Ukraine. The war has caused irreparable damage to economic relations worldwide and, particularly on the European continent.



## NON-FINANCIAL DECLARATION (continued)

The suspension of supplies of resources, goods and services, the imposition of sanctions by the European Union, the United States and Canada on Russia to inflict economic damage and force a halt to the war, have threatened both Europe's energy security and its economic recovery in the aftermath of COVID-19.

With new shocks emerging in 2022, the specific nature of the Petrol Group's core business presents the Group with the challenge of meeting the expectations of shareholders, lenders and other stakeholders while developing its business model in tune with its surroundings, contributing to the reduction of carbon emissions and overall environmental impact.

In the process of operating petrol stations and petroleum depots and selling fuels, petroleum products and other commodities at wholesale and retail, the Group is charged with the responsibility of addressing the environmental challenges of handling fuels and derived chemicals, minimising the environmental impact of the sale of fuels at wholesale and retail, and reducing the depletion of natural resources.

In the process of storage and trading of fuels, petroleum products and other wholesale and retail goods, and managing petrol stations and storage facilities, Petrol is responsible for addressing the environmental challenges of working with fuels and derivative chemicals, minimizing the impact on the environment from the wholesale and retail trading of fuels, as well as reducing the consumption of natural resources.

Long-term sustainable development of the Group will depend on the level of success and progress of Petrol in terms of the forthcoming environmental challenges, as well as the imposition of long-term policies and practices concerning human rights protection, development of human resources, ethical corporate governance and the fight against corruption. Petrol faces the following risks:

- The main challenge for Petrol is the transition from fossil fuels to alternative energy sources. There is a risk arising from the inability of Petrol to succeed in the transition to the provision of alternative fuels because of financial or other reasons;
- Future change in the carbon policy, which will lead to an increase in Petrol's costs for compliance with the environmental requirements;
- Inability of Petrol to comply with the specific regulations concerning harmful vapors and environmental pollution;
- Risk of Petrol's failure to implement its energy efficiency projects and improve its energy balance;

### COVID-19 influence on the Group's operations

#### *Long-term impact of the COVID-19 pandemic*

The global spread of the COVID-19 virus and the subsequent introduction of anti-epidemic measures in the country have created a number of obstacles and negative consequences for the Bulgarian economy. Disruptions in international supply chains, forced restrictions on the movement of citizens, and the suspension of specific sectors have resulted in disruptions to economic activity in the country. Unlike the previous two consecutive years, no anti-epidemic measures restricting the movement of people and goods were imposed in 2022. In 2021, the Government of the Republic of Bulgaria, represented by the Minister of Health, twice imposed anti-epidemic measures restricting the movement of people and goods. Despite the restrictive measures imposed in 2021, the country's GDP grew by 7.6% on an annual basis in 2021, with a decline of 4% in 2020 compared to 2019. For 2022, the country's GDP grew by 3.4% on an annual basis.

## NON-FINANCIAL DECLARATION (continued)

In 2020 and 2021 the COVID-19 had a significant effect on the Petrol Group's operations, with the Group's sales revenue decreasing by 27.5% year-over-year in 2020, which was partially recovered in 2021 to BGN 499,841 thousand (before restatement of discontinued operations of the comparative period) compared to BGN 538,499 thousand in 2019. In 2022 the Group increased its sales revenue to BGN 812,431 thousand. Despite the growth in sales revenue over the last two calendar years, the Group has not yet been able to restore its retail fuel sales to pre-pandemic levels, which, in the event of adverse future developments and the spread of the virus, could become a long-term negative effect for the Group of the pandemic. The accumulated historical information on the Group's financial position for the last three consecutive years and the effects on the Group caused by COVID-19 for this period create future conditions in the medium and long term, if the pandemic caused by COVID-19 continues to spread at certain intervals, that the Petrol Group will not be able to restore its sales to pre-pandemic levels. Subsequent retrenchment is likely to permanently change people's attitudes and habits in the medium term, which would have a direct impact on the Group's financial performance, liquidity, cash flow and sales, with double-digit sales declines close to those of 2020 (-27.5%) and loss of market share not excluded in such a scenario.

In response to the challenging economic and geopolitical environment, the Group is taking action to optimise costs and diversify products and services for its customers. One of the projects in this direction is the development of a chain of self-service outlets that provide customers with an alternative to the standard service, reducing the carbon footprint, including electricity, heating and water consumption, and not least the cost to the Group. As at December 31, 2022, the Group operates 15 full and partial self-service sites, growing by 66% in the last year alone, with Group management planning to double the number of self-service sites within two years. With the projects and processes undertaken by the Petrol Group related to the chain of self-service sites, the Group will try to respond to the change in consumer demand and the new challenges posed by COVID-19 and the increase in operating costs over the last year.

### *COVID-19 recovery*

Following the initial shock caused by COVID-19, the Group recovered some of the sales lost due to COVID-19 in 2021, with the Petrol Group reporting annual growth in sales of goods and services of 28% to BGN 499,841 thousand (before restatement for discontinued operations) as at December 31, 2021. In 2022, it was able to achieve a further 64.7% year-on-year growth, the main contributor being wholesale fuel sales. Despite the increase in revenues from sales of goods and services in the two consecutive years, in 2022 the Petrol Group fails to reach retail fuel sales of pre-pandemic levels. The rapid recovery after the pandemic inspires a degree of optimism that the major shocks to the Petroleum Group caused by the virus have passed. The growth in fuel and other commodity sales revenues in 2021 and 2022 helped the Group to largely return to normal, but the negative effects on liquidity, retail fuel sales and the overall financial position of the Petrol Group have not fully dissipated. High inflation, minimum wage increases, and rising fuel prices have prevented the Group from reaching pre-pandemic levels of financial performance and retail fuel sales (*see Results of Operations section*).

## NON-FINANCIAL DECLARATION (continued)

In addition, the dynamics of the spread of COVID-19 combined with the emerging military conflict between Russia and Ukraine and its potential risks, as well as the high volatility of international crude oil prices in recent months, which directly affect the Petrol Group's operations, create significant risks for the Group and, at the same time, hinder capturing and planning for the potential intensity of negative effects on the Petrol Group's operations.

### War conflict between Russia and Ukraine

On February 24, 2022, Russian military units entered the territory of Ukraine, at the same time the Russian army began launching missile strikes on strategic Ukrainian sites. From that day in February, the military conflict between Russia and Ukraine began. The clash between the two countries and the departure of Ukrainian civilians from their homes to escape Russia's military invasion of Ukraine created a humanitarian crisis in Europe unprecedented in the post-World War II period. All business sectors have been affected in one way or another by the military conflict.

The resulting military conflict and the economic, financial and other sanctions imposed by the EU and the US on Russia to stop the conflict are blocking economic activity between the European Union and Russia, restricting payments and the free movement of people, goods and services, while causing significant disruption across the board in the financial markets and non-financial sector.

The military conflict has further affected the prices of a number of goods, resources and services, as Russia is a major exporter of fossil fuels, metals and other resources, and the aim of the sanctions imposed by the European Union and the United States is to limit Russia's economic activity. Fossil fuels are still a major part of the process from the creation to the final consumption of almost all goods in the EU, with the result that future uncertainty over the price and availability of fossil fuels and other resources is worsening the economic outlook for the EU and Bulgaria in particular. The warm winter and the increase in the supply of fossil fuels from alternative sources helped EU countries to overcome the short-term anomalies caused by sanctions and restrictions.

As the core business of the Petrol Group is trading in fuels and other petroleum products, a sustained increase in fossil fuel prices in the global markets will negatively impact the Group's sales, resulting in significant losses and a deterioration in the financial position and operating results of the Petrol Group.

As a major part of the country's fossil fuel supply in 2022 is of Russian origin, a potential complete ban on fuel supplies from Russia could lead to the creation of a fuel deficit in the country and problems for the Petrol Group to secure its sales, with the risk of outlet closures, temporary shutdowns and other negative consequences. In order to address this scenario, the Group's management is exploring the possibility of importing fuel from third countries, thereby being able to mitigate potential future consequences for the Petrol Group of EU and US sanctions imposed on Russia and reciprocal ones.

An important decision for the Petrol Group's operations is the amendment adopted on June 4, 2022 by the Council of the European Union to Council Regulation (EU) No 833/2014 of July 31, 2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, which amendment allows, subject to approval by the Council of Ministers of the Republic of Bulgaria, imports by sea until December 31, 2024 of oil and petroleum products listed in Annex XXV of Council Regulation (EU) No 833/2014 originating in Russia under contracts signed before June 4, 2022 or of additional contracts necessary for execution of such a contracts.

## NON-FINANCIAL DECLARATION (continued)

Additionally, a decision of the Council of Ministers of December 2, 2022, authorised the execution in the period from 5 December 2022 to 31 December 2024 of contracts concluded before June 4, 2022, or additional contracts necessary for the execution of such contracts, for the purchase, import or transfer of crude oil transported by sea and of petroleum products listed in Annex XXV of Council Regulation (EU) 833/2014 concerning restrictive measures in view of the actions of Russia destabilising the situation in Ukraine, originating in or exported from Russia, in accordance with Art. 3m paragraph 5 of the European Regulation.

The Petrol Group does not carry out any economic activity on the territory of Ukraine and Russia and has not suffered any direct negative consequences from the ongoing military conflict. Moreover, in 2022 the Group realises a significant increase in revenues from wholesale fuel sales, which for 2022 reach BGN 220,554 thousand against BGN 16,817 thousand for the comparative period, with revenues of BGN 168,557 thousand from fuel exports to third countries.

With the decisions taken by the Council of the European Union and the Council of Ministers to secure fuel consumption, the Group's management believes that no disruptions leading to significant losses for the Petrol Group should be expected in the short term. However, in a situation of war on the territory of a country close to Bulgaria, there is always a risk of the expansion and/or deepening of military conflict with the consequent disruptive consequences.

## STRATEGIC OBJECTIVES OF PETROL CONCERNING THE ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Petrol Group continues to set ambitious goals and develop its long-term strategic goals, namely:

- To pass successfully the energy transition, meeting the requirements of society for a cleaner, sustainable and competitive environment;
- To make a positive social contribution to society by providing its products, services and business operations;
- To create high added value for its shareholders, customers and other stakeholders, by maintaining a high ethical corporate culture, development and technological progress, and responsibility to society with a minimum carbon footprint;

## ENVIRONMENTAL COMMITMENTS

As a socially responsible organization, Petrol Group continues to take actions and measures to improve the climate impact and reduce the carbon footprint associated with the Group.

Following its privatisation in 1999, the Parent company Petrol AD started the implementation of an investment program aimed to bring the Group's facilities in line with the requirements of the best environmental practices in the European Union. The Group's operations include a number of activities which are governed by the environmental or health and safety laws in Bulgaria, which also cover historic environmental commitments associated with past environmental damage, storage and trading with petroleum products, soil and groundwater contamination, waste management, water supply, waste water management, atmospheric emissions, use and disposal of hazardous materials, land use and planning requirements, including public issues, associated with the development of new green field retail stations.

## NON-FINANCIAL DECLARATION (continued)

The principal legislation acts in Bulgaria, which set out the framework for environmental protection and sustainable development, are the Environment Protection Act, the Water Act, the Waste Management Act, the Air Purity Act, the Soil Protection Act, the Underground Resources Act, RESA and various regulations on their implementation. As part of Bulgaria's preparation for accession to the European Union, each of these acts has been brought into line with the European Union standards, with the new standards being phased in over time. Any failure by Petrol AD or its subsidiaries to comply with such acts may be a ground for civil and/or administrative liability.

Regarding the Group's petrol stations, the Bulgarian law requires that a number of air, water, land and noise emissions are monitored and recorded, and processes established for minimizing such emissions and rendering them harmless. The following are monitored pursuant to these obligations:

- Air emissions are monitored for dust, hydrogen sulphide, sulphurous dioxide, nitrogen dioxide, lead aerosols, ammonia, carbolic acid and hydrocarbon;
- Water emissions are monitored for temperature, pH, dissolved oxygen, conductance, turbidity, phosphates, copper, zinc, lead and oil products;
- Surrounding soil is monitored for pH, nitrate nitrogen, copper, chlorides, phosphates, zinc, lead and oil products; and
- Noise levels are monitored.

During the past period the following actions have been performed and taken in compliance with the requirements for environmental protection and mitigation of the effect on the climate:

- Organizing and controlling the implementation of scheduled fuel quality checks at petrol stations, when customers complain about the quality, when fuels are withdrawn for cleaning and tank surveys. Timely measures and actions were taken when non-compliances were identified;
- In accordance with regulatory requirements, annual reports on production or hazardous waste generated at the Group's retail outlets for 2021 were prepared and submitted to the Executive Environmental Agency in a timely manner;
- Recalibration of tanks has been organised and new calibration tables issued for expired sites;
- Declarations under Art. 194 b of the Water Act have been sent to all Basin Directorates for all petrol stations that have drilling wells;
- The data on the consumed quantities of water for the period January-December 2021 have been sent to all Basin Directorates, according to the requirements of the Law;
- In compliance with the requirements (EC) № 517/2014 for fluorinated greenhouse gases, information was submitted on fluorinated greenhouse gases and ozone-depleting substances for Petrol Group sites to all Regional Inspections of Environment and Water (RIEW) in the country;
- Reports have been prepared and submitted to the National Statistical Institute for Emission Sources in 2021;
- An inspection of the petrol vapour recovery systems at all outlets has been organised;
- Organised the removal of fuels not meeting quality requirements from 7 trade sites;

## NON-FINANCIAL DECLARATION (continued)

The Petrol Group is in compliance in all material respects with environmental requirements currently applicable to its operations. The Management of the Group believes, with the planned additional investment, the companies will be able to maintain compliance with known forthcoming requirements. The Group's intention is to continue to ensure environmental compliance and pollution prevention in advance of regulatory requirements.

Petrol's commitment to environmental impact is focused on the following main areas:

- Environmental protection and reduction of harmful emissions and vapors from the Group's operations;
- Contributing to a sustainable energy future in the process of energy transition to the supply of cleaner and more competitive fuels;
- Reducing the expenditure of natural resources in carrying out the Group's operations;

Major directions and actions taken by Petrol for environmental protection	Activities	Stage
· Environmental protection and reduction of harmful emissions and vapors from Petrol's operations;	Energy savings	In process
	Installation of systems for capturing harmful emissions in trade sites	Finished
	Installation of systems for capturing harmful emissions in storage depots	Finished
	Repair and replacement of technical equipment	In progress
· Contributing to a sustainable energy future in the process of energy transition to the supply of cleaner and more competitive fuels;	Promotion and enforcement of low carbon fuels and increasing their share in total fuels sales	In progress
	Installation of charging power stations	In progress
	Internal quality control	Finished
· Reducing the consumption of natural resources in Petrol's operation;	Replacement of the regular lighting at petrol stations with energy-saving lighting and other electricity devices	Finished/ in progress
	ISO certification	Finished
	Automation of processes in Petrol Group	In progress
	Digitization of documents flow in Petrol Group	In progress



## NON-FINANCIAL DECLARATION (continued)

### ENERGY SAVINGS

The adopted amendments to the Energy Efficiency Act (EEA), effective from 12.03.2021, transpose the requirements of Directive 2012/27/EU on energy efficiency, as amended by Directive (EU) 2018/2002, including the requirements for setting a National Cumulative Energy End-Use Savings Target for the period 2021-2030 and its implementation through the Energy Efficiency Obligation Scheme and alternative measures. In this regard, the Parent Company shall submit annually to the Agency for Sustainable Energy Development of the Republic of Bulgaria (ASED) a report on the measures and results of the energy savings implemented audited by a licensed external auditor.

The following table presents the audited results for 2021 and 2022 with proven savings for energy efficiency improvements under the Energy Savings through Fuel Additives in Internal Combustion Engines

MEASURE DATA				PROVEN SAVINGS		
№	NAME	ENTRY DATE	PERIOD (LIFE)	TOTAL ENERGY	PRIMARY ENERGY	EMISSIONS CO <sub>2</sub>
		Dd/mm/yyyy	year	MWh/year	MWh/year	t CO <sub>2</sub> /year
1	MEASURE 1 - USE OF FUEL ADDITIVES IN COMBUSTION ENGINE FUELS	31.12.2021	1	32,587.52	35,846.27	8,632.03
2	MEASURE 1 - USE OF FUEL ADDITIVES IN COMBUSTION ENGINE FUELS	31.12.2022	1	27,249.09	29,974.00	7,273.24
Π+1.			<b>TOTAL</b>	<b>59,836.61</b>	<b>65,820.27</b>	<b>15,905.27</b>

Pursuant to Delegated Regulation (EU) 2021/2178, in conjunction with Art. 8 of Regulation (EU) 2020/852 of the European Commission from 01.01.2022, companies obliged to submit a non-financial statement pursuant to Art. 19a and Art. 29a of Directive 32013/34/EU should include in it how and to what extent the activities of the Parent Company/Group are related to economic activities that qualify as environmentally sustainable pursuant to Art. 3 and Art.9 of Regulation (EU) 2020/852.

As the core business of the Petrol Group is the storage and wholesale and retail trading of fossil fuels and petroleum products, the Group is in the process of analysing and reviewing the economic activities and processes that fall under the first two groups of objectives - climate change mitigation and climate change adaptation, effective from January 1, 2022. Currently, approximately 90% of the Group's operating income is driven by revenue from wholesale and retail sales of fuels.

## NON-FINANCIAL DECLARATION (continued)

### VAPOUR RECOVERY SYSTEMS

One of the major areas in which the Group has invested, and will continue to invest, is the meeting of the Bulgarian and European Union requirements for the control of volatile organic compounds (known as VOCs). VOCs are compounds containing carbon that evaporate into the air, such as vapour arising from certain petroleum products. European Union Directive 94/63/EC Directive on VOCs emissions resulting from storage and distribution of petrol set limits on the permitted levels of such emissions. The Directive has been implemented in Bulgarian legislation in the form of Ordinance No16 dated August 12, 1999, which limits the emissions of VOCs connected with the storage, loading or unloading and transportation of gasolines. In response to these requirements, all trade sites managed by the Group are equipped with systems for capturing harmful vapours, fully complying with legislative requirements for environmental protection. The Group continuously invests in the renewal of the vapours recovery utilities (VRU) in the retail trade sites in accordance with the requirements of Ordinance No 16.

The legal acts set up very strict requirements to fuel stations, fuel storage terminals, and fuel tank trucks. Pursuant to these standards, the tanks of fuel stations are made with double walls willed with inert liquid. The Group installed level measuring systems reacting to the slightest changes in the level of fuel, as well as systems for sending vapours back into the fuel tank truck during unloading of the fuel. Therefore, all dangers of fuel leaks and pollution with carbon oxides are minimized.

In order for the Group to be in line with the environmental criteria, the loading and storage terminals are currently being reconstructed. Floating roofs limiting the vapours to a minimum are installed, new mounting platforms for down filling of fuel trucks and vapour recovery system are built. Petrol's management will continue to make additional investments in its retail and fuel storage facilities in the coming years in accordance with EU and the Volatile Organic Compounds (VOC) emission control requirements.

### REPLACEMENT AND REPAIR OF TECHNICAL EQUIPMENT

In order to mitigate climate change and reduce the impact of the Group's activities on the environment, Petrol Group continues the activities of renewal and inspection of the technical facilities serving the commercial sites - gas stations and oil depots managed by the Group. The following activities were carried out under the program "Renewal and monitoring of the technical base" in 2021:

#### *Gas technology facilities*

- Major overhaul of 15 gas flowmeters together with spare parts;
- Carried out repairs with grinding of cylinder liners and cuffs for finishing of Tokheim flowmeters "Petrolmechanika", "Schwelm" and "FAS 22501" and "FAS 22900";
- 165 Gas Installations and Automobile Gas Filling Stations are prepared for periodic technical inspections;
- 39 petrol stations are prepared for 4 and 8 year inspection of pressure vessels;
- 4 SIHI gas pumps were repaired;

## NON-FINANCIAL DECLARATION (continued)

### *Refrigeration and air conditioning systems*

In 2022 the annual reports to the respective RIEWs on the used freon quantities for the sites containing more than 3 kg CFCs were performed and delivered in accordance with the Regulations. According to Ordinance №1 of 2017 the Ministry of Environment and Water and the Ministry of Internal Affairs made the respective reports with information on:

- Purchased quantities of CFCs in 2021;
- Spent / invested / CFCs for each petrol station;
- Information on who used the substances, reason, certificate of the person;
- Creation of a new form of report according to the Ordinance;
- Submission of information to the Regional RIEWs by 15.02.2022.

For all reconstructed petrol stations with installations containing over 3 kg. FIGs/Fluorinated greenhouse gases / and over 5 kg tCO<sub>2</sub> equivalent were prepared Annual Reports of each site for 2021 / Operators of the equipment / and handed over to the Regional RIEWs by 15.02.2022 in timely manner.

### *Operation of refrigeration and air conditioning systems in winter / summer mode*

- In order to mitigate climate change and conserve resources, and in particular to optimize electricity consumption, the additional 15 kW and 25 kW electric heaters for commercial heating were limited;
- In order to prevent and control pollution from the Group's activities, the air conditioners used by the companies in the Group are recycled and serviced and put back into use, reducing waste to a minimum;
- Seasonal prevention and preparation of the installations for operation in summer / winter mode of all trade sites in the country and repairs where necessary, in order to optimal consumption and operation of the facilities;
- Newly purchased air conditioners have a minimum electricity consumption of 12,000 btu and 18,000 btu.

## PROMOTION AND ADVERTISING OF LOW CARBON FUEL FUELS

As a result of the widespread usage of diesel vehicles and the need for reduction the harmful emissions from the sales of fuels for internal combustion engines, Petrol Group continues to develop the AdBlue program, constantly increasing the number of petrol stations with AdBlue dispensers installed for easy refueling of the AdBlue fuel additive for the processing of exhaust gases during the operation of diesel vehicles. As at December 31, 2022 Petrol manages 14 trade sites at key locations with AdBlue dispensers. or the period 2016-2022, AdBlue sales from installed stations have increased nearly tenfold, thereby reducing emissions to the environment and pollution.

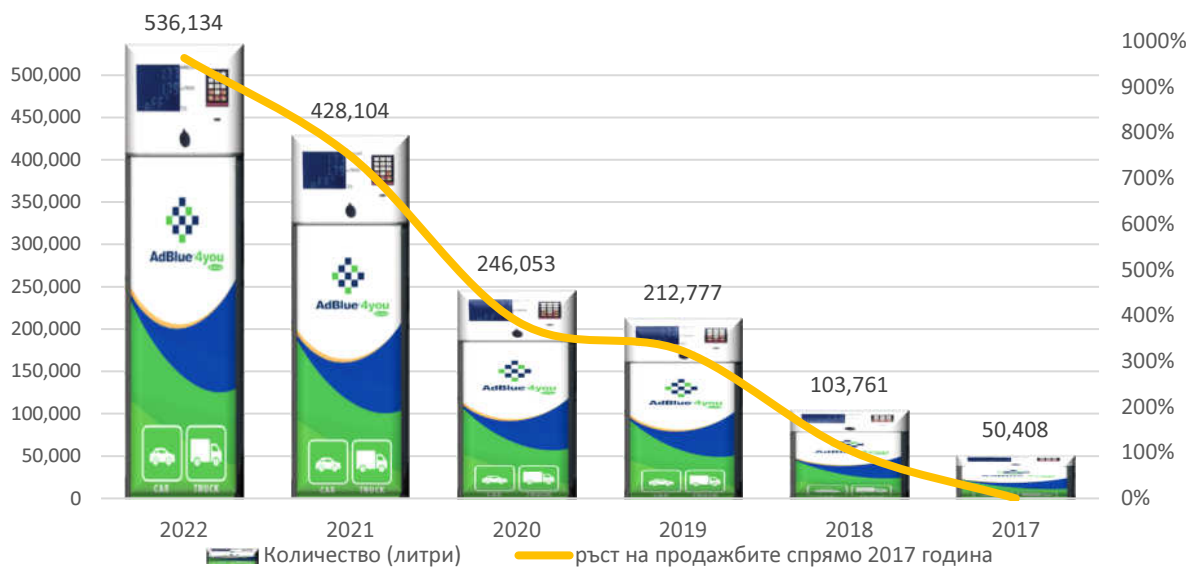


## NON-FINANCIAL DECLARATION (continued)

For the period 2016 - 2022 AdBlue's sales of installed speakers have increased nearly eightfold, reducing environmental emissions.

AdBlue sales table for the period 2017 – 2022

AdBlue/Година	2022	2021	2020	2019	2018	2017
Volumes through dispenser (in liters)	536,134	428,104	246,053	212,777	103,761	50,408
<i>Sales growth compared to previous year</i>	25%	74%	16%	105%	106%	
<i>Sales growth compared to 2017</i>	964%	749%	388%	322%	106%	



In addition to the locations with installed dispensers for AdBlue sales, 234 petrol stations operated by Petrol offer AdBlue liquid reagent in various types of packaging. As a result of the actions taken in the last years, as of December 31, 2022 the Group managed to get 90% of the trade sites to be able to sell the environmentally friendly AdBlue additive.

In recent years the Petrol Group has also made efforts to promote and expand sales of low-carbon fuels, namely LPG and methane gas, seeking new sales and distribution channels while developing and expanding existing ones. Through marketing campaigns, promotions, additional discounts, etc., as well as seeking new customers, and despite a difficult year for Petrol plc as a result of the war in Ukraine and the effects of the pandemic.

### FUEL ALTERNATIVES - RECHARGE POINT



their own carbon footprint.

The management of the Petrol Group believes that the growth of renewable energy sources, such as solar and wind, is crucial for a cleaner energy future in which people and nature interact in harmony. Petrol Group is taking action to deal with its own emissions and help customers reduce



## NON-FINANCIAL DECLARATION (continued)

With the development of the energy system, our business strategy is also evolving to provide the right portfolio of products and services that our customers need. In the coming years, consumers will continue to use oil and gas for their own needs, but more and more electricity will be powered by low-carbon electricity.

Part of the process of transition and change of the Group's business model to a more sustainable and cleaner environment is the "Recharge Point" program, on which Petrol is working. Petrol is negotiating with various suppliers and contractors in search of the most correct way to implement the project. The recharge stations are installed in key locations for our customers. Petrol's ambition for the years to come is to be able to provide enough space for charging electric vehicles, so that we can meet the expectations of our customers and improve the energy balance of our operations.

## QUALITY CONTROL

The introduced Group's technical and environmental standards in Petrol's petrol stations fully meet the mandatory requirements of the European Union. The petrol stations keep fuels in compliance with all technological standards, in accordance with the accepted quality standards. The Group's management relies on the high quality of the fuels sold. The Group's policy excludes any trade-offs with technology and environmental standards. The petrol stations comply with all current regulations and with the best European and international practices. The uncompromising quality of the fuels offered is guaranteed by the laboratories for constant quality control of the oil products. All managed petrol stations are inspected several times a year by fuel quality specialists. The company works closely with several government institutions in the field of quality control of liquid fuels.

### *Metrology and quality control of liquid fuels*

The following activities were performed during the period:

- Organizing and controlling the implementation of metrological inspections of gasoline and diesel stations, LPG and methane stations and level measuring systems - initial, periodic and after repair;
- Control of the implementation of monthly departmental metrological inspections of LPG stations, as well as assignment of additional inspections in case of customer complaints and doubts about the accuracy of the Measurement Systems. In case of established deviations in accuracy, the necessary measures have been taken for their timely correction;
- In connection with inventories of trade sites and on other occasions, written opinions were considered and given in 70 cases on the presence or absence of objective reasons for the lack of fuel;
- Recalibration of the tanks and issuance of new calibration tables for the expired sites was organized;
- The cleaning of 7 light-fuel tanks has been organized.

## ISO CERTIFICATION

In December 2004, the Management Board of the Group decided to obtain ISO certifications for quality management standards under ISO 9001:2000 and environmental management system under ISO 14001:1996. This intention confirms the commitment of the Management to implement the best European practices in process management. This process includes the preparation, documentation and implementation of written rules and procedures and an audit of the procedures by an independent third party.

## NON-FINANCIAL DECLARATION (continued)

On October 11, 2007 Petrol AD successfully received certificate under ISO 9001:2000. In September 2010 Petrol AD and its subsidiaries successfully passed certification under ISO 9001:2008. At present the Parent company of the Group has a certificate for ISO 9001:2015 received on September 5, 2018.

In 2022 current control over the observance of the established rules according to the standard and the Quality Management System (QMS) has been performed. A control audit was performed by SGS Bulgaria, and it was established that the management system is maintained in accordance with the requirements of the standard.

## HUMAN RESOURCE MANAGEMENT

### Information according to art. 48, para 1 and para 2 of the Accounting Act

The Management believes that the employees of the Group play a key role in the development of the business and the achievement of common corporate goals and pays special attention to the elaboration and development of a general strategy and policies regarding human resource management.

The policies in this field are oriented towards achieving of responsibility and commitment of the personnel during its performance of assigned tasks and goals. Simultaneously the senior executive staff makes efforts to support the mid-level management and the employees in order to fulfil the Group's Management priorities.

The goals of the human resources development strategy and policies are:

- Keeping the employees with a high potential and assisting their professional growth by planning their careers and introducing bonus package systems;
- Selection of new employees with significant potential and result-oriented personality;
- Broadening the scope of the traineeship programmes;
- Improvement of communications between the separate organizational bodies;
- Development and introducing of new systems for career management of the key employees;
- Development of a programme for introducing training for newly employed personnel.

The Group applies adequate criteria for selection of personnel and has a professional and motivated team, which is capable of pursuing the defined strategic and operational goals. An organization network has been created for fair evaluation of the personnel's individual and collective contribution, as well as for evaluation of its content grade.

The Group's policy is oriented towards providing of safe and healthy working conditions, adequate remuneration and motivation system, and opportunities for professional growth.

Highly qualified and informed personnel is essential for the successful integration into the Group's internal control and risk management systems. In this regard, the subsidiary Petrol Finance OOD was established and specialized in providing financial services. In order to provide quality financial services, employees of the subsidiary twice a year take part in tax and accounting seminars.

At the end of the current period, the number of Petrol Group employees was 1,044.



## NON-FINANCIAL DECLARATION (continued)

### PROCESS AUTOMATION AND DIGITALIZATION OF DOCUMENTS FLOW

Petrol Group is committed to preserve the planet's resources. To reduce paper consumption in the operations, the Group has launched a program for digitalization of document flow in the operations of the Group, which will minimize the consumption of paper in offices and retail petrol stations. For this purpose, a working group was formed for evaluation and selection of Group software for management, analysis and optimization of the resources spent in the operating and business processes, which will be a supplement to the ERP system used by the Group.

At the same time, the policies and rules approved by the Management of the Parent company for automation of the processes of information transfer and document circulation embrace the daily operations of the employees in the separate departments and ease the correspondence between employees and departments, facilitating analysis and evaluation of business processes and information flows in the Group. The process of internal control and risk management goes through the following stages:

- Risk identification - performed through a system of control and monitoring of the internal Group environment for potential risks and errors;
- Analysis and assessment of the risks - creating of risk matrixes including scenarios of future assessment scenarios of the effects of the separate scenarios, as well as preparation of reports with proposals for the opportunities for their overcoming;
- Taking measures to avoid and prevent potential risks - practical implementation of the prepared proposals for action based on risk analysis and assessment.

The management of the Petrol Group is directly involved in the process of controlling and managing the risks related to the financial reporting and business processes of the Group. Daily cooperation, holding workshops and meetings with employees at the managerial level improves the climate and the working environment, increasing the efficiency and economic expediency of the work process.

### SAFE WORKING ENVIRONMENT

Petrol focuses on maintaining the safety of personnel and respect for human rights, carefully analyzing and assessing the threats and risks to society and employees from our activities and operations. Petrol operates in close cooperation with government institutions and contractors to provide a safe working environment for our employees and partners. The pandemic caused by COVID-19 which hit the world in 2020, clearly showed the need for corporate responsibility and human protection. By timely creating of precise rules and organization of work, providing safety equipment and consumables for all employees of the Group and performing constant internal control, Petrol managed to protect maximally its employees and customers from the rapidly developing pandemic.

To minimize the spread of the virus and preserve the health of Petrol's employees and society, the actions taken by Petrol Group in 2022 include:

## NON-FINANCIAL DECLARATION (continued)

- Free rapid tests for the administration and risk locations in order to quickly locate the infection and stop its spread;
- Providing protective equipment to all employees and locations where the Group operates;
- Daily disinfection, including by ultraviolet antibacterial irradiation with bactericidal lamps;
- Daily measurement and access control of employees, customers and other visitors, in order to build a timely antivirus barrier for the spread of the infection;
- Creating save working environment and organization for remote work;
- Organization of team employees in order to minimize the risk of spreading the virus and preserve the work process;

All employees of the Group are insured against general illness and working accidents and some employees are provided with annual preventive medical examinations in order to monitor the health status of employees in the Group.

The number of employees at the end of each of the previous periods is as follows:

- As at December 31, 2022 – 1,044 employees;
- As at December 31, 2021 – 1,190 employees;
- As at December 31, 2020 – 1,257 employees;

In relation to the occupational health and safety and occupational medicine of Petrol Group employees, the following activities were carried out in 2022:

- Six inspections of the State General Labour Inspectorate were carried out for the head office and the petrol stations operated by the Group in the country. With respect to compliance with Health and Safe Working Conditions Act (HSWCA) requirements, no acts of administrative penalties were received from SG Labour Inspectorate inspections;
- Three due diligence inspections were carried out at the Varna storage facility operated by the subsidiary Varna Storage EOOD and the prescriptions issued by the Regional Office Fire Safety and Protection of the Population and Regional Environmental and Water Inspections (REWI) were implemented on site;
- Preparation of the annual list of the Group's employment placements as required by the Disability Act and the Labour Code;
- Preparation of letters and statements to the National Expert Medical Commission and Territory Expert Medical Commission in relation to appeals against expert decisions of three employees of the Group;
- Participation in Safe Working Conditions Act (HSWCA) seminars and trainings on conducting instruction and safety at work on behalf of the companies part of the Petrol Group;
- Updating of orders, instructions and a plan of action for the ongoing epidemic situation for the Parent Company and Group subsidiaries;
- Involvement in the update of the Petrol Station Management Policy concerning the Health and Safety section in working with fuels;
- Preparation of necessary documentation for acceptance of petrol stations by dealers to the Parent company - 10 retail outlets - risk assessment, measurement protocols of work environment factors;

## NON-FINANCIAL DECLARATION (continued)

- Training of the managers of the Group's petrol stations to reduce accidents and temporary and permanent disability of the Group's employees;
- Assistance with appeals against employees' sick leaves - 3 cases, including 2 cases with three to four sick leaves of employees of petrol stations and one decision of the Territory Expert Medical Commission - Sevlievo;
- For 2022, a total of 3 cases of occupational accidents were investigated, reported and registered in Topolovgrad, Varna and Sofia;

Relations between the Management Board and the union employees' organization - no collective agreement has been signed.

## SOCIAL POLICY AND SUPPORTED CAUSES BY PETROL

The functioning social policy (SP) of Petrol Group has been developed in two major directions. The first direction focuses on the intra-group social relationships with the employees with the primary goal of increasing employee and company benefits of interacting with each other.

The second direction of the social policy is focused on the external environment and in particular on social interaction possibilities of the Group with external social subjects. The social policy is fundamental in the business development strategy of the Petrol Group, because the Management of the Parent company believes that the care for the employees is a care for the company. The social policy of Petrol AD constitutes a set of measures and objectives, which regulate the social relationships between the Company and the employees by joining their efforts in the united social goals.

The Management has adopted a practice to develop a SP together with its employees, thus ensuring feedback and guaranteeing the effectiveness of the adopted measures and social policies. The scope of Petrol Group's SP includes the remunerations policy, selection of employees and opportunities for personnel development, providing of adequate information and technology working conditions, participation in trainings and seminars, selection of holidays and opportunities for flexible working conditions appropriate for the needs and specifics of the particular employee.

The Social policy of the Group is built in compliance with the long-term relationships between the companies in the Group and the employees, outlining the perspectives of every particular employee in the overall development vision of the Group. (*see also Human resources*).

At the same time, the Petrol Group Management supports various forums and events of social significance for society. During the reporting period, the Group financed by donation a number of institutions, initiatives and causes, including the Christian Union Association, the Give a Smile Association, Bulgarian Christmas and others. The Group systematically provides financial support to people in need, mainly related to medical treatment in the country and abroad and the purchase of medicines. In 2022, Petrol Group took part in several events and social projects, including events organized by the Bulgarian Federation of Artistic Gymnastics.

## NON-FINANCIAL DECLARATION (continued)

### ANTI-CORRUPTION POLICIES AND PRACTICES

The anti-corruption policy has been developed as a continuation and development of the internal regulations and organization of the Group, in its part for anti-corruption and corruption-related activities, which are also included in the Code of Ethics of the Group. In its development are followed the generally valid rules, principles and definitions of:

- "Civil Convention on Corruption" of the Council of Europe, ratified by the National Assembly of the Republic of Bulgaria in 2000;
- Art. 12 of the "UN Convention against Corruption", ratified by the National Assembly of the Republic of Bulgaria in 2006.

The anti-corruption policy is applied in addition to the existing and applicable in the Group internal work rules, policies and, the internal labor orders, as well as in accordance with the current Bulgarian legislation and regulations relating to corruption.

The developed policy of Petrol Group does not tolerate and distinguishes itself from all types of corruption and bribery, creating an environment of intolerance to corruption and practices. Through the introduced systems for internal control and risk management, the Group controls the activities of its employees and partners, assessing the ethical behavior and reliability of each business partner or employee.

The scope of the Policy includes:

- The members of the management bodies and the operational management of the Group;
- The Group's relations with state and local administration, political parties and public organizations, politicians and public figures, media, service providers and suppliers, consultants, subcontractors, contractors;
- The employees of the Group and the relations between them;
- The Group's relations with third parties or its employees that have resulted in corrupt practices.

The policy is applicable to all types of corrupt practices, including but not limited to:

- Active bribery - giving, promising or offering a bribe;
- Passive bribery - requesting, agreeing to receive or accept a bribe;
- Bribery of a public or civil servant;
- Unjust enrichment - misuse of the Group's assets and unregulated personal use of goods and assets.

## CORPORATE GOVERNANCE STATEMENT

*Information pursuant to Art. 100n, par.8 in conjunction with par.7 item 1 of the Public Offering of Securities Act*

The actions of the Management of Petrol Group and the Parent company Petrol AD in particular, are focused on strengthening the principles and traditions of good corporate governance, increasing the trust of interest entities, namely shareholders, investors and counterparties, as well as timely disclosure of accurate information in accordance with the legal requirements.

In its activity, the Management of Petrol Group follows and fulfils the adopted Program for application of the international standards for good corporate governance (the Program). The Management believes that the compliance with the highest standards for corporate governance is essential for maintaining the reputation of the Parent company (the Company) and the results of its operations.

The board of directors of Petrol AD is guided by the principles set forth in the Program for Good Corporate Governance of Petrol AD, which has been prepared in accordance with the effective Bulgarian commercial legislation, the Code of Corporate Governance adopted by the Board of Directors of Bulgarian Stock Exchange – Sofia, the Statute of Petrol AD and the Rules for procedure of the management bodies of the Company.

The Program for Good Corporate Governance has been adopted by the Management Board (MB) and its implementation is monitored by the Supervisory Board (SB) of Petrol AD. The Program sets out the main principles and policies of the Group that the management bodies should comply with in order to achieve the goals set in the Program, namely:

- Protection of shareholders' rights and guaranteeing equality amongst them (including minor and foreign shareholders);
- Timely and accurate disclosure of information about all issues relevant to the Group in compliance with the POSA, Law on Measures against Market Abuse with Financial Instruments and the other acts;
- Providing strategic management of the Group, efficient control over the work of the MB and the accountancy of the MB and the SB to the GMS;
- Creating interactive connection between the Management of the Group and its shareholders and potential investors.

The main principles of the Good Corporate Governance Program of the Parent company Petrol AD are disclosed in the announced Good Corporate Governance Program of Petrol AD to the annual financial report.

During the reporting period there were no changes in the basic management principles of the economic group.

### Shareholders' rights

The Program sets clearly the rights of the shareholders of Petrol AD and the main goal of the managers' team is to ensure their observation. The shareholders have the right to:

- Participate and vote in the GMS;
- Be equally treated in the GMS;
- Request convocation of regular or extraordinary GMS;
- Access the materials in writing, relevant to the agenda of the GMS;
- Access to the records of the previous sessions of the GMS;

## CORPORATE GOVERNANCE STATEMENT (continued)

- Make proposals for election of members of the SB and to vote for their election;
- Take part in the distribution of the Company's profit commensurably to their participation of the share capital;
- Receive regularly and timely information about corporate events related to the activities and condition of Petrol AD;
- Participate in the increase of the capital of Petrol AD and in tender offers.
- Receive timely information in respect of notifications about tender offers.

### Management System

Information pursuant to Art. 10, par. 1, character "h" from the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids

Petrol AD has two-tier board structure, which includes Management Board (MB) and Supervisory Board (SB).

#### Management Board

The Company is managed and represented by MB with up to five members, elected by SB for five years mandate.

The MB has the authority to:

- to prepare the annual report and financial statements of the Company and submit them for approval by the GMS;
- to adopt projects and programs for the activity of the Parent company;
- to make proposals for increase or decrease of the Parent company's capital to the GMS;
- to elect and dismiss the executive directors;
- to elect and dismiss the chairman and the deputy chairman of the MB;
- to appoint on a labour agreement the Investor Relationship Manager and to assist him in exercising his functions, and to control their implementation;
- to approve the organizational and management structure of the Parent company and other internal regulations;
- to open and close down branches and to make decisions to acquire or terminate participations in the capital of other domestic or foreign companies;
- to make decisions for concluding deals under art. 114, paragraph 1 of the POSA, in cases when it is authorized for that by the GMS,
- Appointing the Investor Relations Officer and assisting him / her in exercising his / her duties and controlling their performance;
- Determining the way of exercising the voting rights on the shares or shares held by Petrol AD in the capital of its subsidiaries as a sole owner of the capital or as a shareholder and / or a partner in any general meeting of the shareholders or of the partners of a subsidiary;
- Discussing and resolving all issues other than those within the competence of the General Assembly and the Supervisory Board.

The MB shall take decisions by a simple majority of its members if more than half of its members attend in person or are represented by another member of the board, provided that one attendant may represent only one absent, except for the decisions for which the law and / or the Statute of the Parent company require a qualified majority or unanimity of all members.



## CORPORATE GOVERNANCE STATEMENT (continued)

MB reports its activity at least once a month to the Supervisory Board of the Company. MB adopts its Rule of Procedure, in which its powers, duties and functions are clearly and precisely defined.

### Supervisory Board

SB administrates and controls the MB for the compliance of its activity with the legislation, the Statute and the decisions of the GMS. The Supervisory Board is collective body, elected by and directly reporting to the GMS.

SB consists of three members with 5 years mandate. At least 1/3 of the members of SB must be independent bodies within the meaning of Art. 116a, par.2 of the Public Offering of Securities Act.

The SB controls generally and continuously the activities of the Parent company, revises the annual financial statements and reports of the Parent company, submits written annual reports for the final results of the audits and analyses of the business to the GMS, elects and dismisses the members of the MB, approves the empowerment of ECOs to represent the Parent company authorized by MB, defines the number of the ECOs, approves the financial plans and investment programs of the Parent company, etc. The SB reports for its activity to the GMS. The SB takes its decisions in accordance with the authorities given to it by the GMS, the Statute and the current legislation.

Members of the MB and SB can be re-elected without any limitations. GMS determines the remuneration of the members of the SB and the MB, taking into consideration the responsibility, the engagement and the involvement of each board member with the Management of the Parent company.

### Description of the diversity policy applied to the administrative, management and supervisory bodies of the Parent company

The Group is committed to maintaining compliance with the highest ethical and legal standards in the areas of human rights and labour law.

The Group applies a balanced recruitment policy and nominates members of the corporate management who possess education and qualifications that are relevant to the nature of the Company's work, its long-term objectives and business plan, seeking to ensure diversity in relation to aspects such as age, gender or education and professional experience.

The Group encourages the search for gender balance at all management levels.

The Group does not discriminate against employees and members of corporate management and administrative bodies on the basis of criteria such as age or gender.

The Group prohibits and does not tolerate in any way direct or indirect discrimination on the basis of race, nationality, ethnicity, human genome, citizenship, gender, origin, religion, education, age, disability, HIV/AIDS status, political affiliation, beliefs, personal and social status, trade union membership, sexual orientation, marital status, property status, or any other special characteristic established by law or by an international treaty to which the Republic is a party, and complies with all applicable employment discrimination laws.

The prohibition of direct or indirect discrimination applies to all of the Group's activities and is consciously applied in the selection of personnel, including in relation to their participation in the Group's administrative, management or supervisory bodies, as well as in relation to working conditions and the determination of employee remuneration.

## CORPORATE GOVERNANCE STATEMENT (continued)

The Group expressly prohibits any discriminatory behavior by the Group employees towards others, and the incitement of discrimination or harassment on this basis. Any report or complaint of discrimination or harassment will be investigated and verified.

### Disclosure of information

Being a public company Petrol AD discloses to the Financial Supervision Commission and the Bulgarian Stock Exchange – Sofia periodical reports and notifications of insider information under the Law on Measures against Market Abuse with Financial Instruments. At the same time, the Company reveals regular information to the public in a way that ensures it reaches the widest possible number of people simultaneously and in a way that does not discriminate them. For that purpose the Company uses the services of the Service Finance Markets EOOD, which ensures effective spreading of regular information to the public in all EU member states. The Company prepares separate and consolidated quarterly financial statements, annual report and separate and consolidated annual financial statements; the MB presents the latter for verification and review to the SB and to the elected by the GMS certified auditor. The elected by the GMS auditor should be independent of the MB and in particular of the executive director of the Parent company and it should act independently of the shareholders who have elected it.

The management bodies of the Parent company and the Investor Relations Director should provide easy and timely access of the shareholders and investors to the information, to which they are legally entitled being shareholders and/or investors in order to take informed and adequate investment decisions.

The information reported by the Parent company to the Finance Supervising Commission and to the public should be included on the web site of the Parent company for consideration by the shareholders and those who are interested to invest in the shares of the Parent company.

### Control over the fulfillment of the Program

The control over the Program is exercised by the MB of the Parent company. The effectiveness and efficiency of the Program is assessed annually by the MB. The results of this assessment and further measures proposed should be mentioned in the annual financial report provided to the Financial Supervision Commission and to the Bulgarian Stock Exchange – Sofia and the public.

With a view to improving and extending the Program, the MB follows the trends in the theory, practice and legislation in the field of corporate governance, which guarantees timely informing the Parent company of the matters in the field and updating of the Program.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Internal control and Risk Management systems

*Information pursuant to item 15 of the Appendix No.2 to the Ordinance No.2 of 09.11.2021 and Art. 100n, par. 8, item 3 from the Public Offering of Securities Act*

The Group's internal control (IC) and risk management (RM) systems are integrated in a comprehensive integrated process implemented by the employees and the Management of Petrol Group. The foundation of the IC and RM systems is the policies and procedures developed and adopted by the Management of the Parent company, which define the legality, expediency and last but not least the economic efficiency of the Group's processes. The IC and RM systems cover the authorities and responsibilities of the separate units in the company, as well as the principles of their interaction. The approved business and control procedures between the separate departments in the company and the adopted cross-check policy are a guarantee for the reliability and completeness of the financial and operational information generated in the Group. In addition the engagement and the close cooperation of the Management with the employees of the Group's companies contributes for the effective management and preventive measures regarding the resources and intellectual property of Petrol AD.

The internal control and risk management systems of the Group are characterized by the following main features:

- Modern technological and information provision;
- Qualified and informed employees;
- Well organized intra-company processes;
- Commitment and support from the Management.

The integration of the SAP/Retail in Petrol AD in 2003 and the gradual introduction in other companies of the Group significantly improves the speed of the information transfer by integrating several systems in one integrated platform, which provides control and monitoring of the processes from their set-up to the end of their execution. As a result, mistakes from business process fragmentation and cumbersome interaction between different information platforms and systems are minimized. SAP platform provides a smooth and timely flow of the information and business processes on a group level as well as their reporting in the Group's financial statements.

The highly qualified and knowledgeable staff is essential for the successful integration of IC and RM systems. In this regard, the subsidiary Petrol Finance OOD, specialized in providing financial services, was established. In order to provide a quality financial service, employees in the subsidiary twice a year take part in tax-accounting seminars. Thus, the Management of the Parent company Petrol AD ensures competent, professional expertise while minimizing the possibility of omissions and errors in the financial reporting process.

## CORPORATE GOVERNANCE STATEMENT (continued)

The policies and rules for information and documents flow transferring, approved by the Management of the Parent company, channel the daily work of the employees in different departments and the correspondence between them, facilitating the analyses and evaluations of the business processes and information flows in the Group. The IC and RM process goes through the following stages:

- Risk identification – it is implemented via control and monitoring system of intra-company environment for potential risks and errors;
- Analysis and valuation of the risks – creation of risk matrixes including future outcome scenarios with assessments of the effects of the scenarios as well as preparation of reports with proposals of opportunities for overcoming them;
- Undertaking measures to avoid and prevent of the potential risks – practical implementation of the prepared action proposals on the basis of risk analysis and valuation;

The Management of the Group is directly involved in the process of control and management of the risks related to the financial reporting and business processes of the Group. Day-to-day collaboration, holding of business and working meetings with management staff improve the climate and working environment and increase the efficiency and cost effectiveness of the working process.

Information pursuant to Art. 10, par. 1, character “c” from the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids

Petrol AD is a public company registered on Bulgarian Stock Exchange. Based on the information received from Central Depository AD for the Parent company's shareholders structure as at December 31, 2022, there is no shareholder with a higher share than 30 per cent of the capital of Petrol AD.

Pursuant to our obligation under Art. 148b of the Public Offering Securities Act and in connection with the notifications received by the Registrar of Petrol AD, with UIC 831496285 for disclosure of shareholding in a public company by Corporate Commercial Bank AD (in bankruptcy), with UIC 831184677 and Trans Express Oil EOOD, with UIC 102673555, we hereby inform you of the following:

On February 2, 2022 the shareholder Corporate Commercial Bank AD (in bankruptcy), with UIC 831184677, has sold 1 503 615 (one million five hundred and three thousand six hundred and fifteen) dematerialised shares, with a nominal value of BGN 4 (four) each and with a total nominal value of BGN 6,014,460 ( six million fourteen thousand four hundred and sixty), representing 5.51% (five point fifty-one percent) of the capital of Petrol AD, UIC 831496285, with ISIN code of the issue BG11PESOB13. As a consequence of the sale, the percentage of voting shares in the capital of Petrol AD held by Corporate Commercial Bank AD (in bankruptcy) has become 0.00% (zero percent), thus the participation of Corporate Commercial Bank AD (in bankruptcy) in the capital of Petrol AD has fallen below 5% of the number of votes in the general meeting of the public company. On February 17, 2022 (settlement date February 21, 2022) the shareholder Trans Express Oil EOOD, with UIC 102673555, made a purchase of 1 490 000 (one million four hundred and ninety thousand) number of dematerialized shares, with a nominal value of BGN 4 (four) each and with a total nominal value of BGN 5,960,000 (five million nine hundred and sixty thousand) of the capital of Petrol AD, UIC 831496285, with ISIN code of the issue BG11PESOB13. As a result of the purchase, the percentage of voting shares in the capital of Petrol AD held by Trans Express Oil EOOD has increased by 5.45% (five point forty-five percent), thus, the shareholding of Trans Express Oil EOOD in the capital of Petrol AD has become 15.31% (fifteen point thirty-one percent) and has exceeded a multiple of 5% of the number of votes in the general meeting of the public company.

## CORPORATE GOVERNANCE STATEMENT (continued)

Pursuant to our obligation under Article 148b of the Public Offering Securities Act and in connection with the notifications received at the office of Petrol AD, UIC 831496285, for disclosure of shareholding in a public company by Trans Express Oil EOOD, UIC 102673555 and Gryphon Power AD, UIC 203831856, we hereby inform you of the following:

On March 30, 2022 the shareholder Trans Express Oil EOOD, with UIC 102673555, has sold 1 500 000 (one million and five hundred thousand) number of dematerialised shares with voting rights, representing 5.49% (five point forty nine percent) of the capital of Petrol AD, UIC 831496285, with ISIN code of the issue BG11PESOB13. As a result of the sale, the percentage of voting shares in the capital of Petrol AD held by Trans Express Oil EOOD, UIC 102673555, has become 9.82% (nine point eighty-two percent), thus the shareholding of Trans Express Oil EOOD, with UIC 102673555 in the capital of Petrol AD has fallen below a multiple of 5 per cent of the number of votes in the general meeting of the public company.

In 2022 there were no other transactions with shares of the Parent company, which resulted in crossing the levels under Art.89 from the Directive 2001/34/EC of the European Parliament and of the Council from May 28, 2001.

Information pursuant to Art. 10, par. 1, character “d” from the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids. The Group has no shareholders with special control rights.

Information pursuant to Art. 10, par. 1, character “f” from the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids. As at December 31, 2022 Petrol AD did not hold common uncertificated own shares. Petrol AD has no shareholders with voting rights limitations.

Information pursuant to Art. 10, par. 1, character “j” from the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids

According to the Statute of the Parent company within 5 /five/ years from the registration date of the amendment of the Statute in the Commercial Register, namely October 14, 2014, the Management Board in accordance with the Statute of the Company and current legislation may take decisions to raise the capital of Petrol AD to a nominal value of BGN 300 000 000 /three hundred millions/ by issuing of new ordinary or preferred shares, eligible by law.

In the decision to increase the capital, the Management Board shall determine the amount and purpose of any increase, the number and type of new shares, their rights, the terms and conditions for the transfer of rights within the meaning of §1, item 3 of the Additional Provisions of the POSA issued against the existing shares, the terms and conditions for the subscription of the new shares, the amount of the issue value and the terms and conditions for its payment, the investment intermediary entrusted with the servicing of the capital increase and other necessary conditions.

The redemption of own shares of the Parent company may be carried out under the terms and conditions provided in POSA.

## Responsibility of the Management

According to the Bulgarian Law, the Management must prepare annual report on the activity, as well as financial statements for each financial year, which present in true and fair view the Group's consolidated financial position as of the end of the year, its financial performance and cash flows, in compliance with the applicable accounting framework. For reporting purpose under Bulgarian accounting legislation, the Parent company applies the International Financial Reporting Standards (IFRS), as approved by the European Union.

This responsibility includes development, implementation and maintenance of internal control system, related to the preparation and truthful presentation of the financial statements, which do not contain material errors, deviations and discrepancies, whether due to fraud or error; selection and application of relevant accounting policies; and preparation of accounting estimates, which are reasonable in the particular circumstances.

The Management confirms that it has acted according to its responsibilities and that the consolidated financial statements have been prepared in full compliance with the International Financial Reporting Standards (IFRS), as approved by the European Union. The Management also confirms that in the preparation of the report on the activity it has presented in true and fair view the development and performance of the Group for the past period, as well as its position and faced risks. The Managements has approved for issue the report on the activity and the financial statements for 2022.

Georgi Tatarski,  
Executive Director

Milko Dimitrov,  
Executive Director

April 2023



**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
For the year ended December 31, 2022

	<i>Note №</i>	<b>2022 BGN'000</b>	<b>2021 BGN'000 restated</b>
<b>Continuing operations</b>			
Revenue	7	812,431	493,393
Other income	8	13,183	4,885
Cost of goods sold	9	(739,358)	(434,821)
Materials and consumables	10	(7,636)	(5,058)
Hired services	11	(26,180)	(34,569)
Employee benefits	12	(22,131)	(20,558)
Depreciation and amortisation	17, 18, 19	(10,577)	(3,423)
Impairment losses	13	(664)	(3,410)
Other expenses	14	(2,147)	(1,498)
Finance income	15	1,399	1,433
Finance costs	15	(6,329)	(4,622)
Profit (Loss) before income tax		<b>11,991</b>	<b>(8,248)</b>
Tax income (expense)	16	(30)	498
<b>Profit (loss) for the year from continuing operations</b>		<b>11,961</b>	<b>(7,750)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations, net of tax on profit		(257)	(17,636)
<b>Profit (loss) for the year</b>		<b>11,704</b>	<b>(25,386)</b>

This consolidated financial statement was approved for issue on April 29, 2023 by the Management Board of Petrol AD and was signed by:

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Executive Director

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**Milko Dimitrov**  
Executive Director

\_\_\_\_\_  
Prepared by Yana Borisova  
and Yavor Batov – Managers  
of Petrol Finances OOD

Certified according to audit report by:

**Evgeni Atanasov**  
Registered auditor, № 0701

The notes on pages 99 to 164 are integral part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
For the year ended December 31, 2022 (continued)

Other comprehensive income	Note №	2022 BGN'000	2021 BGN'000 restated
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit obligations	27	86	(63)
Revaluation of property, plant and equipment		5,462	-
Tax effects on the revaluation of property, plant and equipment	16	(547)	-
<b>Other comprehensive income for the year</b>		<b>5,001</b>	<b>(63)</b>
<b>Total comprehensive income</b>		<b>16,705</b>	<b>(25,449)</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Parent company		11,705	(25,387)
Non-controlling interests		(1)	1
<b>Profit (loss) for the year</b>		<b>11,704</b>	<b>(25,386)</b>
<b>Other comprehensive income attributable to:</b>			
Owners of the Parent company		16,691	(25,450)
Non-controlling interests		14	1
<b>Total comprehensive income for the year</b>		<b>16,705</b>	<b>(25,449)</b>
<b>Profit /(loss) per share (BGN)</b>	25	<b>0.43</b>	<b>(0.93)</b>
<b>Profit /(loss) per share (BGN) from continuing operations</b>	25	<b>0.44</b>	<b>(0.28)</b>

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	<i>Note №</i>	<b>31 December 2022 BGN'000</b>	<b>31 December 2021 BGN'000</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	17	44,434	40,632
Investment property	18	1,601	1,650
Right-of-use assets	19	52,578	6,851
Goodwill	20	57	57
Deferred tax assets	16	1,896	2,465
Loans granted	22	2,808	3,708
Total non-current assets		<u>103,374</u>	<u>55,363</u>
<b>Current assets</b>			
Inventories	20	26,306	20,866
Loans granted	22	19,641	18,423
Trade and other receivables	23	34,051	28,349
Cash and cash equivalents	24	8,773	4,027
Total current assets		<u>88,771</u>	<u>71,665</u>
<b>Total assets</b>		<b><u>192,145</u></b>	<b><u>127,028</u></b>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**As at December 31, 2022**

	<i>Note №</i>	<b>31 December 2022</b> <b>BGN'000</b>	<b>31 December 2021</b> <b>BGN'000</b>
<b>Equity</b>			
Registered capital	25	109,250	109,250
General reserves		47,415	43,278
Accumulated loss		<u>(136,645)</u>	<u>(149,199)</u>
Total equity attributable to the owners of the Parent company		<u>20,020</u>	<u>3,329</u>
Non-controlling interests	31	<u>38</u>	<u>24</u>
Total equity		<u>20,058</u>	<u>3,353</u>
<b>Non-current liabilities</b>			
Loans and borrowings	26	49,811	41,724
Liabilities under lease agreements	19	42,834	4,799
Employee defined benefit obligations	27	<u>807</u>	<u>870</u>
Total non-current liabilities		<u>93,452</u>	<u>47,393</u>
<b>Current liabilities</b>			
Trade and other payables	28	64,517	73,183
Loans and borrowings	26	1,184	1,139
Liabilities under lease agreements	19	12,912	1,766
Current income tax liabilities	29	<u>22</u>	<u>194</u>
Total current liabilities		<u>78,635</u>	<u>76,282</u>
Total liabilities		<u>172,087</u>	<u>123,675</u>
<b>Total equity and liabilities</b>		<u><b>192,145</b></u>	<u><b>127,028</b></u>

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## COMPREHENSIVE STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Equity attributable to the owners of the Parent company					Non-controlling interests	Total equity
	Registered capital	General reserves	Reval. reserve	Accumulated profit (loss)	Total		
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at January 1, 2021	<u>109,250</u>	<u>18,864</u>	<u>24,818</u>	<u>(124,153)</u>	<u>28,779</u>	<u>23</u>	<u>28,802</u>
<i>Changes in equity for 2021</i>							
Comprehensive income for the year							
Profit /(loss) for the year	-	-	-	(25,387)	(25,387)	1	(25,386)
Other comprehensive income	-	-	-	(63)	(63)	-	(63)
Total other comprehensive income	-	-	-	<u>(25,450)</u>	<u>(25,450)</u>	<u>1</u>	<u>(25,449)</u>
Transfer of revaluation reserve of assets to the accumulated profit, net of taxes	-	-	(404)	404	-	-	-
Balance as at December 31, 2021	<u>109,250</u>	<u>18,864</u>	<u>24,414</u>	<u>(149,199)</u>	<u>3,329</u>	<u>24</u>	<u>3,353</u>
<i>Changes in equity for 2022</i>							
Comprehensive income for the year							
Profit /(loss) for the year	-	-	-	11,705	11,705	(1)	11,704
Remeasurement on defined benefits obligations	-	-	-	86	86	-	86
Remeasurement on property, plant and equipment	-	-	5,445	-	5,445	17	5,462
Other comprehensive income	-	-	(545)	-	(545)	(2)	(547)
Total other comprehensive income	-	-	<u>4,900</u>	<u>86</u>	<u>4,986</u>	<u>15</u>	<u>5,001</u>
Total comprehensive income	-	-	<u>4,900</u>	<u>11,791</u>	<u>16,691</u>	<u>14</u>	<u>16,705</u>
Transfer of revaluation reserve of assets to the accumulated profit, net of taxes	-	-	(763)	763	-	-	-
Balance as at December 31, 2022	<u>109,250</u>	<u>18,864</u>	<u>28,551</u>	<u>(136,645)</u>	<u>20,020</u>	<u>38</u>	<u>20,058</u>

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## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022 BGN'000	2021 BGN'000
<b>Cash flows from operating activities</b>		
Profit / (loss) for the year	11,704	(25,386)
<b>Adjustments for:</b>		
Tax income (expense)	44	(294)
Depreciation/amortization of property, plant and equipment, intangible assets and	10,588	5,684
Interest expense and bank commissions, net	4,648	3,527
Shortages and normal loss, net of excess assets	175	(1,262)
Provisions for unused paid leave and retirement benefits	648	732
Impairment of assets	664	23,197
Profit on sale of assets	(662)	(1,211)
Remeasurement of financial assets at fair value through profit or loss	35	-
Payables written-off	(32)	(111)
	<b>27,812</b>	<b>4,876</b>
Change in trade payables	(10,518)	10,486
Change in inventories	(5,702)	(826)
Change in trade receivables	(6,367)	(3,518)
<b>Cash flows from operating activities</b>	<b>5,225</b>	<b>11,018</b>
Interest, bank fees and commissions paid	(2,476)	(3,971)
Income tax paid	(194)	-
<b>Net cash from operating activities</b>	<b>2,555</b>	<b>7,047</b>

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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2022 (continued)**

	2022 BGN'000	2021 BGN'000
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	(164)	(794)
Proceeds from disposal of property, plant and equipment	1,805	1,875
Payments for loans granted, net	(255)	28
Interest received on loans and deposits	714	321
Payments to acquire investments in subsidiaries and other investments, net of cash acquired	(25)	-
<b>Net cash flows used in investing activities</b>	<b>2,075</b>	<b>1,430</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	9,200	100
Repayment of loans and borrowings	(1,113)	(2,401)
Payments under lease agreements	(8,148)	(4,968)
<b>Net cash flows from financing activities</b>	<b>(61)</b>	<b>(7,269)</b>
<b>Net increase (decrease) in cash flows during the year</b>	<b>4,569</b>	<b>1,208</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,945</b>	<b>2,722</b>
Effect of movements in exchange rates	218	15
<b>Cash and cash equivalents at the end of the year (see also note 24)</b>	<b>8,732</b>	<b>3,945</b>

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***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED DECEMBER 31, 2022***

## 1. Legal status

**Petrol AD** (the Parent company) was registered in Bulgaria in 1990. The Company is registered with the Commercial Register at the Bulgarian Registry Agency with UCN 831496285. As at the end of the reporting year the registered address of the Parent company is 12 Targovska Street, Lovech Hotel, Lovech. As at December 31, 2022 shareholders of the Parent company are legal entities, the State – through the Ministry of Energy, and individual shareholders (see also Note 25).

The main activity of Petrol AD and its subsidiaries (the Group) is wholesale and retail trade with petroleum products and non-petroleum goods. The Parent company is one of the oldest trading companies in the Republic of Bulgaria operating the largest network of petrol stations in the country.

These consolidated financial statements were approved for issue by the Management Board of the Company on April 29, 2023.

The Parent company is a public company within the meaning of POSA. The web site where is published the internal information under Art. 7 of the EU Regulations № 596/2014 of the European Parliament and the Counsel of April 16, 2014 is <http://www.x3news.com>

## 2. Basis of preparation of these consolidated financial statements and accounting principles

### 2.1. General

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the Commission of the European Union (EU).

These consolidated financial statements have been prepared on a historical cost basis, except for the provision and retirement benefit obligation, assets and liabilities under IFRS 16 carried at a present value of expected future payments, and constitute the consolidated financial statements required to be prepared under the accounting and tax legislation of the Republic of Bulgaria.

### 2.2. Application of new and revised IFRS

#### 2.2.1. Standards and interpretations effective and applied during the current reporting period

The following amendments of the existing standards, issued by the IASB and endorsed by the EU are effective from January 1, 2022:

- Amendments to IAS 16 Property, Plant and Equipment. The amendment to the standard prohibits the Group from deducting from the cost of an item of PPE any proceeds received from the sale of manufactured items while preparing the asset for its intended use. It also clarifies that the Group "tests whether the asset is functioning properly" when assessing the technical and physical characteristics of the asset. The financial performance of the asset is not relevant to this assessment. The Group should disclose separately the amounts of revenue and expenses associated with items produced that are not the result of ordinary activities.

### 2.2.2. New standards and interpretations, not yet applied

- Amendments to IFRS 3 Business Combinations - Minor amendments were made to IFRS 3 Business Combinations to update references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC Interpretation 21 Taxes. The amendments also confirm that contingent assets should not be recognised at the acquisition date.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment to IAS 37 clarifies that direct costs of performing a contract include both incremental costs of performing the contract and allocations of other costs directly related to the performance of contracts. Before recognising a separate provision for an onerous contract, the Group recognises any impairment loss incurred on assets used in the performance of the contract.
- Annual Improvements to IFRS for the period 2018-2020. The following improvements were finalised in May 2020: - IFRS 9 Financial Instruments - clarifies which charges should be included in the 10% test for derecognition of financial liabilities; IFRS 16 Leases - amendment to Illustrative Example 13 to remove the illustration of lessor payments relating to leasehold improvements to remove any confusion about the treatment of lease incentives; IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in the books of their parent to also measure any cumulative translation differences in foreign currencies using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same exemption under IFRS 1; IAS 41 Agriculture - removing the requirement for entities to exclude cash flows for taxation in measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on an after-tax basis.

There have been no changes in the Group's accounting policies since the adoption of these standards and/or interpretations, effective for annual periods beginning on or after January 1, 2022, other than certain new and expanded disclosures already in place, with no other changes to the classification or measurement of individual reporting units and transactions

## 2.2.2. New standards and interpretations, not yet applied (continued)

The following new or revised standards, new interpretations and amendments to existing standards that, at the reporting date, have been issued by the International Accounting Standards Board (IASB) but are not yet effective for annual periods beginning on 1 January 2022 or have not been endorsed for application by the EU and, accordingly, have not been taken into account in the preparation of these consolidated financial statements.

- *IFRS 17 Insurance Contracts* - (effective for annual periods beginning on or after 1 January 2023, as adopted by the EC). In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, general insurance, direct insurance and reinsurance), regardless of the type of entities that issue them, and to certain guarantees and financial instruments with additional, non-guaranteed income (discretionary participation). A small number of exemptions from coverage will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. This standard is not applicable to the Group's operations and therefore management has not assessed its application.
- *Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information* (issued 9 December 2021, effective for annual periods beginning on or after 1 January 2023, as adopted by the EC).
- *Amendments to IAS 1 Presentation of Financial Statements* - (effective for annual periods beginning on or after 1 January 2024, not adopted by the EC) The amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (e.g. breach of agreement). The amendments also clarify what is meant when IAS 1 refers to 'settling' a liability. The amendments may affect the classification of liabilities, particularly for entities that have previously considered management's intentions in determining classification, and for some liabilities that may be converted to equity. Changes should be applied retrospectively in accordance with the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* (issued 12 February 2021, effective for annual periods beginning 1 January 2023, adopted 2 March 2022 by the EC).
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (issued 12 February 2021, effective for annual periods beginning 1 January 2023, adopted 2 March 2022 by the EC).
- *Amendments to IAS 12 Income Taxes: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction* (issued 7 May 2021, effective for annual periods beginning on or after 1 January 2023, adopted by the EC).



## 2.2.2. New standards and interpretations, not yet applied (continued)

- Amendments to *IFRS 10 Consolidated Financial Statements* and *IAS 28 Investments in Associates and Joint Ventures* - relating to sales or in-kind transfers of assets between an investor and its associates or joint ventures (with a delayed effective date to be determined by the IASB). These amendments address the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether or not the assets sold or the non-monetary assets contributed constitute, in substance, a 'business' within the meaning of IFRS 3. If those assets in the aggregate do not meet the definition of a 'business', the investor recognises a gain or loss up to the percentage corresponding to the interest of the other unrelated investors in the associate or joint venture. When assets are sold or non-monetary assets that, in the aggregate, are a 'business' are disposed of, the investor recognises the full gain or loss on the transaction. These changes will be applied prospectively. The IASB has deferred the effective date of application of these changes indefinitely.

Management is in the process of studying, analysing and assessing the effects of the changes made to the above standards, which are not yet effective, to what extent they will impact accounting policies and the values and classifications of the Group's assets, liabilities, operations and results in future reporting periods.

## 2.3. Functional and presentation currency of the consolidated financial statements

Functional currency is the currency of the primary economic environment, in which a company operates and primarily generates and disburses cash. It reflects the main transactions, events and conditions considered significant for the Group. These consolidated financial statements are presented in Bulgarian levs, which is the functional currency of Petrol Group. All financial information presented in BGN has been rounded to the nearest thousand, except when otherwise indicated.

## 2.4. Foreign currency

Transactions in foreign currency are initially recorded at amounts denominated in BGN at the official exchange rate of the Bulgarian National Bank (BNB) as of the date of the transaction. Foreign exchange rate differences arising from settlement of foreign exchange positions or from reporting these positions at rates different from those of the initial recording, are reported in profit and loss for the respective period. Since January 1, 1999 the Bulgarian Lev has been fixed against the Euro at rate 1.95583 BGN for 1 Euro.

The monetary positions denominated in foreign currency as at December 31, 2021 and 2020 are stated in these consolidated financial statements at the closing exchange rate of the Bulgarian National Bank. The closing exchange rates of the BGN against USD as at the end of current and prior reporting periods are as follows:

December 31, 2022:	1 USD = 1.83371 BGN
December 31, 2021:	1 USD = 1.72685 BGN

## **2.5. Accounting assumptions and approximate estimates**

The application of IFRS requires the Management to make certain reasonable assumptions and accounting estimates in the preparation of these consolidated financial statements, in order to determine the value of some assets, liabilities, revenue and expenses. These estimates and assumptions are based on the best estimate of the Management, taking into account historical experience and analysis of all factors, which have impact given the circumstances as at the date of preparation of the consolidated financial statements. The actual results could differ from the estimates presented in these consolidated financial statements.

Information about assumptions and estimation uncertainties, that have a significant risk of resulting in material adjustments in the next financial year, are included in the following notes:

- Note 16 – recoverability of deferred tax assets;
- Note 20 – estimation of the recoverable amount of the reported goodwill arising from business combinations;

## **2.6. Basis of consolidation**

### **2.6.1. Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred with the acquisition is generally measured at fair value, as the acquired identifiable net assets. The arising goodwill is tested annually for impairment. Any gain from bargain purchase is recognised immediately in profit or loss. Transaction costs are expensed as incurred, except those related to the issuance of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of the pre-existing relationships. Generally, such amounts are recognised in profit or loss.

Any due contingent consideration is measured at fair value as at the acquisition date. If the contingent consideration is classified as equity it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### **2.6.2. Non-controlling interest**

Non-controlling interest is the equity in a subsidiary not attributed directly or indirectly to the Parent company. Non-controlling interest is presented within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the Parent company.

Non-controlling interest is measured at its proportional share of its identifiable net assets as at the acquisition date.

Any changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for in equity.

### **2.6.3. Subsidiaries**

Subsidiaries are companies controlled by the Group. Control is the power to govern the financial and operating policy of a subsidiary in order to benefit from it. The financial statements of the subsidiaries are included in the consolidated financial statements from the date of control establishment until the date of control suspension.

### **2.6.4. Loss of control**

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiaries, non-controlling interest and other components of equity related to the subsidiary. Any resulting from the loss of control gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently it is recognized as an equity-accounted investee or an available-for-sale financial asset depending on the level of influence retained.

### **2.6.5. Transactions eliminated on consolidation**

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment up to the interest of the Group in the company. Unrealised losses are eliminated in the same way as unrealized gains, but only if there is no evidence for impairment.

### **2.6.6. Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

## **2.7 Going concern basis of accounting**

These consolidated financial statements have been prepared on the going concern basis. Management has made an assessment taking into account all available information about the foreseeable future, which is at least, but not limited to, twelve months from the end of the reporting period.

This implies that at the date of preparation of the consolidated financial statements, the management's assessment is that the Group will be able to pay regularly the due bonds and trade payables, loans and interest in accordance with the contractual commitments.

As at December 31, 2022 the short-term liabilities are covered by current assets.

## **2.7 Going concern basis of accounting (continued)**

For the year ending December 31, 2022, a net profit for the owners of the Parent Company of BGN 11,705 thousand is reported (a significant proportion of the reported profit is attributable to reported other income of an exceptional nature from penalties and compensation - note 8) and total comprehensive income for the owners of the Parent company of BGN 16,691 thousand, As a result of accumulated losses from previous years, however, the equity attributable to owners of the Parent company amounted to BGN 20,020 thousand and was below the Parent company's registered capital by BGN 89,230 thousand. Management has evaluated the resulting uncertainties, including the possible effects of risks related to the ongoing impact of the COVID-19 coronavirus pandemic and the military conflict in Ukraine (disclosed in note 33 Capital management) and legal claims (note 35 Contingent liabilities), which indicate a material uncertainty that could cast doubt about the Group's ability to continue as a going concern should these risks happen. Actions have been taken to bring the Parent company's capital in line with the requirements of Art. 252, paragraph 1, item 5 of the Commercial Code (details are disclosed in Notes 25. Registered capital and 33. Capital management).

## **3. Definition and valuation of items of the consolidated statement of financial position and the consolidated statement profit or loss and other comprehensive income**

### **3.1. Property, plant and equipment and intangible assets**

As of January 1, 2020, the Group has adopted to report property, plant and equipment and intangible assets under the revaluation model in accordance with IAS 16 and IAS 38. Property, plant and equipment, and tangible fixed assets are reported in the financial statements at revaluation value less accumulated depreciation and impairment losses.

Upon their initial acquisition the property, plant and equipment are measured at cost, which includes the purchase price, including customs duties and any direct costs necessary to bring the asset to working condition. The direct costs are: costs for trade site preparation, costs for initial delivery and processing, installation costs, costs for fees of persons related to the project, non-refundable taxes and others. A tangible asset acquired by the Group is recognized in the group of property, plant and equipment when it is expected to be used in the Group's activities (for rent, for the provision of other services or for administrative purposes) for a longer than one-year period.

The revalued (to fair) value of property, plant and equipment and intangible fixed assets was initially determined through a market valuation prepared by an independent appraiser and applied in the accounting policy as of January 1, 2020. A follow-up evaluation will be implemented no later than five years after the initial evaluation. If there is a significant discrepancy between the fair values of assets and their carrying amount, when their fair value changes significantly at shorter intervals, the revaluation may be performed at shorter periods.

### 3.1. Property, plant and equipment and intangible assets (continued)

Based on the NSI Consumer Price Index in December 2022 compared to the same month in 2021, which shows an annual inflation rate of 16.9%, management has made a judgement that there could be a material deviation in the fair values of the assets and has assigned a new market valuation as at December 31, 2022. In these consolidated financial statements, property, plant and equipment and intangible fixed assets are presented at the valuation prepared by an independent valuer as at December 31, 2022. Where it is assessed that there is a material departure between the fair values of the assets and their carrying amounts, where their fair value changes materially over shorter time intervals, revaluation may be carried out at shorter intervals.

In the initial revaluation of property, plant and equipment and intangible fixed assets, the carrying amount decreases against accumulated amortization, and as the fair value of the asset increases relative to its carrying amount at the measurement date, the latter increases (against revaluation reserve) as the new carrying amount of the assets.

When the carrying amount of the assets exceeds the new fair value, the difference is recognized in the consolidated statement of profit or loss and other comprehensive income, unless a revaluation reserve has been formed on the asset in previous periods. The difference is then treated as a reduction of that reserve and other comprehensive income, unless it exceeds its amount, in which case the excess is recognized as a loss in the consolidated income statement or other comprehensive income. Depreciation is calculated based on the estimated useful life using the straight-line method. Depreciation is recognized in profit or loss for the current period. Depreciation of land, assets under construction and fully depreciated assets is not accrued. The residual useful lives of revalued property, plant and equipment, tangible assets and intangible assets have been reviewed in accordance with the assessment of physical wear, the specifics of the equipment, future uses and the presumed obsolescence. The expected useful lives of property, plant and equipment, intangible assets are as follows:

Administrative and commercial buildings	4 – 80 years
Machinery, plant and equipment	2 – 80 years
Transport vehicles	2 – 60 years
Office furnishing	1 – 44 years
Intangible fixed assets	2 – 70 years

Depreciation starts from the beginning of the month following the month in which the asset is available for use and is terminated earlier than the beginning of the month following the month of its classification as held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* or from the beginning of the month following the month of its deregistration.

### 3.1. Property, plant and equipment and intangible assets (continued)

#### Impairment of assets

The carrying amounts of property, plant and equipment and intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may differ permanently from their recoverable amount. If there are indicators that the estimated recoverable amount is lower than their carrying amount, the latter is adjusted to the recoverable amount of the assets. The recoverable amount of property, plant and equipment and intangible fixed assets is the higher of fair value less costs to sell and value in use. To determine the value in use of the assets, future cash flows are discounted to their present value by applying a pre-tax discount factor that reflects current market conditions and estimates of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income, unless a revaluation reserve is formed for the asset. Impairment is then treated as a reduction of this reserve, unless it exceeds its amount, and the excess is included as an expense in the consolidated statement of profit or loss and other comprehensive income.

Tangible and intangible fixed assets are derecognised from the consolidated statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them or they are sold. Gains or losses on the sale of individual assets in the group of property, plant and equipment are determined by comparing the proceeds with the sale and the carrying amount of the asset at the date of sale. They are reported net, in other operating income / expenses, net in the consolidated income statement and other comprehensive income. The portion of the revaluation reserve relating to the asset sold is transferred directly to retained earnings.

### 3.2. Investment property

Investment property is a property (and the attached to it plants, equipment, inventory and etc.) held by the Group to accumulate rent income or to increase the equity value, or both (including property under construction for future use as investment property). Investment properties are carried at cost less depreciation and any impairment losses.

Any gain or loss on disposal of investment property (calculated as a difference between the proceeds from disposal and the carrying amount of the asset) is recognized in profit or loss for the period.

Depreciation of investment properties are recognized in profit or loss, over their estimated useful lives, applying the straight-line method.

The estimated useful lives for the current and comparative periods are as follows:

Administrative and commercial buildings	25 years
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As at the end of each reporting period, the Management of the Group reviews useful lives and the depreciation/amortization method of investment property. In case the Management identifies differences between expectations and previous accounting estimates, the relevant adjustments are made.



### 3.3. Inventory

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation costs, custom duties, excise duties and other similar costs. The net realizable value represents the estimated selling price less estimated selling expenses.

Upon its consumption, the cost of inventories is measured using the weighted average cost method.

### 3.4. Financial instruments

#### 3.4.1. *Non-derivative financial assets and financial liabilities – recognition, assessment and derecognition*

The Group recognizes a financial asset or a financial liability in the statement of financial position, only when the Group is a party under contractual terms of these financial instruments. Initially all financial assets and financial liabilities are recognised at fair value. The fair value of particular asset/liability in its initial recognition is the contract price. The contract price for financial assets/liabilities, excluding these, which are classified at fair value through profit or loss, includes the deal expenses, which directly reference to the acquisition/issuance of the financial instrument. The transaction expenses, incurred during the acquisition of financial asset and the issuance of a financial liability, classified at fair value through profit or loss, are accounted immediately as expense.

The Group recognizes a financial asset, using the settlement date of the transaction, thus an asset is recognised on the day it is received by the Group and is written-off on the day it is given by the Group.

Financial asset is written-off by the Group, when the contractual rights on the cash flows from this asset mature or when the Group transferred this rights through transaction, in which all significant risks and benefits, arising from the ownership of the asset are transferred to the buyer. Each investment in already transferred financial asset, which the Group retains, is recognized separately as particular asset or liability.

In cases when the Group retains all or a greater part of the risks and rewards, related to the assets, the latter are not written-off from the statement of financial position (example for such transactions are repos with buy-back options).

In transactions, where the Group neither retains nor transfers the risks and rewards, related to financial assets, the latter is written-off from the statement of financial position when and only when the Group has lost control on it. The rights and liabilities, which the Group retains in these cases, are reported separately as asset and liability. In transactions, where the Group retains control on the asset, its reporting in the statement of financial position continues, but to the amount determined by the level of investment retention in the asset and risk bearing by the Group of change in asset value.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

### ***3.4.2. Subsequent measurement of financial assets***

Subsequent assessment of the financial assets depends on their classification in their initial recognition as assets. The Group classifies the financial assets in category as measured at amortised cost.

The classification is determined based on the business model of management of the particular class financial assets and the contractual characteristics of the cash flows. Investments in debt instruments, which the Group holds as a business model to collect the contractual cash flows, are classified as financial assets carried at amortised cost.

#### ***Financial assets carried at amortised cost***

Debt instruments, which the Group holds as a business model to collect contractual cash flows and in which the contractual cash flows raise payments only of principal and interest, are carried at amortised cost. Following the initial recognition, the assets are carried at amortised cost. The accounting at amortised cost requires the appliance of the effective interest rate method. The amortised cost of a financial asset is the value of the financial asset based on its initial accounting, decreased by the repayments on principal plus or minus accumulated depreciation with the usage of the method of the effective interest rate for each difference between the initial value and the value at maturity and decreased with the impairment. The following financial assets of the Group belong to this category, depending of the chosen financial model and the characteristics of the cash flows from them: trade receivables, loans and borrowings, receivables on loans granted, receivables on cessions and other receivables.

#### ***Financial assets, carried at fair value through profit or loss***

This category of financial assets is separated in two sub-categories: financial assets held for sale and financial assets, which are not classified in other categories. Particular financial asset is classified in this category, if it is acquired to be sold in short time or its contractual characteristics do not meet the condition to raised payments only for principal and interest.

### ***3.4.3. Subsequent assessment of financial liabilities***

The subsequent assessment of the financial liabilities depends on their classification in their initial recognition. The Group classifies the financial liabilities in the following category:

#### ***Liabilities, carried at amortised cost***

These liabilities are carried at amortised cost through the effective interest rate method. The elements, classified as trade and other liabilities usually are not assessed again, because the liabilities are with high level of safety and the settlement is short-term. Usually this category comprises the following financial liabilities: trade liabilities, loans and borrowings, liabilities on received deposits, other liabilities.

### 3.5. *Impairment*

#### 3.5.1. *Non-derivative financial assets*

The impairment model *expected credit losses* is applied for financial assets, assessed at amortised cost or at fair value through other comprehensive income, excluding the investments in capital instruments and contract assets. According to IFRS 9, the losses are measured through one of the following bases:

1. Expected credit losses for the next twelve months after the date of the financial report or 2. Expected credit losses for the whole term of the financial assets. The first base is applied when the credit risk does not increase significantly from the date of the initial recognition until the date of financial statements (and the credit risk is low to the date of financial statements). In the opposite case, the second base is applied. The Group applies the second base for the trade receivables and contract assets (whether or not are with or without a significant financial component). The increase of the credit risk is monitored and determined based on the information for risk factors as default, significant deterioration of the financial statement of the debtor and other.

For financial assets, carried at amortised cost, if in the next period the amount of impairment loss decreases and the drop may be objectively connected with an event, which arises after the impairment is recognised, the impairment losses recognised before are reimbursed (directly, or through correction of corrective account for trade receivables) in profit or loss. However, the reimbursement may not result to carrying amount of the financial asset, which surpasses the amortised cost, which would have been on the date of the reimbursement, if not impairment have been recognized.

#### 3.5.2. *Non-financial assets*

The carrying amounts of the Group's non-financial assets (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives, or that are not yet available for use, are tested annually for impairment. An impairment loss is recognised if the book value of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is reversed only to the extent that the asset's book value does not exceed the book value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.6. Registered capital and repurchase of own shares**

The registered capital is the capital of the Parent company, presented at historical cost as of the date of its registration.

When at the end of the reporting period the Group - through Parent company or its subsidiaries - has reacquired shares of the Parent company, their nominal value is presented as a decrease in share capital, and the difference below or above the nominal value – in retained earnings, according to *IAS 32 Financial Instruments: Disclosure and Presentation*.

### **3.7. Deferred income and prepaid expenses**

Deferred income and prepaid expenses in the statement of financial position of the Group comprises revenue and expenses, which are prepaid in the current period, but relate to future periods, such as guarantees, insurance, subscriptions, rent, etc.

### **3.8. Employment benefits**

#### ***Defined benefit plans***

In accordance with the Labour Code, the Group has an obligation to pay retirement benefits to its employees upon retirement, based on the length of service, age and labour category. Since these benefits qualify for defined benefits plan in accordance with *IAS 19 Employee benefits*, in accordance with the requirements of this standard the Group recognises the present amount of the benefits as a liability. The Group's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

A qualified actuary using the projected unit credit method performs the calculation annually. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The projected unit credit method presents a liability that may arise in future, based on a number of assumptions. From this point of view, the method is sensitive to assumptions of values of main parameters, on which the obligation and the due amount are dependent. The main assumptions, on which the amount of the obligation is dependent, are based on demographic, financial and other assumptions.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and are recognised in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

#### ***Short-term employee benefits***

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.9. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In accordance with the tax legislation enforceable for the years ended 2022 and 2021 the tax rate applied in calculation of the tax payables of the Group is 10%.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether the additional taxes and interest may be due. The Group believes that the accruals for tax payables are sufficient for all open tax periods for a number of factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

### **3.10. Revenue and expenses recognition**

#### ***3.10.1. Revenue from contracts with clients***

A contract is an agreement between two or more parties, which generates rights and obligations for the parties. A client is a party, which has entered into an agreement with the Group to receive goods or services, which are subject of the normal operations of the Group, in exchange for a consideration.

The Group recognizes revenue to report the transfer of the goods or services promised to clients to the amount reflected the consideration, which the Group has a right as an exchange for the transferred goods and services.

The transfer of goods or services is based on the conception for the transfer of control upon them, the ability to manage the usage of assets and to receive in essence all other rewards from it. The control includes and the ability for prevention other companies to manage the usage of asset and to receive the rewards from it.

The revenue from contracts with clients is recognised over time, reflecting the contractual work done by the Group or in exact moment, when the control on goods or services is transferred to the client.

The revenue form contract with clients is recognised based on the policies and models in IFRS 15.

#### ***3.10.2. Finance income and finance costs***

Finance income comprises interest income, gain on transactions with own bonds, foreign exchange rate gains, gains from revaluation of financial assets accrued at fair value through profit or loss and other. Finance costs comprise interest expenses, foreign exchange rate losses, loss from revaluation of financial assets accrued at fair value through profit or loss, bank fees, commissions and other finance costs.

Borrowing costs, which may be directly attributable to the acquisition, construction or production of a qualifying asset prior to its being ready for its intended use or sale, and necessarily takes extended period of time, are capitalized in part of the cost of the asset. All other finance income and costs are recognized in profit or loss for all instruments, measured at amortized cost using the effective interest rate method.

Gains and losses from exchange rate differences are reported on a net basis.

### **3.11. Leases**

#### **Right-of-use assets and lease liability**

Lease contracts may contain both lease and non-lease components. For a contract that contains a lease component and one or more additional lease components or non-lease components, the Group allocates the consideration under the contract for each lease component based on the relative unit price of the lease component and the aggregate unit price of non-lease components. Leasing assets are recognised as a right-of-use asset and a lease liability from the date on which the lease assets are available for use by the Group. At the initial date, the lessee shall measure the lease liability at the present value of lease payments not paid at that date. Lease payments are discounted at the differential interest rate of 4.31% in 2022 and 2021.

### 3.11. Leases (continued)

At the initial date, the lease payments included in the measurement of the lease liability comprise the following payments for the right-of-use underlying asset during the term of the lease contract, which are not paid at the initial date: fixed payments (including essentially fixed payments), less lease incentives to be received, variable lease payments depending on an index or percentage, which are measured at the value of the index or percentage at the initial date, amounts expected to be owed by the lessee under the residual value guarantees, the exercise price of the purchase option, if it is sufficiently certain that the lessee will exercise this option and the payment of penalties for termination of the lease, if within the lease term, the contract reflects the exercise of the option to terminate the contract by the lessee. Periods in respect of which there is an option to extend the lease term, if it is sufficiently certain that the Group will exercise that option, are also included in the calculation of lease payments.

At the initial date, the Group measures the lease liability at the present value of the lease payments that have not been paid as of that date. Lease payments are discounted at the differential interest rate - the rate that the Group would be required to pay for borrowing, for a similar period and with similar collateral, funds required to obtain an asset with a similar value as the right-of-use asset in a similar economic environment.

After the initial date, the Group recognizes in profit or loss, unless the costs are included in the carrying amount of another asset according to other applicable standards, the interest on the lease liability and the variable lease payments that are not included in the assessment of the lease liability in the period during which the event or circumstance that led to these payments occurred.

The cost of acquiring an asset includes the amount of the initial assessment of the lease liability, the lease payments made before or on the initial date, less the lease incentives received, the initial direct costs incurred by the Group and an estimate of the costs incurred by the Group for dismantling and relocation of the underlying asset, restoration of the site on which the asset is located, or restoration of the underlying asset to the condition required under the terms and conditions of the lease, unless these costs are incurred for the production of inventories. The liability for these costs is recognised by the Group at the initial date or, as a result of the use of the underlying asset over a specified period.

If ownership of the asset is transferred to the lessee under the lease contract until the end of the term of the lease contract or if the cost of the right-of-use asset included the exercise option to purchase by the lessee, the lessee depreciates the right-of-use asset from the effective date until the end of the useful life of the underlying asset. Otherwise, the lessee depreciates the right-of-use asset from the initial date until the end of the useful life of the right-of-use asset or until the expiration of the lease contract, whichever occurs earlier.

The Group has chosen to use the exceptions proposed by the standard for leases with lease term, which expired within 12 months and leases with underlying assets of low value.

Lease payments under short-term leases or for low-value assets are reported as current expenses on a straight-line basis over the term of the contract or on another systematic basis.



### 3.12. Government grants

The government grants are recognized when the conditions for receiving are met and there is a reasonable certainty that the grant will be received. The grants related to assets are recognized initially as deferred income and are subsequently recognized in profit or loss on a systematic and reasonable basis over the useful lives of the respective assets.

The government grants received as a compensation of expenses and losses already accumulated or with the purpose of providing a direct financial support to the Group and no future expenses are expected, are recognised in profit and loss for the period when they become due.

When grants are related to non-depreciable assets and there is a requirement to meet certain obligations, the income is recognized in profit or loss during the periods when the costs related to the fulfillment of obligations are assumed.

A non-repayable loan from the government is treated as a grant provided by the government when there is an acceptable guarantee that the Group will meet the conditions for loan forgiveness.

### 3.13. Segments reporting

The business segments are products and services for which the risk and economic benefits of them are different in individual business segments. Operating segments are products and services for which the risks and benefits vary.

An operating segment is a component of the Group that engages in business activities from which it can derive revenue and incur expenses (including income and expenses related to transactions with other components, the operational results of which are regularly reviewed by the Group's management, major operating decisions), in deciding on the resources to be allocated to the segment and evaluating the results of its activities and for which separate financial information is available.

The Group reports separately information for an operating segment that meets any of the following quantitative thresholds:

- its reported revenue, including both sales to external customers and sales or transfers between segments, is 10% or more of the combined revenue, internal and external, of all operating segments;
- the absolute amount of its reported profit or loss is 10% or more of the absolute amount of: the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss;
- its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered as reporting segments and disclosed separately at the discretion of Management

The information on operating segments in these consolidated financial statements is presented in accordance with the operating reports provided to the Group's Management. Based on these reports decisions are taken in respect of the resources to be allocated to the segment and the results of its activity are evaluated.

### 3.14. Discontinued operations

Discontinued operations represent a component of the Group's business, operations and cash flows that is clearly distinguishable from the Group's other activities and which:

- represents a separate major line of business or geographical area of operations;
- is part of a coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired with the sole intention of being resold.

Classification as a discontinued operation is made at the earlier of derecognition or when the operation meets the criteria for classification as held for sale.

When an operation is classified as discontinued, the comparative income statement and the income statement are restated as if the operation had been discontinued from the beginning of the comparative period.

## 4. Determination of fair values

Several of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values and reports directly to the Management.

Significant unobservable inputs and valuation adjustments are reviewed regularly. If third party information, such as broker quotes or pricing services is used to measure fair values, then the valuation team assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Management of the Group.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. The fair values are categorised into different level in a fair value hierarchy based on the inputs in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

## 5. Segments reporting

The Group has identified the following operating segments, based on the reports presented to the Group's Management, which are used in the process of strategic decision-making:

- **Wholesale of fuels** – wholesale of petroleum products in Bulgaria;
- **Retail of fuels** – retail of petroleum and other products through a network of petrol stations;
- **Other activities** – financial and accounting services, consultancy, rental income, maintenance and repairs and other activities.

The segment information, presented to the Group's Management for the years ended as of December 31, 2022 and 2021 is as follows:

2022	Wholesale of fuels BGN'000	Retail of fuels BGN'000	All other segments BGN'000	Total for the Group BGN'000
Total segment revenue	293,340	588,492	15,798	897,630
Intra-group revenue	69,564	49	1,382	70,995
<b>Revenue from external customers</b>	<b>223,776</b>	<b>588,443</b>	<b>14,416</b>	<b>826,635</b>
<b>Adjusted EBITDA</b>	<b>5,789</b>	<b>21,360</b>	<b>852</b>	<b>28,001</b>
Depreciation/amortization	289	8,842	1,457	10,588
Impairment	(867)	670	861	664
<b>2021</b>	<b>Wholesale of fuels BGN'000</b>	<b>Retail of fuels BGN'000</b>	<b>All other segments BGN'000</b>	<b>Total for the Group BGN'000</b>
Total segment revenue	24,639	479,190	3,509	507,338
Intra-group revenue	-	115	1,108	1,223
<b>Revenue from external customers</b>	<b>24,639</b>	<b>479,075</b>	<b>2,401</b>	<b>506,115</b>
<b>Adjusted EBITDA</b>	<b>4,864</b>	<b>9</b>	<b>1,870</b>	<b>6,743</b>
Depreciation/amortization	2,258	3,114	312	5,684
Impairment	19,787	3,337	73	23,197

The policies for recognition of revenue from intra-group sales and sales to external clients for the purposes of the reporting by segments do not differ from these applied by the Group for revenue recognition in the consolidated statement of profit and loss and other comprehensive income.

The Group's management assesses the performance of the segments based on Adjusted EBITDA. The calculation of adjusted EBITDA excludes the effect of impairment of assets. A reconciliation of reportable segment information to the figures in the annual consolidated financial statements for the period ending December 31, 2022 and 2021 is set out in the following table:

## 5. Segments reporting (continued)

	2022 BGN'000	2021 BGN'000
<b>Revenue</b>		
Total revenue from reported segments	881,832	503,829
Revenue from other segments	15,798	3,509
Eliminations of intra-group sales	(70,995)	(1,223)
<b>Revenue from external customers</b>	<b>826,635</b>	<b>506,115</b>
Eliminations of reported segments from discontinued operations	(1,021)	(7,837)
<b>Consolidated revenue from continuing operations</b>	<b>825,614</b>	<b>498,278</b>
<b>Adjusted EBITDA</b>		
Adjusted EBITDA of reported segments	27,149	4,873
Adjusted EBITDA of all other segments	852	1,870
Eliminations of adjusted EBITDA from discontinued operations	161	(4,969)
<b>Consolidated adjusted EBITDA before taxes on continuing operations</b>	<b>28,162</b>	<b>1,774</b>
Depreciation expenses of continuing operations	(10,577)	(3,423)
Impairment of continuing operations	(664)	(3,410)
Finance costs, net of continuing operations	(4,930)	(3,189)
<b>Profit/ (loss) before taxes on continuing operations</b>	<b>11,991</b>	<b>(8,248)</b>

## 6. Discontinued operations

At the end of February 2022, the subsidiary Varna Storage EOOD returned License No. 544 for the management of a tax warehouse issued by the Customs Agency due to its inability to negotiate an acceptable level of rent for the leased warehouse subject to the license. In these consolidated financial statements, the business has been classified as discontinued operations, the comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operations separately from continuing operations.

## 6. Discontinued operations (continued)

The result from discontinued operations and net cash flows attributable to operating, investing and financing activities are presented as follows:

	2022 BGN'000	2021 BGN'000
Sales revenue	882	6,448
Other income	139	1,389
Cost of goods sold	(121)	(1,157)
Materials	(56)	(179)
Hired services	(772)	(179)
Employee benefits	(127)	(1,338)
Depreciation and amortization	(11)	(2,261)
Impairment losses	-	(19,787)
Other expenses	(106)	(15)
Finance income	-	16
Finance costs	(71)	(369)
Loss before taxes	(243)	(17,432)
Tax expense	(14)	(204)
<b>Loss for the year from discontinued operations</b>	<b>(257)</b>	<b>(17,636)</b>
<b>Loss per share (BGN)</b>	<b>(0.01)</b>	<b>(0.65)</b>

The loss from discontinued operations in the amount of BGN 257 thousand (December 31, 2021: BGN 17,636 thousand) is fully distributed to the Group's owners.

	2022 BGN'000	2021 BGN'000
Net operating cash flows	(858)	2,772
Net investment cash flows	-	1
Net financing cash flows	(1)	(1)
<b>Net change in cash for the period</b>	<b>(859)</b>	<b>2,772</b>

## 7. Revenue from sales

	2022 BGN'000	2021 BGN'000 restated
Sales of goods	804,845	488,274
Sales of services	7,586	5,119
	<b>812,431</b>	<b>493,393</b>

## 7. Revenue from sales (continued)

Revenue from sales of goods comprises, as follows:

	2022 BGN'000	2021 BGN'000 restated
Fuels	739,205	430,117
Lubricants and other goods	65,640	58,157
	<b>804,845</b>	<b>488,274</b>

## 8. Other income

	2022 BGN'000	2021 BGN'000 restated
Penalties and indemnities	9,093	35
Grants	2,461	2,537
Surpluses of assets	768	623
Gain on sale of property, plant and equipment, including:	661	1,211
<i>Income from sales</i>	1,882	1,975
<i>Carrying amount</i>	(1,221)	(764)
Payables written-off	32	111
Insurance claims	11	38
Other	157	330
	<b>13,183</b>	<b>4,885</b>

As a result of the negative impact and consequences of the global pandemic from the spread of a new type of coronavirus, COVID-19, the Group has undertaken a series of actions to reorganize the operations of some of its petrol stations and to establish reduced working hours for some of its staff. The Group has submitted application documents to the Employment Agency under the employers' compensation programme to maintain the employment of employees in the emergency situation from the beginning in 2020, and has reported revenue from state funding under this programme of BGN 147 thousand for 2022 (2021: BGN 2,212 thousand). With a Resolution No. 739 dated October 26, 2021, as amended by Resolution No. 771 dated November 06, 2021 and Resolution No. 885 dated December 16, 2021, the Council of Ministers adopted a programme for compensation of non-domestic final customers of electricity. The programme aims to protect and assist all non-household end-users in coping with the effects of fluctuations in electricity prices. For 2022, the Group has received and recorded revenue of BGN 2,314 thousand (2021: BGN 325 thousand) from 2022 funding under this programme.

## 9. Cost of goods sold

	2022 BGN'000	2021 BGN'000 restated
Fuels	686,475	385,876
Lubricants and other goods	52,883	48,945
	<b>739,358</b>	<b>434,821</b>

## 10. Materials and consumables

	2022 BGN'000	2021 BGN'000 restated
Electricity and heating	5,685	3,229
Fuels and lubricants	654	465
Office consumables	443	420
Spare parts	275	278
Working clothes	222	283
Water supply	126	130
Advertising materials	121	107
Other	110	146
	<b>7,636</b>	<b>5,058</b>

## 11. Hired services

	2022 BGN'000	2021 BGN'000 restated
Dealers' remunerations and other commissions	11,927	11,253
Rents	3,240	14,958
Maintenance and repairs	2,810	2,653
Transport	2,091	75
Consulting and training	1,191	1,264
Security	773	759
State, municipal fees and other costs	684	655
Communications	649	623
Insurances	603	521
Cash collection expense	584	624
Advertising	481	229
Software licenses	315	234
Other	832	721
	<b>26,180</b>	<b>34,569</b>

Rental costs in 2022 includes rentals of BGN 3,136 thousand (2021: BGN 14,858 thousand) in relation to petrol stations leased under operating leases that fall within the IFRS 16 exemptions, including BGN 2,862 thousand on contracts that have been included until the moment where, based on new terms agreed in 2022 they fall within the scope of IFRS 16 and right-of-use assets are recognised.

In 2022 the Group has accrued for services provided by registered auditors totaling BGN 74 thousand (2021: BGN 85 thousand) for services related to the independent financial audit of the individual and consolidated financial statements.



## 12. Personnel expenses

	2022 BGN'000	2021 BGN'000 restated
Wages and salaries	17,748	17,153
Social security contributions and benefits	4,383	3,405
	<b>22,131</b>	<b>20,558</b>

The Group has entered into an agreement with a licensed operator to provide food vouchers to its employees and / or employees working under employment contracts or to persons employed under management and control contracts, separate from their remuneration as a result of which vouchers for 2022 have been distributed. food with a total value of BGN 1,413 thousand (2021: BGN 513 thousand)

## 13. Impairment losses

	2022 BGN'000	2021 BGN'000 restated
Recognised impairment loss on financial assets, including:	1,286	3,428
<i>Impairment loss on trade and other receivables</i>	687	2,034
<i>Impairment loss on loans granted</i>	599	1,394
Recognised impairment loss on fixed assets held-for-sale	-	8
Recognised impairment loss on property, plant and equipment and intangible assets	639	-
Reversed impairment loss on financial assets, including:	(34)	(26)
<i>Reversed impairment loss on trade and other receivables</i>	(32)	(15)
<i>Reversed impairment loss on trade loans granted</i>	(2)	(11)
Reversed impairment loss on property, plant and equipment	(1,227)	-
<b>Recognised losses</b>	<b>664</b>	<b>3,410</b>

The Group accounts for property, plant and equipment and intangible fixed assets using the revalued cost model under IAS 16 and IAS 38 resulting in an impairment charge of BGN 639 thousand and a reversal of impairment loss of BGN 1,227 thousand in 2022.

#### 14. Other expenses

	2022 BGN'000	2021 BGN'000 restated
Scrap, shortages and liquidation of assets	1,021	518
Entertainment expenses and sponsorship	424	383
Local taxes and taxes on expenses	397	300
Penalties and indemnities	66	153
Business trips	15	17
Other	224	127
	<b>2,147</b>	<b>1,498</b>

#### 15. Finance income and costs

	2022 BGN'000	2021 BGN'000 restated
<b><i>Finance income</i></b>		
Interest income, including	1,399	1,428
<i>Interest income on loans granted</i>	1,341	1,345
<i>Interest income on trade receivables</i>	58	83
Other finance income	-	5
	<b>1,399</b>	<b>1,433</b>
<b><i>Financial costs</i></b>		
Interest costs, including:	(5,515)	(4,250)
<i>Interest expenses on trade and other payables</i>	(1,096)	(1,766)
<i>Interest expenses on debenture loans</i>	(1,715)	(1,747)
<i>Interest on leases</i>	(2,136)	(329)
<i>Interest expenses on bank loans</i>	(519)	(399)
<i>Interest expenses on trade loans</i>	(46)	(9)
<i>Interest expenses to the state budget</i>	(3)	-
Negative foreign exchange changes, net	(318)	(15)
Remeasurement of financial assets,	(35)	-
Bank fees, commissions and other financial expenses	(461)	(357)
	<b>(6,329)</b>	<b>(4,622)</b>
<b>Finance income (costs), net</b>	<b>(4,930)</b>	<b>(3,189)</b>

## 16. Taxation

### 16.1. Tax expenses

Tax expense recognised in profit or loss from continuing operations includes the sum of current income tax expense and deferred income tax expense as required by *IAS 12 Income taxes*.

	2022 BGN'000	2021 BGN'000
Current tax expense	22	8
Change in deferred tax, including:	8	(506)
<i>Temporary differences recognised during the year</i>	(296)	(577)
<i>Temporary differences arisen during the year</i>	306	60
<i>Adjustments</i>	(2)	11
<b>Tax (income) expense from continuing operations</b>	<b>30</b>	<b>(498)</b>

The amount excludes the tax expense from discontinued operations of BGN 14 thousand (2021: BGN 204 thousand), which is included in profit (loss) from discontinued operations, net of tax in the annual statement of profit or loss and other comprehensive income (see Note 6).

### 16.2. Effective tax rate

The reconciliation between the accounting profit (loss) and tax expense, as well as calculation of the effective tax rate as of December 31, 2022 and 2021 is presented in the table below:

	2022 BGN'000	2021 BGN'000
Profit (loss) before tax for the period from continuing operations	11,991	(8,248)
Applicable tax rate	10%	10%
Tax benefit at the applicable tax rate	1,199	(825)
Tax effect from permanent differences	223	69
Tax adjustments for prior periods	(2)	11
Tax effect from consolidation adjustments	(1,390)	247
<b>Tax (income) expense from continuing operations</b>	<b>30</b>	<b>(498)</b>
<b>Effective tax rate</b>	<b>0.1%</b>	<b>-</b>

The respective tax periods of the Group may be subject to inspection by the tax authorities until the expiration of 5 years from the end of the year in which a declaration was submitted, or should have been submitted. Consequently additional taxes or penalties may be imposed in accordance with the interpretation of the tax legislation. The Group's management is not aware of any circumstances, which may give rise to a contingent additional liability in this respect.

## 16.2. Effective tax rate (continued)

In August 2022, the Parent company was served with a tax audit order to verify the corporate and expense taxes declared and paid by the Parent company for the period 2016-2021 and the value added tax for the period from 2016 to July 2022. At the time of issuance of these consolidated financial statements, the audit has not been completed.

## 16.3. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities were recognized in respect of the following positions:

	Asset (liability) as at January 1, 2021	Recognised in profit and loss	Recognised in equity	Asset (liability) as at December 31, 2021	Recognised in profit and loss	Asset (liability) as at December 31, 2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Property, plant and equipment	(2,703)	79	(2,624)	140	(547)	(3,031)
Impairment of assets	4,342	317	4,659	56	-	4,715
Tax loss carry-forwards	7	5	12	23	-	35
Provisions for unused paid leave and other provisions	141	(2)	139	9	-	148
Excess of interest payments in accordance with CITA	171	83	254	(254)	-	-
Other temporary differences, including unpaid benefits to individuals	19	6	25	4	-	29
	<b>1,977</b>	<b>488</b>	<b>2,465</b>	<b>(22)</b>	<b>(547)</b>	<b>1,896</b>

The Group has the right to carry forward deferred tax assets on tax losses until 2027.

## 16.4. Unrecognized deferred tax assets

As of December 31, 2022 the Group's Management reviews the recoverability of deductible temporary differences and tax loss carry forward, forming tax assets. Because of this review, the Group's Management estimates that there might be no sufficient taxable profits in the near future against which the assets will be utilized. Consequently, the Group does not recognize tax assets on the following deductible temporary differences and tax loss carry forward and impairment of assets, incurred during the current and previous reporting periods.

## 17. Property, plant, equipment and intangible assets

	Land	Buildings	Plant and equipment	Vehicles	Other	Assets under constr.	Intangible assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<i>Cost</i>								
<b>Balance at January 1, 2021</b>	<b>12,559</b>	<b>5,656</b>	<b>19,572</b>	<b>430</b>	<b>2,774</b>	<b>168</b>	<b>558</b>	<b>41,717</b>
Additions	-	16	138	-	108	565	85	912
Transfers of assets held-for-sale	744	438	240	-	-	-	-	1,422
Transfers	-	161	169	-	167	(497)	-	-
Disposals	(114)	(56)	(574)	-	(111)	(57)	(15)	(927)
<b>Balance at December 31, 2021</b>	<b>13,189</b>	<b>6,215</b>	<b>19,545</b>	<b>430</b>	<b>2,938</b>	<b>179</b>	<b>628</b>	<b>43,124</b>
Additions	5	78	110	-	26	28	73	320
Transfers	-	14	94	-	-	(108)	-	-
Accumulated depreciation, net	-	(636)	(2,211)	(5)	(674)	-	(133)	(3,659)
Increase / decrease from revaluations recognized in other comprehensive income	1,302	2,174	1,379	3	522	-	82	5,462
Increase / decrease from revaluations recognized in other comprehensive income	1,140	(433)	(45)	-	(13)	-	(61)	588
Disposals	(181)	(267)	(667)	-	(228)	(13)	(1)	(1,357)
<b>Balance at December 31, 2022</b>	<b>15,455</b>	<b>7,145</b>	<b>18,205</b>	<b>428</b>	<b>2,571</b>	<b>86</b>	<b>588</b>	<b>44,478</b>
<i>Accumulated depreciation</i>								
<b>Balance at January 1, 2021</b>	<b>-</b>	<b>206</b>	<b>757</b>	<b>10</b>	<b>217</b>	<b>-</b>	<b>48</b>	<b>1,238</b>
Accumulated	-	218	788	11	245	-	34	1,296
Disposals for the year	-	(1)	(33)	-	(8)	-	-	(42)
<b>Balance at December 31, 2021</b>	<b>-</b>	<b>423</b>	<b>1,512</b>	<b>21</b>	<b>454</b>	<b>-</b>	<b>82</b>	<b>2,492</b>
Accumulated	-	226	789	10	261	-	51	1,337
Disposals for the year	-	(12)	(73)	-	(41)	-	-	(126)
Accumulated depreciation, net	-	(636)	(2,211)	(5)	(674)	-	(133)	(3,659)
<b>Balance at December 31, 2022</b>	<b>-</b>	<b>1</b>	<b>17</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>
<b>Carrying amount at January 1, 2021</b>	<b>12,559</b>	<b>5,450</b>	<b>18,815</b>	<b>420</b>	<b>2,557</b>	<b>168</b>	<b>510</b>	<b>40,479</b>
<b>Carrying amount at 31 December 31, 2021</b>	<b>13,189</b>	<b>5,792</b>	<b>18,033</b>	<b>409</b>	<b>2,484</b>	<b>179</b>	<b>546</b>	<b>40,632</b>
<b>Carrying amount at December 31, 2022</b>	<b>15,455</b>	<b>7,144</b>	<b>18,188</b>	<b>402</b>	<b>2,571</b>	<b>86</b>	<b>588</b>	<b>44,434</b>
<b>Carrying amount at December 31, 2022, if assets were reported at cost</b>	<b>9,384</b>	<b>3,143</b>	<b>3,251</b>	<b>5</b>	<b>852</b>	<b>178</b>	<b>197</b>	<b>17,010</b>

## **17. Property, plant, equipment and intangible assets (continued)**

As at December 31, 2022, Property, plant and equipment with a carrying amount of BGN 25,242 thousand (December 31, 2021: BGN 23,926 thousand) are mortgaged or pledged as security for bank loans granted to the Parent Company and to unrelated parties under credit facility agreements for the issue of bank guarantees.

Assets under construction primarily include expenditures incurred in connection with the redevelopment of facilities.

The carrying amount of all fully depreciated property, plant and equipment and intangible fixed assets as at December 31, 2022 that are still in use amounts to BGN 3 thousand (2021: BGN 499 thousand).

The initial revalued (to fair) amount of property, plant, equipment and intangible fixed assets has been determined by an independent valuer's market valuation prepared and applied in the accounting policy as of January 1, 2020. Based on the NSI Consumer Price Index in December 2022 compared to the same month in 2021, which shows an annual inflation rate of 16.9%, Management has made a judgement that there could be a material deviation in the fair values of the assets and has commissioned a new market valuation as at 31 December 31, 2022. In these consolidated financial statements, property, plant and equipment and intangible fixed assets are presented at the valuation prepared by an independent valuer as at December 31, 2022. In preparing the valuation report of the independent licensed appraiser, the fair value of property, plant, equipment and intangible fixed assets was determined using the methods of the intermediate comparisons, capitalized rental income and the intangible asset value in kind method.

## 18. Investment property

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<i>Cost</i>		
Balance at the beginning of the year	1,883	1,883
Acquisitions	-	-
Balance at the end of the year	1,883	1,883
<i>Accumulated depreciation</i>		
Balance at the beginning of the year	233	184
Depreciation for the year	49	49
Balance at the end of the year	282	233
Carrying amount at the beginning of the year	1,650	1,699
Carrying amount at the end of the year	1,601	1,650

The investment properties, representing a land property and a building, were acquired in December 2016 through a business combination. The Group estimated the fair value of the investment properties for disclosure purposes using an independent valuer's valuation which was carried out using the indirect comparison method, the direct capitalization method. The fair value of the investment properties at December 31, 2022 is BGN 2,101 thousand (December 31, 2021: BGN 1,987 thousand). The investment properties form part of a pool of assets used to secure obligations up to BGN 1,500 thousand under a revolving credit facility agreement entered into in 2016.

## 19. Assets and liabilities under leases

The consolidated statement of financial position as at December 31, 2022 and 2021 presents the following items and amounts related to lease agreements:

Consolidated statement of financial position	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<b>Right-of-use assets, incl.:</b>	<b>52,578</b>	<b>6,851</b>
<i>Properties (lands and buildings)</i>	51,726	6,573
<i>Machinery, plants and equipment</i>	17	144
<i>Transport vehicles</i>	835	134
<b>Liabilities under leases, incl.:</b>	<b>(6,565)</b>	<b>(6,565)</b>
<i>Current liabilities</i>	(12,912)	(1,766)
<i>Non-current liabilities</i>	(42,834)	(4,799)
<b>Net effect on equity</b>	<b>(3,168)</b>	<b>286</b>



## 19. Assets and liabilities under leases (continued)

Costs recognised in the consolidated statement of profit or loss and other comprehensive income:

Consolidated statements of profit or loss and other comprehensive income	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Depreciation costs of right-of-use assets, incl.:	9,202	4,339
<i>Properties (lands and buildings)</i>	8,841	1,724
<i>Machinery, plants and equipment</i>	23	2,213
<i>Transport vehicles</i>	338	402
Interest for right-of-use assets on lease contracts	2,136	574
<b>Total</b>	<b>11,338</b>	<b>4,913</b>

As a result of the amendments entered into in 2022 to the operating lease agreements for the retail outlets, which extended the term of the agreements to the end of 2027 in order to secure the Group's operations in the long term and provided for a significant termination penalty in respect of each retail outlet, these agreements ceased to meet the criteria for exceptions under the standard and assets and liabilities under lease agreements were recognised in accordance with the requirements of IFRS 16.

The total cash outflow under lease contracts for right-of-use assets as at December 31, 2022 is an amount of BGN 8,148 thousand (2021: BGN 4,968 thousand), which amount does not include value added tax paid.

The Group has leased various assets: land, retail premises, small offices and buildings, vehicles, photocopiers. The leases are normally for a period of 3 to 10 years but may contain extension options.

Assets with a right of use with a carrying value as at December 31, 2022 of BGN 1,092 thousand and a lease liability of BGN 1,124 thousand have been subleased to subtenants under lease agreements for retail outlets - petrol stations. In 2022, in relation to these leases, the Group has accrued rental income, including franchise fee income of BGN 270 thousand, depreciation expense of BGN 204 thousand and interest expense under the leases of BGN 45 thousand and made payments of BGN 234 thousand. net of value added tax.

## 20. Goodwill

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Cost	19,844	19,844
<i>Impairment loss</i>	<i>(19,787)</i>	<i>(19,787)</i>
	<b>57</b>	<b>57</b>

The goodwill recognised as at December 31, 2022 and 2021 arose as a result of the acquisitions of the subsidiaries Varna Storage EOOD in the amount of BGN 19,787 thousand, Lozen Asset AD in the amount of BGN 29 thousand and Petrol Technologies EOOD in the amount of BGN 28 thousand.

## 20. Goodwill

At the end of February 2022, the subsidiary Varna Storage EOOD returned License № 544 for tax warehouse management, issued by the Customs Agency, due to inability to negotiate an acceptable level of remuneration for the rented warehouse subject to the license. In connection with this, an impairment of goodwill was reported, which arose upon acquisition of the subsidiary in the amount of BGN 19,787 thousand.

## 21. Inventory

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Goods, including:	25,615	20,196
<i>Fuels</i>	18,778	13,408
<i>Lubricants and other goods</i>	6,837	6,788
Materials	691	670
	<b>26,306</b>	<b>20,866</b>

## 22. Loans granted

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<b>Non-current receivables</b>		
Loans granted to unrelated parties, including	2,808	3,708
<i>Initial value</i>	3,555	4,455
<i>Allowance for impairment</i>	(747)	(747)
	<b>2,808</b>	<b>3,708</b>
<b>Current receivables</b>		
Loans granted to unrelated parties, including	19,641	18,423
<i>Initial value</i>	33,583	31,797
<i>Allowance for impairment</i>	(13,942)	(13,374)
	<b>19,641</b>	<b>18,423</b>
	<b>22,449</b>	<b>22,131</b>

## 22. Loans granted (continued)

Borrower – BG companies	Receivables on loans granted as at 31.12.2022, net	Principal	Interest	Accrued Impairment	Annual Interest	Maturity
	BGN'000	BGN'000	BGN'000	BGN'000	%	
Commercial Company	8,646	8,172	1,524	(1,050)	6.70%	31.dec.23
Commercial Company	4,614	3,555	1,592	(533)	5.00%	31.dec.25
Commercial Company	4,168	4,080	1,177	(1,089)	6.70%	31.dec.23
Commercial Company	3,395	3,000	927	(532)	5.00%	31.dec.23
Commercial Company	880	1,004	105	(229)	6.70%	31.dec.19
Commercial Company	385	314	71	-	7.00%	07.aug.23
Commercial Company	361	350	11	-	5.00%	31.dec.23
Commercial Company	-	121	7	(128)	5.00%	31.dec.23
Commercial Company	-	5,190	-	(5,190)	0.00%	28.oct.15
Commercial Company	-	2,210	-	(2,210)	9.50%	28.oct.15
Commercial Company	-	1,500	133	(1,633)	8.75%	17.jul.15
Commercial Company	-	1,260	324	(1,584)	6.70%	31.dec.23
Commercial Company	-	44	-	(44)	9.50%	21.jan.17
Commercial Company	-	22	3	(25)	6.70%	31.dec.23
Commercial Company	-	12	1	(13)	8.50%	26.aug.15
Commercial Company	-	-	429	(429)	6.70%	31.dec.19
	<b>22,449</b>	<b>30,834</b>	<b>6,304</b>	<b>(14,689)</b>		

## 22. Loans granted (continued)

Borrower – BG companies	Receivables 31.12.2021 net	Principal	Interest	Accrued Impairment	Annual Interest	Maturity
	BGN'000	BGN'000	BGN'000	BGN'000	%	
Commercial Company	5,718	5,737	1,030	(1,049)	6.70%	31.dec.22
Commercial Company	5,107	4,455	1,399	(747)	5.00%	31.dec.25
Commercial Company	4,095	3,945	902	(752)	6.70%	31.dec.22
Commercial Company	3,028	3,000	776	(748)	5.00%	31.dec.22
Commercial Company	2,779	2,122	665	(8)	6.70%	31.dec.22
Commercial Company	613	677	48	(112)	6.70%	31.dec.19
Commercial Company	429	0	429	-	6.70%	31.dec.19
Commercial Company	362	314	48	-	7.00%	7 aug. 22
Commercial Company	-	5,190		(5,190)	0.00%	28.oct.15
Commercial Company	-	2,210		(2,210)	9.50%	28.oct.15
Commercial Company	-	1,500	133	(1,633)	8.75%	17.jul.15
Commercial Company	-	1,284	239	(1,523)	6.70%	31.dec.22
Commercial Company	-	72	2	(74)	5.00%	31.dec.22
Commercial Company	-	44		(44)	9.50%	21.jan.17
Commercial Company	-	17	1	(18)	6.70%	31.dec.22
Commercial Company	-	12	1	(13)	8.50%	26.aug.15
	<b>22,131</b>	<b>30,579</b>	<b>5,673</b>	<b>(14,121)</b>		

### 23. Trade and other receivables

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Receivables from clients, including	21,300	22,553
<i>Initial value</i>	23,525	24,093
<i>Allowance for impairment</i>	(2,225)	(1,540)
Tax refundable, incl.:	4,957	2
VAT	4,957	2
Financial assets, measured at fair value through profit or loss	2,200	2,235
Fuels compensations received	1,925	-
Receivables under cession agreements, assumption of debt and regress	1,840	1,785
<i>Initial value</i>	4,098	4,043
<i>Allowance for impairment</i>	(2,258)	(2,258)
Guarantees for participation in tender procedures	879	911
Advances granted, including	391	366
<i>Initial value</i>	460	435
<i>Allowance for impairment</i>	(69)	(69)
Prepaid expenses	342	164
Litigations and writs	92	169
<i>Initial value</i>	102	179
<i>Allowance for impairment</i>	(10)	(10)
Other	125	164
<i>Initial value</i>	136	175
<i>Allowance for impairment</i>	(11)	(11)
	<b>34,051</b>	<b>28,349</b>

In accordance with the established policy, the Group provides its clients a credit period, after which an interest is charged on the unpaid balance. An interest is provided for in every particular contract. As at the end of every reporting period the Group carries out a detailed review and analysis of the significant due trade receivables and the assessed as uncollectible are impaired.

The adoption of the new IFRS 9 has substantially changed the accounting of impairment losses on financial assets by replacing the accrued loss approach under IAS 39 with a more forward-looking model of expected credit losses. IFRS 9 requires the Group 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 contractual assets.

The Group considers that unimpaired overdue receivables are collectible based on a historical information about payments, guarantees received and a detailed analysis of the credit risk and collaterals of its customers.

The Group's exposure to credit and currency risk and impairment losses, related to trade and other receivables is disclosed in Note 32.

## 24. Cash and cash equivalents

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Cash in transit	6,889	1,286
Cash at banks	1,777	2,612
Cash on hand	66	47
<b>Cash in the consolidated cash flow statement</b>	<b>8,732</b>	<b>3,945</b>
Blocked cash	41	82
<b>Cash in the consolidated statement of financial position</b>	<b>8,773</b>	<b>4,027</b>

As at December 31, 2022 and 2021 the Group reported BGN 41 thousand and BGN 82 thousand cash in banks, blocked as a collateral for enforcement litigations.

Cash in transit comprises cash collected from the fuel stations as at the end of the reporting period, but received in the bank accounts of the Group in the beginning of the next reporting period.

## 25. Registered capital

The Group's registered capital is presented at its nominal value. The registered capital of the Group represents the registered capital of the Parent company Petrol AD.

As at December 31, 2022 and 2021 the shareholders in the Parent company are as follows:

Shareholder	December 31, 2022	December 31, 2021
Alfa Capital AD	28.85%	28.85%
Yulinor EOOD	23.11%	23.11%
Perfeto consulting EOOD	16.43%	16.43%
Trans Express Oil EOOD	9.82%	9.86%
Petrol Bulgaria AD	7.05%	7.32%
Gryphon Power AD	5.49%	-
Storage Invest EOOD	3.66%	3.66%
VIP Properties EOOD	1.94%	2.26%
The Ministry of Energy	0.65%	0.65%
Corporate Commercial Bank AD	-	5.51%
Other minority shareholders	3.00%	2.35%
	<b>100.00%</b>	<b>100.00%</b>

## 25. Registered capital (continued)

Given the structure of the shareholders there is no ultimate Parent company over the Parent company of the Group - Petrol AD.

The Management of the Parent company has undertaken a series of measures to optimize its capital adequacy. As a result of several general meetings of shareholders held in the period 2016-2017, a resolution was passed to implement the reverse share split procedure to merge 4 old shares with a par value of BGN 1 into 1 new share with a par value of BGN 4 and a subsequent reduction of the Parent company's capital to cover losses by reducing the par value of the shares from BGN 4 to BGN 1. In March 2018, following a ruling of the Lovech District Court, which reversed the refusal of the Commercial Register (CR) to register the decision taken by the EGMS to merge 4 old shares with a nominal value of BGN 1 into 1 new share with a par value of BGN 4, the requested change was registered in the CR, resulting in the registered capital of the Parent company amounting to BGN 109,249,612, divided into 27,312,403 shares with a par value of BGN 4 each. The change in the capital structure was also entered in the register of the Central Depository AD. The application filed in April 2018 for the registration of the EGMS's decision on the second stage of the procedure to reduce the Parent company's capital by reducing the nominal value of the shares from BGN 4 to BGN 1 to cover losses was rejected by the Commercial Register.

On EGMS of Petrol AD held on November 8, 2018 the decision to decrease the capital of the Parent company in order to cover losses by decreasing the nominal value of the shares from BGN 4 to BGN 1 was voted again. A refusal of the application for registration of the decision in CR was enacted, which was appealed by the Parent company within the legal term. Minority shareholders disputed the decision of the EGMS and additionally to the refusal, the application proceedings was postponed until the pronouncing of the Lovech Regional Court on the court proceedings, initiated on minority shareholders request. In March 2019 Lovech Regional Court enacted a decision, which indicates CR to register the decrease of the capital after a resumption of the registration proceedings after the pronouncing on the legal proceedings initiated by the minority shareholders.

At EGMS held in February 2019 a decision for the replacement of the deceased member of the Supervisory Board Ivan Voynovski with Rumen Konstantinov was taken. The application for registration of these circumstances in the account of the Parent company was refused, which was disputed within the legal term by the Parent company. In addition to the refusal, the registration proceedings was postponed by a request of minority shareholders until the pronouncing of the Lovech Regional Court on applications for annulment of the decision.

In May 2019 the Lovech Regional Court enacted a decision, which repealed the enacted refusal and turn back the case to the Registry Agency for registration of the applied entry after a resumption of the ceased registration proceedings. At present, the court proceedings for repealing of the decisions of EGMS from February 2019 are pending.

The procedure for distribution of profits and coverage of losses is provided in the Commercial Act and the Articles of Association of the Parent company.



## 25. Registered capital (continued)

### *Profit (loss) per share*

The profit (loss) per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares held during 2022 and 2021:

	31 December 2022			31 December 2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Weighted average number of shares (BGN'000)	27,312	27,312	27,312	27,312	27,312	27,312
Profit (loss) (BGN'000)	11,961	(257)	11,704	(7,750)	(17,636)	(25,386)
<b>Profit (loss) per share BGN</b>	<b>0.44</b>	<b>(0.01)</b>	<b>0.43</b>	<b>(0.28)</b>	<b>(0.65)</b>	<b>(0.93)</b>

## 26. Loans and borrowings

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<b>Non-current liabilities</b>		
Debenture loans	36,311	36,274
Loans from financial institutions	13,500	5,450
	<b>49,811</b>	<b>41,724</b>
<b>Current liabilities</b>		
Debenture loans	668	668
Loans from unrelated parties	516	-
Loans from financial institutions	-	471
	<b>1,184</b>	<b>1,139</b>
	<b>50,995</b>	<b>42,863</b>

Additional information about the interest, currency and liquidity risk, to which the Group is exposed as a result of the loans received, is disclosed in Note 32.

### 26.1. Debenture loans

In October 2006, the Parent company issued 2,000 registered transferable bonds with fixed annual interest rate of 8.375% and issue value 99.507% of the face value, which is determined at EUR 50,000 per bond. The purpose of the emission is to provide working capital funds, financing of investment projects and restructuring of outstanding debt of the Parent company. The principal is due in one payment at the maturity date. The bond term is 5 years and the maturity date is in October 2011. At the general meetings of the bondholders conducted in October and December 2011, it was decided to extend the term of the issue until January 26, 2017. On December 23, 2016, a procedure of extension of the bond issue to 2022 and reduction of the interest rate in the range from 5.5% to 8% was successfully completed with payments of interest once in a year.

### 26.1. Debenture loans (continued)

In September 2020 the Parent company successfully completed a new procedure for renegotiating the conditions of the debenture loan. The maturity of the debenture loan principal is deferred until January 2027, the agreed interest rate is reduced to 4.24% per annum, with six months regularity of the interest (coupon) payments - in January and in July of each year until the maturity of the loan.

As of the date of these consolidated financial statements, the nominal value of the debenture loan amounts to EUR 18,659 thousand and the fair value is BGN 31,253 thousand (2021: BGN 34,620 thousand), calculated at an interest rate of 14.56% (2021: 7.51%).

The debenture loan liabilities are presented in the statement of financial position at amortised cost. After the extension of the debenture loan, the annual effective interest rate is 4.67% (including 4.24% annual coupon payment).

### 26.2. Loans from financial institutions

In July 2016, the Group entered into an investment loan agreement, prepaying the liabilities on finance lease agreement from November 2015. A collateral of the loan is a mortgage of property, acquired through finance lease and pledge of receivables. The term of the contract is May 2022 and the contracted interest rate is 3mEuribor+5.25%. In April 2020 the Group renegotiated the conditions of the investment loan agreement as the interest rate on the regular principal is decreased to 3mEuribor + 3.5%, but not less than 3.5%. With an Annex from the beginning of 2021 the term of the loan is extended until September 30, 2022. As at December 31, 2022 the credit is fully repaid.

In September 2018, the Group entered into a loan agreement - overdraft on a current account with a commercial bank, intended for working capital with a maximum allowed amount of up to BGN 2,000 thousand with a repayment term of January 31, 2019 and an agreed interest rate as Savings-based interest rate (SIR) plus added amount of 6,1872 points, but cumulatively not less than 6.5% per annum. The loan is secured by a specific pledge of goods in circulation, representing petroleum products, and a pledge of receivables on bank accounts. In December 2018, as a result of an annex to the 2016 agreement for a revolving credit line with the same bank with an initial amount of BGN 6,500 thousand and a subsequent increase by annexes of 2016 and 2017 to BGN 9,500 thousand, the Parent company has agreed to increase the amount of the credit line granted by an additional amount of BGN 11,500 thousand. This brings the total amount to BGN 21,000 thousand, of which BGN 13,500 thousand represents a limit for the issue of bank guarantees, BGN 7,500 thousand for the refinancing of the granted credit facility - overdraft in the amount of BGN 2,000 thousand for working capital.

The increased amount of the credit limit on the revolving credit line is covered additionally with establishment of mortgages and pledges of properties, plants and equipment. In June 2019 the limit granted for working capital under this credit line was partially repaid and as at December 31, 2020 its amount was BGN 7,000 thousand. In January 2020 the Parent company renegotiated the terms of the used credit line and has achieved a reduction of the annual compound interest rate of SIR (Saving based interest rate) + 5.2802%, but not less than 5.5%. In March and September 2021, the Group repaid BGN 1,650 thousand from the principal of this tranche of the credit line. In December 2021 the bank granted an additional tranche in the amount of BGN 100 thousand, and the term for repayment of the loan was extended until December 15, 2024. As at December 31, 2022 the Group has a liability under this loan for principal in the amount of BGN 5,400 thousand.

## **26.2. Loans from financial institutions (continued)**

In April 2022, the Parent Company agreed to increase the working capital under the credit line by a new tranche with a maximum amount of BGN 4,500 thousand, reducing the portion provided for bank guarantees by the same amount. The amount has been drawn down and as at December 31, 2022, the Group has a principal commitment of BGN 4,500 thousand under this tranche. The agreed annual interest rate is the SIR (Saving based Interest Rate) for the BGN plus a margin of 4.174 percentage points but not less than 4.25%. This tranche matures on December 16, 2024.

In June 2022, the Parent company negotiated a further increase in the working capital facility with a new tranche up to a maximum amount of BGN 3,600 thousand, reducing the portion provided for bank guarantees by the same amount to BGN 5,400 thousand and bringing the total limit of the revolving bank facility to BGN 18,900 thousand. The amount has been drawn down and as at December 31, 2022 the Group has a liability under this tranche for the principal amount of BGN 3,600 thousand. The agreed annual interest rate is the SIR per BGN plus a margin of 4.1764 percentage points but not less than 4.25%. This tranche matures on December 14, 2024. On September 30, 2022, the Group received a notice from the lending bank to unilaterally increase the agreed annual interest rate premium on the three tranches provided by the bank by 0.5% from October 1, 2022, as a result of the changed interest rate environment and high inflation rates.

## **26.3 Loans from unrelated parties**

In June 2022, the Group obtained a short-term commercial loan from an unrelated party with a credit limit of BGN 1,000 thousand granted against consideration in the form of annual interest at 5% on the drawn amount due by December 31, 2022. In December, the agreement was annexed and the term was extended to June 2023. As at the date of these financial statements the Group has liabilities under this loan of BGN 500 thousand principal and BGN 1 thousand interest.

In May 2022, the Group obtained a short term commercial loan from an unrelated party with a credit limit of BGN 2,000 thousand granted against consideration in the form of interest at the rate of 5% per annum on the drawn down amount due on December 31, 2022. As at December 31, 2022, the loan principal has been repaid and the Group has interest payable of BGN 15 thousand.

## **26.4. Factoring**

In February 2019 the Group entered into an agreement with a commercial bank for factoring with special terms and without regress for transferring of preliminary approved receivables with a maximum period of the deferred payments up to 120 days from the date of invoice issuance with a payment in advance of 90% of the value of the transferred receivables including VAT. The commission for factoring services is 0.35% of the total value of the transferred invoices plus additional annual taxes. The interest for the amounts paid in advance is Base Deposit Index for Legal Entities (BDILE) + 1.95%, accrued daily and paid on monthly basis at the end of every calendar month. In November 2021 an annex was signed for special conditions with a right of regress, reduction of the commission fee by 0.13% on the total value of the transferred VAT invoices, and the interest rate was reduced to BDILE + 1.60%, charged daily and deducted monthly at the end of each calendar month. As at December 31, 2022 the Group has net liabilities in connection with received financing under this factoring agreement in the amount of BGN 146 thousand, which are presented as a decrease of the trade receivables concerning this agreement.

## 27. Obligation for defined benefit retirement compensations

As at December 31, 2022 the Group accrued obligation for defined benefit retirement compensations amounting to BGN 807 thousand (2021: BGN 870 thousand). The amount of the liability is determined based on an actuarial valuation, based on assumptions for mortality, disability, employment turnover, salary increases, etc. The present value of the liability is calculated using a discount factor of 0.15% (2021: 0.20%) and an increase of the expected salary by 4% (2021: 4%).

The demographic assumptions are related to the likelihood individuals to leave the plan before retirement due to various reasons: withdrawal, staff reduction, illness, death, disability, etc. They are based on statistical information about the population and are attached to the staff structure by gender and age at the time of the assessment.

The amount of the obligation for defined benefit retirement compensations is determined as follows:

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<b>Present value of defined benefit obligations as at January 1</b>	<b>870</b>	<b>773</b>
Benefits paid by the plan	(45)	(89)
Past service cost	-	16
Current service cost	121	106
Interest cost	13	1
<b>Expenses recognized in profit or loss</b>	<b>134</b>	<b>123</b>
Left as a result of discontinued operations	(66)	-
Remeasurements of defined benefit retirement compensations recognised in other comprehensive income	(86)	63
<b>Present value of defined benefit obligations at December 31</b>	<b>807</b>	<b>870</b>

## 28. Trade and other payables

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Payables to suppliers	50,062	63,928
Advances received and deferred income	10,494	257
Payables to personnel and social security funds	2,824	2,640
Tax payables, including	281	5,342
<i>Excise duty and other taxes</i>	251	4,561
<i>VAT</i>	30	781
Payables to related parties	12	12
Other	844	1,004
	<b>64,517</b>	<b>73,183</b>

## 28. Trade and other payables (continued)

The Group's exposure to currency and liquidity risk related to trade and other liabilities is disclosed in Note 32.

The Group accrues unused paid leave provision for employees in compliance with IAS 19 *Employee Benefits*. The movement of these provisions for the period is as follows:

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Balance at the beginning of the year	629	674
Accrued during the year	580	546
Utilised during the year	(541)	(591)
<b>Balance at the end of the year, including:</b>	<b>668</b>	<b>629</b>
<i>Paid leaves</i>	563	529
<i>Social security on paid leaves</i>	105	100

The balance at the end of the year is presented in the consolidated statement of financial position together with current payable to personnel.

## 29. Current income tax

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
Income tax payable at the beginning of the year	194	-
Corporate income tax accrued	22	194
Corporate income tax paid	(194)	-
<b>Refundable corporate income tax at the end of the year</b>	<b>22</b>	<b>194</b>

### 30. Subsidiaries

The subsidiaries, included in the consolidation, over which the Group has control as at December 31, 2022 and 2021 are as follows:

Subsidiary	Main activity	Investment as at December 31, 2022	Investment as at December 31, 2021
Varna Storage EOOD	Trade of petrol and petroleum products	100%	100%
Petrol Finance EOOD	Financial and accounting services	100%	100%
Elit Petrol –Lovech AD	Trade of petrol and petroleum products	100%	100%
Lozen Asset AD	Acquisition, management and exploitation of property	100%	100%
Petrol Properties EOOD	Trading movable and immovable property	100%	100%
Kremikovtsi Oil EOOD	Processing, import, export and trading with petroleum products	100%	100%
Shumen Storage EOOD	Processing, import, export and trading with petroleum products	100%	100%
Office Estate EOOD	Ownership and management of real estates	100%	100%
Svilengrad Oil EOOD	Processing, import, export and trading with petroleum products	100%	100%
Varna 2130 EOOD	Trade of petrol and petroleum products	100%	100%
Petrol Export EOOD	Trade of fuels for export	100%	-
Bulgaria Cargo Rail EOOD	Export and transport of petrol and petroleum products	100%	-
Petrol Investment AD	Acquisition, management, operation and disposal of real estates	99.98%	-
Petrol Finances OOD	Financial and accounting services	99%	99%
Petrol Technologies OOD	IT services and consultancy	98,80%	98,80%
Petrol Technology OOD	IT services and consultancy	98,80%	98,80%

In the period from May to the end of June 2022, through share purchase and sale agreements, the Group acquired 4,999 (four thousand nine hundred and ninety-nine) shares with a nominal value of BGN 10 (ten), representing 99.98% of the capital of Petrol Investment AD. There is no difference between the consideration transferred for the acquisition of a controlling interest and the fair value of the net assets. As at December 31, 2022, the consideration transferred for the acquisition of Petrol Investment AD has been partially paid - BGN 25 thousand and the unpaid portion of BGN 25 thousand is presented in trade and other payables. As a result of the acquisition the Group has recognised cash acquired of BGN 50 thousand.

### 30. Subsidiaries (continued)

In July 2022 the Group established a new subsidiary – Petrol Export EOOD, aiming to separate and facilitate the administration of the wholesale trading of fuels for export.

In December 2022, a new subsidiary Bulgaria Cargo Rail EOOD was established with 100% shareholding, for export and transport of petroleum and petroleum products.

In December 2021, the Group became a co-founder by making a cash contribution to a new subsidiary called Petrol Technology OOD. Against consideration for the cash contribution of BGN 8 thousand the Group acquired 8,210 (eight thousand two hundred and ten) shares, each with a nominal value of BGN 1 (one BGN), representing 98.80% of the capital. There is no effect on these consolidated financial statements at the date of investment.

All subsidiaries have their registered address in the Republic of Bulgaria.

#### *Disposal of interest in subsidiaries during previous years*

In December 2015 a contract with notarized signatures, whereby Petrol AD transferred to a company outside the Group 100% of Naftex Petrol EOOD's equity shares against BGN 1. Changing the sole owner of Naftex Petrol EOOD is filed timely for entry in the Commercial register at the Registry Agency, but has not been recorded because of incompleteness in the documents attached to the application. However, since the contract, as at December 2015, has been concluded properly according to the prescribed by the Commercial Code form, it raises legal action between the parties involved, due to which Petrol AD is no longer the sole shareholder of Naftex Petrol EOOD. Consequently, it is accepted that the Group has lost control and assets and liabilities of the subsidiary were written off and the gain was recognized resulting from the loss of control in the consolidated statement of profit or loss and other comprehensive income. As at the transaction date the consolidated net assets of the subsidiary amounted to negative BGN 314,452 thousand. The result of the sale of the Group was a profit amounted to BGN 314,452 thousand.

In March 2016, the change of the sole owner of Naftex Petrol EOOD (subsidiary until December 2015) has been repeatedly applied for registration with the Commercial Register when a completed set of documents as instructed by the officials has been submitted. The registration was suspended by the court because of a request by a shareholder of the Parent company, on the grounds that the sale contract was challenged in court because executives were not authorized to conclude the agreement by the general meeting of the company contrary to the provisions of POSA. Before the conclusion of the transaction, it was thoroughly checked for compliance with the law and that fall below the thresholds for convening the General Meeting pursuant to Art. 114 of the POSA as documents proving this circumstance are duly implemented in the Commercial Register with the application for registration of the change of the sole owner of the Group.

In December 2021, the Lovech District Court issued a final decision on the pending litigation, rejecting the claim filed against the Parent company. In its decision, the court found that the contract for sale of company's shares was concluded validly in the form required by law and in compliance with the provisions of the POSA. The procedure for change in Commercial Register must be initiated again by the buyer.



### 31. Acquisition and sale of subsidiaries and non-controlling interest

The follow table totals the changes in the non-controlling interest for 2022 and 2021:

	Financial result for the year BGN'000	Non- controlling interest %	Non- controlling interest BGN'000
<b>Non-controlling interest as at January 1, 2021</b>			<b>23</b>
<b>Share of the non-controlling interest in the total comprehensive income</b>			
Petrol Finances OOD	66	1%	1
Petrol Finance EOOD	-	1%	-
Petrol Technologies OOD	(2)	1,2%	-
<b>Non-controlling interest as at December 31, 2021</b>			<b>24</b>
<b>Share of the non-controlling interest in the total comprehensive income</b>			
Petrol Finances OOD	(114)	1%	(1)
Petrol Finance EOOD	-	1%	-
Petrol Technologies OOD	1,246	1,2%	15
Petrol Technology OOD	(3)	1,2%	-
Petrol Investment AD	-	0,02%	-
<b>Non-controlling interest as at December 31, 2022</b>			<b>38</b>

## 32. Financial instruments and risk management

### 32.1. Accounting classifications and fair values

The table shows the transmission and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Not included information about the fair values of these short-term financial instruments that management believes that the carrying value in the consolidated statement of financial position is a reasonable approximation of fair value.

December 31, 2022 BGN'000	Financial assets and liabilities			Total	Fair value level 3
	Debt instruments at amortised cost	At fair value through profit or loss	Liabilities at amortised cost		
<b>Financial assets</b>					
Loans granted, net	22,449	-	-	22,449	-
Trade and other receivables, net	26,071	-	-	26,071	-
Cash and cash equivalents	8,773	-	-	8,773	-
Financial assets measured at fair value through profit or loss	-	2,200	-	2,200	2,200
	<b>57,293</b>	<b>2,200</b>	<b>-</b>	<b>59,493</b>	<b>2,200</b>
<b>Financial liabilities</b>					
Trade and other liabilities	-	-	(50,856)	(50,856)	-
Loans and borrowings	-	-	(50,995)	(50,995)	-
	<b>-</b>	<b>-</b>	<b>(101,851)</b>	<b>(101,851)</b>	<b>-</b>

December 31, 2021 BGN'000	Financial assets and liabilities			Total	Fair value level 3
	Debt instruments at amortised cost	At fair value through profit or loss	Liabilities at amortised cost		
<b>Financial assets</b>					
Loans granted, net	22,131	-	-	22,131	-
Trade and other receivables, net	25,477	-	-	25,477	-
Cash and cash equivalents	4,027	-	-	4,027	-
Financial assets measured at fair value through profit or loss	-	2,235	-	2,235	2,235
	<b>51,635</b>	<b>2,235</b>	<b>-</b>	<b>53,870</b>	<b>2,235</b>
<b>Financial liabilities</b>					
Trade and other liabilities	-	-	(64,921)	(64,921)	-
Loans and borrowings	-	-	(42,863)	(42,863)	-
	<b>-</b>	<b>-</b>	<b>(107,784)</b>	<b>(107,784)</b>	<b>-</b>

## 32.2. Measurement of fair values

### *Trade and other receivables*

Determining the fair value of trade and other receivables includes the following:

- analysis of analytical trail balances and reporting of internal transformations;
- differentiation between receivables and payables, excluding the presumption of future offsetting of receivables from different customers;
- valuation of receivables based on their collectability;
- revaluation of receivables in foreign currencies at the respective rates as at the date of the financial statements.

### *Debenture loan*

The fair value of the debenture liability is determined based on a quotable price as at the date of the consolidated financial statement, in case the instrument is quoted at an active market. In case it is not actively traded, the fair value is determined based on alternative valuation techniques. The valuation techniques used include analysis of discounted cash flows through expected future cash flows and discount level in relation with the market, the credit rating of the issuer, etc. The fair value is determined only for disclosure purposes.

### *Trade and other payables*

Determining the fair value of trade and other payables includes the following:

- complete review of payables as at the date of valuation;
- identification of overdue payables and determination of interests and penalties due;
- revaluation of payables in foreign currencies at rates as at the date of the financial statements.

### *Receivables and payables in relation with trade loans*

Fair values of received and granted trade loans are determined for the purposes of disclosure and are calculated on the basis of the present value of future cash flows of principals and interest discounted at a market interest rate as at the date of the financial statements.

## 32.3. Financial risk management

### *32.3.1. Risk management framework*

The use of financial instruments exposes the Group to market, credit and liquidity risk. In the present note information about the purposes, policies and procedures in risk management and equity management is presented.

Despite the shocks caused by COVID-19, the country's economy grew during the last reporting period, covering a wide range of industries and sectors. At present, however, the country faces several challenges and future risks. The ongoing military conflict between Russia and Ukraine is creating the conditions for a lasting humanitarian crisis, shortages of raw materials and supplies, rising inflation and geopolitical turmoil that could extend to Bulgaria. At the same time, commodity prices continue to rise, and high prices are likely to persist. On the other hand, the pandemic has not completely subsided and new outbreaks are possible.

### 32.3.1. Risk management framework (continued)

This leads to the risk of a slowdown in cash flows and payments, an increase in intercompany indebtedness, a reduction in earnings and ultimately an overall deterioration of the economic environment in the country in which the Group operates. The macroeconomic environment in the country, as well as the level of political stability, has a significant impact on the price, market, credit, liquidity, interest rate, operational and other risks to which the Group is exposed.

As a consequence of the above factors, there is a risk regarding the ability of customers to repay their obligations in accordance with the agreed terms. Therefore, the amount of impairment losses on interest-bearing loans, sales receivables, available-for-sale financial assets and other financial instruments, as well as the amounts of other accounting estimates, in subsequent reporting periods could differ materially from those determined and reported in these financial statements. The Group's management implements the necessary procedures to manage these risks.

### 32.3.2. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Because of the nature of its activity, the Group is exposed to price, currency and interest rate risk.

#### Currency risk

The Group performs transactions in a currency other than its functional currency, and thus it is exposed to risk, related to potential foreign exchange rate fluctuations. Such risk arises mainly from the fluctuations of the US dollar, since the Group performs purchases and has received loans denominated in US dollars. Transactions primarily denominated in euro do not expose the Group to currency risk, since the Bulgarian lev is fixed to the euro effective January 1, 1999.

Financial assets and liabilities denominated in US dollars are presented in the following table:

	December 31, 2022		December 31, 2021	
	USD'000	BGN'000	USD'000	BGN'000
<b>Financial assets</b>				
Cash and cash equivalents	1,503	2,756	7	12
Trade and other receivables	127	233	-	-
<b>Financial liabilities</b>				
Trade and other liabilities	(25)	(46)	-	-
	<b>1,605</b>	<b>2,943</b>	<b>7</b>	<b>12</b>

### 32.3.2. Market risk (continued)

#### Interest rate risk

The Group is exposed to interest rate risk as part of borrowings have variable interest rate agreed as basis interest increased by a certain margin. The Group continuously monitors and analyzes its main interest rate exposures by developing various scenarios for optimization as refinancing, renewal of existing loans, alternative financing (contracts for the sale and leaseback of assets) and calculates the impact of changing interest rates within a certain range on the financial result.

As at the date of these consolidated financial statements, the structure of the interest-bearing financial instruments is as follows:

	December 31, 2022 BGN'000	December 31, 2021 BGN'000
<b>Instruments with fixed interest rate</b>		
Financial assets	16,686	16,880
Financial liabilities	(36,811)	(36,274)
	<b>(20,125)</b>	<b>(19,394)</b>
<b>Instruments with variable interest rate</b>		
Financial liabilities	(13,500)	(5,913)
	<b>(13,500)</b>	<b>(5,913)</b>

The sensitivity analysis of the interest rate risk is prepared based on the presumption that interest positions with variable interest rates as of the end of the reporting period have existed in the same amount during the entire year and the reasonably possible increase/decrease of the interest rate is by 1,679 basis points. If the interest rates were higher/lower by 1,679 basis points, and all other variables were constant, the loss after tax would have been higher/lower by BGN 2,040 thousand.

#### Price risk

The Group is exposed to the risk of frequent and sharp fluctuations in fuels prices and other tradable goods. In order to decrease sensitivity to fluctuations in the prices of fuels, the Group updates its selling prices on a daily basis in accordance with the geographic region and the selling prices of its major competitors.

In 2022, the Group held comparatively high inventory turnover. For approximately 12 days the inventory makes a whole cycle, which reduces the Group's price risk exposure.

### 32.3.3. Credit risk

Credit risk is the risk that one party to a financial instrument fails to meet its obligation and thus causing loss to the other. Financial assets that potentially expose the Group to credit risk are mainly trade receivables and available-interest loans.

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit risk the Group is exposed to. The maximum exposure to credit risk as at the reporting date is as follows:

	<b>December 31, 2022 BGN'000</b>	<b>December 31, 2021 BGN'000</b>
Loans granted	22,449	22,131
Trade and other receivables	28,271	27,712
Cash and cash equivalents	8,707	3,980
	<b>59,427</b>	<b>53,823</b>

#### *Trade and other receivables*

The Group is exposed to credit risk, in case its customers do not pay their obligations in the expected term and amount. The policy of the Group regarding credit risk is to sell goods and services only to customers with appropriate credit standing and to use adequate collaterals as a means of reducing the risk of financial losses. The creditworthiness of customers is estimated by taking into consideration their financial position, past experience and other factors. Credit limits have been stipulated and their compliance is regularly monitored. In case of exceeding the credit limits, interest on arrears is accrued. Retail sales are settled in cash predominantly or by credit cards.

#### *Impairment of trade and other receivables*

Time structure of trade and other receivables at the reporting date are not impaired, is as follows:

	<b>31 December 31, 2022 BGN'000</b>	<b>December 31, 2021 BGN'000</b>
Up to 30 days	719	1,623
31 - 120 days	426	633
121 - 210 days	108	433
Over 211 days	3,486	5,150
	<b>4,739</b>	<b>7,839</b>

#### *Cash and cash equivalents*

Cash and cash equivalents of the Group are located in banks with high ratings.

#### 32.3.4. Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its financial obligations when they fall due. The policy is aimed at ensuring sufficient liquidity with which to serve liabilities when they fall due, including abnormal and emergency situations. The goal of management is to maintain a constant balance between continuity and flexibility of financial resources through the use of various forms of financing. Liquidity risk management includes maintaining sufficient stocks of cash, arranging adequate credit lines, preparation, analysis and updating cash flow forecasts.

The following table presents the contractual maturities of financial liabilities based on the earliest date on which the Group may be required to pay them. The table shows the undiscounted cash flows, including principal and interest, excluding the effect of netting arrangements:

<b>December 31, 2022</b> <b>BGN'000</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to one year</b>	<b>Between one and five years</b>
Debentures	36,979	44,021	1,678	42,343
Loans from financial institutions	13,500	13,500	-	13,500
Trade loans	516	516	516	-
Trade and other payables	50,856	50,856	50,856	-
	<b>101,851</b>	<b>108,893</b>	<b>53,050</b>	<b>55,843</b>

<b>December 31, 2021</b> <b>BGN'000</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to one year</b>	<b>Between one and five years</b>
Debentures	36,942	45,700	1,678	44,022
Loans from financial institutions	5,921	5,921	471	5,450
Trade and other payables	64,921	64,921	64,921	-
	<b>107,784</b>	<b>116,542</b>	<b>67,070</b>	<b>49,472</b>

The Group does not expect cash flows included in the table to occur significantly earlier or at significantly different amounts.



### 33. Capital management

In accordance with the provisions of Art. 252 of the Companies Act, the Group must maintain the value of its net assets above the value of its registered capital.

As at December 31, 2022 and 2021, net assets amounted to BGN 20,058 thousand and BGN 3,353 thousand, respectively. For the year ending December 31, 2022, the Group reported total comprehensive income of BGN 16,705 thousand, but as a result of accumulated losses from prior years the equity was BGN 20,058 thousand, including BGN 20,020 thousand for the Group. As at December 31, 2022 current liabilities are covered by current assets of the Group.

In order to ensure the functioning of the Group as a going concern, Management has undertaken a series of measures, both purely procedural and business-oriented, aimed at bringing the Group's capital in line with the requirements of the Commercial Act (CA) as well as improving the overall financial position.

As a result of the several General Meetings of Shareholders held during 2016 and 2017 a decision for reverse split procedure for merging 4 old shares with nominal of BGN 1 into 1 new share with nominal of BGN 4 and subsequent decrease of capital of the Parent company in order to cover losses by decreasing the nominal value of the shares from BGN 4 to BGN 1 was voted. In March 2018 following a decision of the Lovech Regional Court, which cancelled the refusal of the Commercial Register (CR) to register the decision taken on EGMS for merging of 4 old shares with BGN 1 nominal in 1 new share with BGN 4 nominal. The submitted change was registered in Commercial Register and the registered capital of the Parent company of BGN 109 249 612 was distributed in 27 312 403 shares with nominal of BGN 4 each. The change in capital structure was registered also in the register of Central Depository AD. The Commercial Register enacted a refusal on the submitted in April 2018 application for registration of the decision of EGMS for the second stage of the procedure reducing the nominal value of the shares of the Parent company from BGN 4 to BGN 1 in order to cover losses. At EGMS of Petrol AD held on November 8, 2018 the decision to decrease the capital of the Parent company in order to cover losses by decreasing the nominal value of the shares from BGN 4 to BGN 1 was voted again. A refusal was given on the application for registration of the decision in CR, which was appealed by the Group within the statutory term.

The minority shareholders disputed the decision of the EGMS and additionally to the refusal, the application proceedings was postponed until the pronouncing of the Lovech Regional Court on the court proceedings, initiated on minority shareholders request. In March 2019, the Lovech Regional Court ruled a decision instructing Commercial Register to reflect the reduction of capital after the resumption of the registration proceedings and ruling on the cases initiated at the request of the minority shareholders.

The decision for decreasing the capital was voted again on a new EGMS held in February 2019. On the same EGMS was also taken a decision for replacement of the deceased member of the Supervisory Board Ivan Voynovski with Rumen Konstantinov. The application for registration of these circumstances in the account of the Parent company was refused, which was disputed within the legal term by the Group. In addition to the refusal the registration proceedings was postponed by a request of minority shareholders until the pronouncing of the Lovech Regional Court. In May 2019 the Lovech Regional Court enacted a decision, which repealed the enacted refusal and turn back the case to the Registry Agency for a registration of the application after a resumption of the ceased registration proceedings. At present, the court proceedings for repealing of the decisions of EGMS from February 2019 are pending.

### 33. Capital management (continued)

Next capital adequacy measure, which the Group has taken is a change in accounting policy in relation to non-current tangible assets - property, plant and equipment and intangible fixed assets of the policy applied in its financial statements until 2019 including the cost model, with the application from the beginning of 2020 of the other model - the revaluation model, which the Management considers to reflect more objectively the value of the held non-current tangible and intangible assets.

To carry out its business activity the Group needs free capital to provide the necessary working capital, to pay its obligations on timely manner and to follow its investment intentions. Major sources of liquidity are cash and its equivalents, intra-group cash flows, long-term and short-term loans, reduction of receivables collection period and extension of the liabilities paying period.

The major ratios, which give an information about the financial position of the Group are disclosed in *Selected performance indicators* from the Annual Consolidated Management Report of Petrol Group for 2022.

As at December 31, 2022, the Group's current ratio increased to 1.13 from 0.94 a year earlier. The improvement in the ratio is due to the increase of BGN 17,106 thousand to BGN 88,771 thousand in current assets as at December 31, 2022 from a year earlier. The increase in current assets is a result of the increase in trade and other receivables of BGN 5,702 thousand resulting from higher prices and turnover in 2022 compared to 2021, the increase in cash as at December 31, 2022 of BGN 4,746 thousand and the increase of BGN 5,440 thousand in inventories resulting from higher stock at the end of the period.

The increase in current liabilities is entirely attributable to the increase by BGN 11,146 thousand of lease liabilities under IFRS 16, while short-term payables to suppliers decreased by BGN 8,666 thousand. The increase in IFRS 16 lease liabilities is due to new lease agreements falling under IFRS 16 in 2022.

As at December 31, 2022, the Group's consolidated indebtedness including short-term and long-term interest-bearing loans and borrowings increased to BGN 50,995 thousand compared to BGN 42,863 thousand as at December 31, 2021. The increase of BGN 8,132 thousand is due to the Group's drawdown during the year of BGN 8,050 thousand, net of working capital facilities. In 2022, the Debt/Assets ratio decreased to 27% from 34% at the end of 2021. The improvement in the ratio is due to the increase of BGN 65,117 thousand to BGN 192,145 thousand in the Group's total assets as at December 31, 2022. The main reason for the increase in the Group's assets is the inclusion in 2022 within the scope of IFRS 16 of commercial leases which were previously outside the scope of the standard, with the Group negotiating a specific term of the contracts and a material penalty on termination.

The Debt/Equity ratio as at 31 December 2022 is 254%, compared to 1,278% as at December 31, 2021, with the improvement in the ratio mainly due to the change in the financial result for 2022 of BGN 37,090 thousand from a loss of BGN 25,386 thousand including the loss from discontinued operations for 2021 to a profit for 2022 of BGN 11,704 thousand including the loss from discontinued operations.

In 2022, the Group reduced the turnover ratio to 11 days compared to 16 days as at December 31, 2021. The time taken by the Group to collect its receivables from customers decreases to 10 days at the end of 2022 compared to 15 days in 2021.

### 33. Capital management (continued)

#### Macroeconomic conditions and legal framework

The Petrol Group's activity is influenced by the general economic condition of the country and in particular the degree of the successful adoption of the market-oriented economic reforms by the government, changes in the gross domestic product (GDP) and the purchasing power of the Bulgarian customers. In the long term the change in the fuels consumption in the country is commensurate with the GDP.

In 2022 the consumer price inflation continued to rise significantly with the CPI recording double-digit growth towards the end of the year. During the year the central banks of the leading economies, in their efforts to normalize the rampant inflation, significantly raised the base interest rates, but this did not lead to a significant reversal of the upward trend in prices that started in 2020. The situation in Bulgaria followed the global trend of rising prices, as at the end of the year, the consumer price index published by the National Statistical Institute recorded an increase of 16.9% year over year, with inflation declining at the end of the year as a result of the reported significant slowdown in the annual increase of petrol and gas prices. The main reason for the increase compared to 2022 is the increase in the prices of food and non-food goods, which rose by 25.6% and 13.3% respectively over the period, while the cost of services increased by 10.3% compared to the same month of the previous year. The main reasons for the increase in the inflation rate in 2022 are the anti-crisis measures taken by the government in the last three years, the military conflict that occurred in Ukraine in February 2022, as well as the disruption caused by sanctions, and the change in some cases of supply chains led to the rise in prices of fuels and other goods and resources caused by increased demand.

The high inflation was a factor that Management considered and assigned a new valuation as at December 31, 2022 to the property, plant and equipment carried at revalued carrying amounts (Note 17).

In 2022 the country's Gross Domestic Product (GDP) reported a growth of 3.4%, excluding the inflation effect and reaching BGN 108,296 million based on 2015 prices. Based on current prices the country's GDP for 2022 reached BGN 165,384 million. For the same period the final consumption in the country reported an increase of 5.2%, compared to 6.7% for 2021 while the accumulation of fixed capital (gross) increased by 2.7%, with growth of 10.8% for 2021, compared to 2020. The export of goods and services increased by 10.5%, with growth of 10.9% for 2021 compared to 2020.

The quantitative tightening of the monetary policy started in 2022 and initiated by the leading central banks, combined with the sharp increase in the base interest rates begins to reflect on the economic activity and the financial health of the companies in the financial and non-financial sector as well. If these restrictive measures of the central banks continue, this inevitably will lead to a future long-term slowdown of the economic life in the country, which combined with a long lasting retention of the inflation and an increase in prices, will create risks, limiting the consumption of goods and services, including fuels, which will cause a decrease of Group's revenue, difficulties in servicing regular payments and generate losses.

### 33. Capital management (continued)

#### COVID-19 influence on the Group's activity

##### *Long-term impact of the COVID-19 pandemic*

The global spread of the COVID-19 virus and the subsequent imposition of anti-epidemic measures in the country have created a number of obstacles and negative consequences for the Bulgarian economy. As a result of the disturbances in the supply chains internationally, the forced restriction of the movement of citizens, as well as the temporary suspension of the activity of specific business sectors, led to disturbances in the economic activity in the country. Unlike the previous two consecutive years, in 2022 no anti-epidemic measures limiting the movement of people and goods were imposed. In 2021, the government of the Republic of Bulgaria, represented by the Minister of Health, twice imposed anti-epidemic measures limiting the movement of people and goods. Despite the imposed restrictive measures in 2021, the country's GDP recorded a growth of 7.6% on an annual basis compared to 2020, with a decrease of 4% in 2020 compared to 2019. For 2022 the GDP of the country grew by 3.4% on an annual basis.

In 2020 and 2021 COVID-19 had a significant impact on the activities of the Petrol Group, as in 2020 the Group reduced its sales revenue by 27.5% on an annual basis, which in the past 2021 were partially recovered to BGN 499,841 thousand (before restatement for discontinued operations) compared to BGN 538,499 thousand for 2019. In 2022 the Group increases its sales revenue to BGN 812,431 thousand. Despite the growth of sales revenue over the last two consecutive years, the Petrol Group cannot restore its retail sales to pre-pandemic levels, which in the event of unfavorable future development and further spread of the virus could become a long-term negative effect from the pandemic for the Group.

The accumulated historical information on the financial condition of the Petrol Group for the last three consecutive years and the effects on the Group caused by COVID-19 for this period create future preconditions in the medium and long term if the pandemic continues to spread at certain intervals, the Group will fail to restore sales to its pre-pandemic levels. Subsequent restrictions on the movement of people may permanently change people's attitudes and habits in the medium term, which would directly reflect on the financial performance, liquidity, cash flow and sales of the Group, as double-digit sales declines close to those of 2020 (-27.5%) and loss of market share in such a scenario are not excluded.

In response to the complex economic and geopolitical situation, the Group's management takes action to optimize costs and diversify products and services for its customers. One of the projects in this direction is the construction of a chain of self-service petrol stations that provide customers with an alternative to the standard service, reduce the carbon footprint, including electricity, heating and water consumption, and last but not least the costs for the Group. As at December 31, 2022 the Group operates 15 full or partial self-service petrol stations, and for the last year alone they have increased by 66%, and the Group plans to double them in two years. With the self-service chain projects and processes undertaken by the Petrol Group management, the Group will try to respond to the change in consumer demand and the new challenges posed by COVID-19 and the increase in expenses during the last year.

### 33. Capital management (continued)

#### *COVID-19 recovery*

Following the initial shock caused by COVID-19, in 2021 the Petrol Group recovered part of the sales lost due to COVID-19, as at December 31, 2021 the Group reports an annual increase in sales revenue of goods and services of 28% to BGN 499,841 thousand (before restatement for discontinued operations). In 2022 the Group managed to realize an additional growth of 64.7% on an annual basis, with a major contribution of sales of wholesale fuels. Despite the rise in revenue from sales of goods and services in two consecutive years, in 2022 the Petrol Group failed to reach the retail fuel sales from pre-pandemic levels. The rapid recovery after the pandemic inspires a dose of optimism that the main upheavals for the Petrol Group caused by the virus have passed. Growth in revenues from sales of fuel and other goods in 2021 and 2022 have helped the Group to restore to a large extent the normal rhythm of work, however, the negative effects on liquidity, retail fuel sales and the general financial condition of the Petrol Group have not completely faded away. The high inflation, the growth of the minimum wage and the increase in fuel prices have prevented the Group from reaching pre-pandemic levels of financial results and retail fuel sales (*see Operating Results section*). In addition, the dynamics of the spread of COVID-19 combined with the emerging military conflict between Russia and Ukraine and its potential risks, as well as the high volatility of international crude oil prices in recent months, which directly affect the activities of the Petrol Group, create significant risks in front of the Group and at the same time hinder the coverage and the successful planning of the potential intensity of the negative effects on the activity of the Petrol Group.

#### **War conflict between Russia and Ukraine**

On February 24, 2022 Russian military units enter the territory of Ukraine, while the Russian army begins to launch missile strikes on strategic Ukrainian targets. From that day in February, the military conflict between Russia and Ukraine began. The clash between the two countries and the departure of Ukrainian civilians of their homelands to save themselves from Russia's military invasion in Ukraine has created an unprecedented humanitarian crisis in Europe since World War II. All business sectors are influenced to some extent by the military conflict.

The arising military conflict and the imposed by the EU and the US economic, financial and other sanctions on Russia to end the conflict are blocking the economic activity between the European Union and Russia, restricting the payments and the free movement of people, goods and services, and simultaneously cause significant ubiquitous disruptions on financial markets and non-financial sector.

The military conflict has further affected the prices of many goods, resources and services, as Russia is a major exporter of fossil fuels, metals and other resources, and the purpose of sanctions imposed by the European Union and the United States is to limit Russia's economic activity. Fossil fuels are still a major part of the process from the creation to final consumption of almost all goods in the EU, as a result of which a future uncertainty about prices and availability of fossil fuels and other resources worsens the economic prospects for the EU and Bulgaria in particular. The warm winter and the increase in the fossil supplies from alternative sources help the EU countries to overcome the breaking out short-term anomalies caused by the sanctions and restrictions.

As the main activity of the Petrol Group is wholesale and retail trading and storage of fuels and other petroleum products, a lasting increase in international fossil fuel prices will have a negative impact on the Group's sales, leading to significant losses and deterioration of the financial condition and operational results of the Petrol Group.



### 33. Capital management (continued)

As the majority of fossil fuel supplies in the country in 2022 are of Russian origin, a potential complete ban on fuel supplies from Russia could lead to a shortage of fuels in the country and problems for the Petrol Group to secure its sales, with the risk of closure of retail petrol stations, temporary working hours and other negative consequences. To respond to this scenario, the Group's management is examining the possibility of importing fuels from third countries, thus being able to reduce the potential future consequences for the Petrol Group of the EU and the US sanctions imposed on Russia and potential reciprocal sanctions.

An important decision for the activities of Petrol Group is the amendment by the Council of the European Union, adopted on June 4, 2022 of Council Regulation (CR) № 833/2014 of July 31, 2014 regarding the restrictive measures concerning the Russia's destabilizing actions in Ukraine, which amendment allows, after approval by the Council of Ministers of Republic of Bulgaria, import by sea of crude oil and petroleum products under Annex XXV of Council Regulation (EU) 833/2014 with a origin from Russia under contracts signed before June 4, 2022 or under additional contracts necessary for execution of such contracts.

Additionally, with a decision of the Council of Ministers from December 2, 2022 is allowed the execution in the period from December 5, 2022 to December 31, 2024 of contracts signed before June 4, 2022 or of additional contracts necessary for the execution of such contracts, for the purchase, import or transfer of crude oil transported by sea, and of petroleum products listed in Annex XXV of Council Regulation (EU) 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, originating in Russia or exported from Russia, in accordance with Art. 3m, paragraph 5 of the European Regulation.

The Petrol Group does not carry out business activities on the territory of Ukraine or Russia and does not bear direct negative consequences of the breaking out military conflict. Moreover in 2022 the Group generating a significant increase in wholesales of fuels, which reached BGN 220,554 thousand compared to BGN 16,817 thousand for the previous year, as BGN 168,557 thousand are from export of fuels to third countries.

With the adopted decisions by the Council of the European Union and the Council of Ministers aiming to ensure the consumption of fuels, the Management of the Group believes that in the short-term disruptions leading to significant losses for the Group should not be expected. However in a situation of war on the territory of a country close to Bulgaria, there is always a risk of expansion and/or worsening of the military conflict with a subsequent destructive consequences.

As a result of the effects of the pandemic and the resulting military conflict in early 2022 and the economic consequences they have caused and continue to cause, together with geopolitical risks and high commodity prices, the Group's management expects competition to intensify in the coming years, mainly in the retail market, with a gradual exit of some of the smaller independent traders from the fuel business. At the same time, trading margins, particularly in the retail market, are forecast to be around or below the European average.

In 2023, the Management will continue the process of analyzing and exploring opportunities to expand the wholesale business, including through the import and export of petroleum products.

### 33. Capital management (continued)

The plans for the future development of the company are closely related and depend to a greater extent to the stated expectations for changes in the market environment. The Management continues to follow the program outlined and started in the beginning of 2014 for restructuring the activities of Petrol Group, aiming to concentrate the efforts to optimize and develop the core business – wholesale and retail trading with fuels. With the aim of improving the financial position, the Management continues to analyze actively all expenses and to look for hidden reserves for optimization.

In the coming years the results of the Group will also depend on the possibilities to carry out the investments and the successful delivery of new projects. From the end of 2021, an active program is underway to increase the number of sites - self-service petrol stations. The Group's investments will be primarily focused on the construction of new petrol stations and increase the sales and market share of Petrol AD, mainly through the transformation of retail outlets into modern places for comprehensive customer service.

The specifics of the Group's core business challenge the Group to meet the expectations of shareholders, creditors and other stakeholders, while developing its business model in line with the environment, contributing to reducing carbon emissions and the overall impact on the environment.

In the process of managing petrol stations and storage depots and selling of fuels, petroleum products and other wholesale and retail goods, the Group is responsible for addressing environmental challenges in working with fuels and derivative chemicals, minimizing the environmental impact of sales of wholesale and retail fuels, as well as reducing the depletion of natural resources.

The significant risks related to the impact of climate and climate change, as well as the main commitments and activities undertaken by the Group in this regard are detailed and are part of the annual activity report of the Group.

Following the strategy for expanding the market share of the retail market under the franchise program, the Group plans and attracts more new petrol stations under the Petrol brand, as well as develops and increases the structure of franchised petrol stations leased.

The Group's management has conducted an active marketing policy. Marketing events are planned, supported by sufficient media appearances to lead to an increase of fuel sales. The Group will continue to develop its card system and create a customer loyalty system.

At the beginning of 2023, the Group's Board of Directors has decided to take action to actively advertise and organize tenders for the sale of unprofitable and non-operational sites in order to eliminate maintenance costs and improve the Group's liquidity.

In addition to the above measures to increase the value of the Group's equity, active actions have also been taken to expand the Group's market share by securing the long-term use of oil depots - licensed fuel storage depots strategically located in the country. The management is in the process of analyzing and exploring opportunities to increase the wholesale business, including through importation of petroleum products.



### 33. Capital management (continued)

The Group's management monitors the emergence of risks and negative consequences as a result of the pandemic caused by COVID-19, the military conflict between Russia and Ukraine and the high levels of inflation, making ongoing assessments of the possible effects on the Group's assets, liabilities and operations, seeking to comply as far as possible with contractual commitments, despite the force majeure circumstances that have arisen. In view of the effects of the pandemic, military conflict and high inflation, which are challenging economic activity in the country and creating significant uncertainty about future business developments, there is a real risk of a decline in sales and losses for the Group. However, management believes that it will be able to successfully steer the Group out of the emergency situation in which it has been placed.

#### Comparison of the changes in the financial liabilities with cash flows from financial operations and other non-monetary changes

2022 BGN'000	Financial liabilities					Total
	Debtore loans	Loans from financial institutions	Trade loans	Lease liabilities	Other financial liabilities	
<b>Carrying amount at January 1, 2022</b>	<b>36,942</b>	<b>5,921</b>	<b>-</b>	<b>6,565</b>	<b>-</b>	<b>49,428</b>
<b>Changes in result of cash flows</b>						
Proceeds from loans received		8,100	1,100			9,200
Payments on loans and borrowings	-	(513)	(600)	-	-	(1,113)
Payments on finance leases	-	-	-	(8,148)	-	(8,148)
Payments for interest and commissions	(1,547)	(526)	(22)	-	-	(2,095)
<b>Total changes in result of cash flows</b>	<b>(1,547)</b>	<b>7,061</b>	<b>478</b>	<b>(8,148)</b>	<b>-</b>	<b>(2,156)</b>
<b>Other non-monetary changes</b>						
Capitalized interest expenses on loans	(37)	-	-	-	-	(37)
Accrued interest expense on loans, borrowings and other	1,715	519	46	2,136	-	4,416
Other changes related with liabilities	(94)	(1)	(8)	55,193	-	55,090
<b>Total other non-monetary changes</b>	<b>1,584</b>	<b>518</b>	<b>38</b>	<b>57,329</b>	<b>-</b>	<b>59,469</b>
<b>Carrying amount as at December 31, 2022</b>	<b>36,979</b>	<b>13,500</b>	<b>516</b>	<b>55,746</b>	<b>-</b>	<b>106,741</b>

### 33. Capital management (continued)

2021 BGN'000	Financial liabilities					Total
	Debtenture loans	Loans from financial institutions	Trade loans	Lease liabilities	Other financial liabilities	
<b>Carrying amount at January 1, 2021</b>	<b>38,417</b>	<b>8,134</b>	<b>-</b>	<b>14,047</b>	<b>-</b>	<b>60,598</b>
<b>Changes in result of cash flows</b>						
Payments on finance leases		100				100
Payments on loans and borrowings	-	(2,111)	(290)	-	-	(2,401)
Payments on finance lease	-	-	-	(4,968)	-	(4,968)
Payments for interest and commissions	(3,062)	(603)	(9)	-	-	(3,674)
<b>Total changes in result of cash flows</b>	<b>(3,062)</b>	<b>(2,614)</b>	<b>(299)</b>	<b>(4,968)</b>	<b>-</b>	<b>(10,943)</b>
<b>Other non-monetary changes</b>						
Capitalized interest expenses on loans	(30)	-	-	-	-	(30)
Accrued interest expense on loans, borrowings and other	1,747	399	9	574	-	2,729
Other changes related with liabilities	(130)	2	290	(3,088)	-	(2,926)
<b>Total other non-monetary changes</b>	<b>1,587</b>	<b>401</b>	<b>299</b>	<b>(2,514)</b>	<b>-</b>	<b>(227)</b>
<b>Carrying amount as at December 31, 2021</b>	<b>36,942</b>	<b>5,921</b>	<b>-</b>	<b>6,565</b>	<b>-</b>	<b>49,428</b>

### 34. Disclosure of transactions with related parties

The Parent company (Controlling company) is Petrol AD. It has a two-tier management system, which includes a Management Board (MB) and a Supervisory Board (SB). Below are the names and functions of the members of the Supervisory and Management Board of Petrol AD.

#### Supervisory Board

Ivan Voynovski <sup>19</sup>	Chairman
Petrol Correct EOOD, represented by Nikolay Gergov	Member
Petrol Asset Management EOOD, represented by Armen Nazaryan	Member

#### Management Board

Grisha Ganchev	Chairman of the Management Board
Georgy Tatarski	Deputy chairman of MB and Executive director
Milko Dimitrov	Member of MB and Executive director
Lachezar Gramatikov	Member of MB
Kiril Shilegov	Member of MB

The total amount of the accrued remunerations of the members of Management and Supervisory Board of the Parent company, included in the personnel expenses, amounted to BGN 1,595 thousand (2021: 1,457 thousand) and unsettled liabilities as at December 31, 2022 of BGN 90 thousand, where BGN 78 thousand are reported as personnel liabilities and BGN 12 thousand as liabilities to related parties (2021: BGN 73 thousand, where BGN 61 thousand are presented as personnel liabilities and BGN 12 thousand as liabilities to related parties (Note 28).

In 2022 and 2021 other transactions with related parties are not carried out.

<sup>19</sup> Ivan Alipiev Voinovski - died on February 23, 2017. On February 18, 2019, an IOSA of Petrol AD was held, where was voted a replacement of the deceased Ivan Voynovski. The application for entry in the CR was rejected, which was appealed by Petrol AD within the statutory term, and the registration proceedings were suspended at the request of minority shareholders until the District Court – Lovech rules on proceedings for annulment of decisions taken. In May 2019, the Lovech District Court ruled with a decision revoking the refusal and returning the file to the Registry Agency to make the requested entry after the resumption of the suspended registration proceedings. At present, the court proceedings on the claims for annulment of the decisions of IOSA from February 2019 are pending.

### 35. Contingent liabilities

As at December 31, 2022 the Group has contingent liabilities, including issued mortgages and pledges of property, plant and equipment, which serve as a collateral for bank loans, overdraft, credit limits for issuance of bank guarantees and factoring agreements, granted to the Group and unrelated parties and with total carrying amount of BGN 25,242 thousand, including in favour of First Investment Bank AD – BGN 19,526 thousand, in favour of Investbank AD – BGN 3,634 thousand and in favour of DSK AD – BGN 2,082 thousand.

Pursuant to an agreement dated October 17, 2018 and the annexes thereto, the Group is a joint debtor and an endorser under a promissory note for the amount of BGN 48,750 thousand in favour of Investbank AD under an unrelated party supplier bank credit line agreement, including an overdraft facility and a bank guarantee facility in favour of the Customs Agency, with a total amount and valid bank guarantees issued on all of the debtor's exposures with the Bank up to a total credit limit of BGN 45,000 thousand. In connection with this credit commitment, the Group has established a pledge in favour of Investbank AD on cash receivables in a bank account with a carrying amount as at December 31, 2022 of BGN 11 thousand and a special pledge over receivables from counterparties for BGN 4,000 thousand average monthly turnover.

Pursuant to an agreement dated June 22, 2020 and the annexes thereto, the Group is a joint co-debtor under a Loan Agreement - overdraft facility from a financial institution granted to an unrelated party - a major fuel supplier for an amount of up to BGN 7,000 thousand and an endorser under a promissory note under the same facility at the amount of BGN 9,000 thousand.

Pursuant to an agreement dated June 17, 2021, the Group is a joint co-debtor in favour of Investbank AD under a Bank Guarantee Facility Agreement granted to an unrelated supplier in the amount of BGN 600 thousand.

Pursuant to an agreement dated February 24, 2022, the Group is a joint co-debtor in favour of Investbank AD under an Investment Credit Agreement granted to an unrelated supplier in the amount of USD 1,260 thousand.

The Group is jointly liable under a Debt Incurrence Agreement dated January 13, 2017 for the obligation of its subsidiary until March 2018, Elit Petrol AD, which amounts to BGN 2,346 thousand as at December 31, 2022.

According to an agreement for revolving credit line from First Investment Bank AD signed on September 21, 2016 with a total limit as at December 31, 2022 of BGN 18,900 thousand, including a credit line for bank guarantees of BGN 5,400 thousand, bank guarantees have been issued for a total amount of BGN 5,382 thousand, including BGN 2,550 thousand for contracts with the Group's third party suppliers, BGN 500 thousand bank guarantee in favour of the Ministry of Economy securing the Parent company's operations in connection with its registration under the Law on Administrative Regulation of Economic Activities Related to Petroleum and Petroleum Products, and bank guarantees securing the Group's obligations under contracts in connection with the Public Procurement Law in the amount of BGN 2,332 thousand. As at December 31, 2022, the contract is secured by a pledge over all the Group's receivables on bank accounts to secure obligations up to the amount of the credit limit with a carrying amount as at December 31, 2022 of BGN 86 thousand, as well as by mortgages of property and pledges of plants and equipment, and by assets of a subsidiary amounting to BGN 1,500 thousand.

### 35. Contingent liabilities (continued)

There is pending litigation in relation to a signed in 2015 guarantee contract of the liabilities of a subsidiary until February 2018, arising of a cession contract with outstanding book value of BGN 245 thousand. In April a final decision on the pending case was ruled. The court held that the Group is responsible as a guarantor for the obligations of the subsidiary under the cession contract. The Court of Appeal annulled the decision of the first-instance court in its entirety and found that the Group's claim under the warranty agreement had been established jointly with the other related party. The decision of the Court of Appeal was appealed by the Parent company in the Supreme Court of Cassation, but was not allowed to appeal. The Group has filed a claim to establish the non-existence of these receivables, and the case initiated is pending. A collateral at the amount of BGN 25 thousand to the court's account was admitted for a future claim against the provision of a guarantee in favor of the Group, as a result of which the enforcement proceedings initiated against the Group for these receivables were suspended. The decision from November 2021 has been appealed by the defendant and the case is currently pending before a second instance. In August 2022, the Sofia Court of Appeals (SCA) overturned the decision of the first instance court in its entirety. The decision of the SCA has been appealed and the case is currently pending before the Supreme Court of Cassation.

The funds given as collateral under Art. 180 and Art. 181 of the Law on Obligations and Contracts (LOC) at the amount of BGN 245 thousand in the case initiated against the Group in 2015, together with the amount of BGN 93 thousand, were collected by the bailiff under the enforcement proceedings initiated against the Group. However, they have not been distributed due to the suspension of the enforcement case, based on the security of a future claim provided in favor of the Group and remain blocked on the account of the bailiff until the final conclusion of the litigation.

In the previous reporting periods companies from the Group have entered into the debt under two loan agreements of a subsidiary with a bank-creditor (until December 2015) for USD 15,000 thousand and USD 20,000 thousand, respectively. In 2015 the bank – creditor acquired court orders for immediate execution and receiving orders against the subsidiaries – joint debtors. In relation to the claims filed by the subsidiaries, the competent court has revoked the immediate enforcement orders and has invalidated the receiving orders. In October and December 2015 the creditor has filed claims under Art. 422 of Civil Procedure Code (CPC) against the subsidiaries for the existence of the receivables under each loan agreement. The court proceedings of the creditor are still pending.

In December 2016 the first-instance court decreed a decision (the Decision) which admit for established that the bank has a receivable amounted to USD 15,527 thousand from the subsidiaries – joint debtors, arising from a signed loan agreement for USD 15,000 thousand. With the same decision the court has ordered the joint-debtors to pay BGN 411 thousand to the bank – creditor for legal advisory fees and court dispute expenses and BGN 538 thousand state fee in favor of the judiciary state for the ordered proceedings and BGN 538 thousand state fee for claim proceedings. In January 2017, the co-debtors have filed in time appeals against the court decision, because of that the decision did not come into force. As at the date of the preparation of these consolidated financial statements, the court dispute is pending in the appeal court. The Group's Management considers that there are grounded chances the Decision to be entirely repealed.

### 35. Contingent liabilities (continued)

As at the date of the preparation of these consolidated financial statements, the filed proceedings against the subsidiaries – joint debtors for estimation of the bank receivables due to the loan agreement for USD 20,000 thousand is pending before the first-instance court. The Management expects favorable decision by the competent court. In 2018 the Parent company sold its interest in one of co-debtor subsidiaries and the potential risk for the Group is reduced to the court proceedings against the second subsidiary.

Corporate Commercial bank AD (in insolvency) – a creditor of a subsidiary (until December 2015) unreasonably claimed in court the responsibility of the Parent company under a contract of guarantee for liabilities arising from a contract for a framework credit limit as a result of that the bank accounts of the Parent company amounting to USD 29,983 thousand were garnished. This claim was disputed in court by the Group because the liability as guarantor has not occurred and / or extinguished pursuant to Art. 147, par. 2 of the LOC. At the time of signing of the guarantee agreement, the deadline of the arrangements between the lender and subsidiary contractual framework for credit limit was July 1, 2014. The term of the framework credit limit was extended without the consent of the customer, therefore the responsibility of the latter has fallen by six months after initially agreed period, during which the creditor has brought an action against the principal debtor. The term of Art. 147, par. 1 of the LOC is final and upon its expiration the company's guarantee has been terminated, so the objection of the Parent company was granted by the court and imposed liens on bank accounts lifted.

After the writ of execution, pursuant to order proceedings, was canceled on which were imposed liens on bank accounts of the Parent company, the creditor has initiated legal claim proceedings under Art. 422 of the CPC to establish the same claims against the subsidiary (until December 2015) and the guarantor the Parent company. In these proceedings the objections are repeated, that liability as guarantor has not occurred and / or extinguished pursuant to Art. 147, par. 2 of the LOC, and therefore the Management expects that the claim of the creditor against the Parent company will be dismissed permanently by a court decision on those cases. At present, the case is suspended due to the existence of a preliminary ruling, which is important for the correct resolution of the case.

The Group has appealed its receivables to the subsidiary (until December 2015). The filed receivables are included in the list of accepted receivables under Art. 686 of the Commercial Act (CA), but the same are disputed by another creditor in the bankruptcy proceedings. At present, the pending court proceedings to establish the existence of these receivables under Art. 694 of the CA ended with a decision, as the court accepted the receivables of the Group up to the amount of BGN 4,794 thousand.

The Group has secured the Contract for purchase of receivables on trade invoices (standard factoring) concluded in March 2021 with a commercial bank by pledging receivables on bank accounts opened with the bank with a carrying amount as at December 31, 2022 of BGN 75 thousand.

As at December 31, 2022, cash in the Group's bank accounts amounting to BGN 41 thousand is blocked in enforcement proceedings to which the Group is a party.

### 35. Contingent liabilities (continued)

In May 2020, the Commission for the Protection of Competition ruled a decision on the Parent company for initiating proceedings to establish possible infringements under Art. 15 and Art. 21 of the Competition Act and/or under Art. 101 and Art. 102 of the Treaty on the Functioning of the European Union (TFEU) determining the prices of mass automotive fuels in the production / import - storage – wholesale - retail trade, both at the individual horizontal and vertical levels, by eleven companies, including the Parent company. To date, the inspection has been concluded without adverse findings for the Parent company.

### 36. Reclassification and reassessment of comparing data

In the current year the Group has adopted the usage of the net profit and loss for the year instead of profit loss before taxes as an initial position in preparation of the consolidated statement of cash flows by indirect method. The Management believes that this change will lead to improved presentation in the consolidated financial statements. In order to achieve comparability the information for the comparable period has been reclassified as the current tax income/expense is disclosed as an adjustment of the cash flows from operating activity.

The effects from the adjustments of some of the items of the Group's consolidated statement of cash flows are presented in the following table:

	December 31, 2021 BGN'000 audited	Adjustments BGN'000	December 31, 2021 BGN'000 restated
<b>Cash flows from operating activities</b>			
Net loss before taxes	(25,680)	25,680	-
Loss for the year	-	(25,386)	(25,386)
<b>Adjustments for:</b>			
Tax income	-	(294)	(294)

Information for restated comparable information in the consolidated statement for profit or loss and OCI concerning discontinued operations, in relation to the applying the IFRS 5 are disclosed in Note 6.

### 37. Events after the reporting date

In connection with claims by a minority shareholder for the annulment as unlawful pursuant to Art. 74 of the Commercial Law of resolutions of Ordinary General Meetings of Shareholders held on June 26, 2019, September 28, 2020, June 30, 2021 and July 19, 2022, the Board of Directors of the Parent company has convened a new Extraordinary General Meeting of Shareholders to be held on March 29, 2023 with an agenda to re-vote on all contested resolutions. At the EGMS held on March 29, 2023, 71.30% of the shareholders entitled to vote were present and all resolutions were passed unanimously.



## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of**

**Petrol AD**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Petrol AD (the Parent company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on this date, and explanatory notes to the consolidated financial statements, including a disclosure of significant accounting policies and other explanatory information.

In our opinion the applied consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and its consolidated financial results of its operations and the consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), adopted by the European Union (EU).

#### **Basis for Opinion**

We conducted our audit in accordance with the International Standards of Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section in our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (including the International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA code) and the ethics requirements of the Independent Financial Audit Act (IFAA), applicable in terms of our audit on the consolidated financial statements in Bulgaria. We have also fulfilled our other ethics responsibilities in accordance with the requirements of IFAA and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2.7 *Going concern basis of accounting* in the disclosed consolidated financial statements, which indicates that as at December 31, 2022 the equity of the Group amounting to BGN 20,020 thousand and is under the registered capital of the Parent company by BGN 89,230 thousand, as a result of the accumulated losses in previous periods. In addition the Group has disclosed that it has assessed the uncertainties arising from these circumstances, including the possible effects from the pandemic risks related to the continuing influence of the COVID-19 and military conflict in Ukraine (see Note 33 *Capital Management*), litigations which indicate material uncertainty, which may raise doubts regarding the ability of the Group to continue as a going concern. In the same Note is disclosed that the Group will be able to regularly pay the due debenture and trade liabilities, loans and interest in accordance with the contractual commitments entered into, and actions have been taken to bring the Parent company in accordance with the requirements of the Art.252, par.1, item 5 of the Commercial Act. Additional information in this relation is disclosed in Note 25 *Registered capital* and Note 33 *Capital Management*.

Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a basis for a separate opinion on these matters. In addition to those matters, described in the Material Uncertainty to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### 1. Assessment and disclosure of the financial assets, disclosed in the consolidated statement of financial position as Trade and other receivables and Loans granted

We refer to the following Explanatory Notes to the enclosed consolidated financial statements for the year ended December 31, 2022, regarding the assessment, classification, and presentation of the financial assets of IFRS 9 Financial Instruments, 13. Impairment losses, 22. Loans granted, 23. Trade and other receivables and 32. Financial Instruments and risk management.

Key audit matter	How our audit addressed the key audit matter
<p>The valuation of trade and other receivables and loans granted, and their expected credit losses, is a key issue in our audit, as significant judgments are required to value these financial assets.</p> <p>For financial assets classified as Debt instruments carried at amortized cost, the Group has developed models for determining expected credit losses.</p> <p>For the measurement of receivables part of current trade and other receivables presented in</p>	<p><i>Our audit procedures included, along with others:</i></p> <ul style="list-style-type: none"> <li>- evaluation of the internal control system in regard to the processes related to current financial assets;</li> <li>- evaluation of the adequacy of the applied accounting policy in regard to the trade and other receivables and loans granted and its consistency with the IFRS 9 Financial instruments;</li> <li>- verification and valuation of the adopted models for the expected credit loss regarding the financial assets, reported at amortized cost;</li> </ul>

the consolidated statement of financial position and Note 23, classified as financial assets measured at fair value through profit or loss, an independent /external/ licensed appraiser was engaged to determine their fair value. In addition, these financial assets are the most significant part of the total assets of the Group - about 29.4% as at December 31, 2022. Therefore, we believe that they require special attention from us.	<ul style="list-style-type: none"> <li>- verification of the qualification and assessment of the independency and the objectivity of the hired by the Group appraiser;</li> <li>- we used our expert in the review of the valuation of the receivables at fair value in profit or loss, prepared by the independent licensed appraiser hired by the Group;</li> <li>- valuation of the adequacy of the Group's disclosures regarding the loans granted and trade and other receivables and their impairment.</li> </ul>
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## 2. Uncertainty related to future decisions on legal litigations

We refer to the Notes 25, 33 and 35 to the enclosed consolidated financial statements, wherein the litigations and future outcomes related with them are disclosed.

Key audit matter	How our audit addressed the key audit matter
<p>In carrying out Group's operations, it is possible to arise a potential risk of administrative and legal proceedings due to the inherent uncertainty of their outcome. The companies of the Group are parties to legal proceedings, the outcome of which may have a significant influence on the financial position and outlook of the Group.</p> <p>Whether to be recognised a provision or disclosed a contingent liability in the consolidated financial statements depends of the level of significance of estimations and assumptions.</p> <p>On this basis, we consider the matter related to legal proceedings against the companies of the Group as key audit matter.</p>	<p><i>Our audit procedures included, along with others:</i></p> <ul style="list-style-type: none"> <li>- review of accrued costs for legal services and clarification of the legal advisers and procedural representatives of the Judicial Affairs Group to which it is a party;</li> <li>- review of minutes of meetings of the persons in charge of general management and correspondence between the Group and external legal advisers;</li> <li>- request from the legal advisers and the management of the Group for up-to-date information and assessment regarding the probable outcome of the court cases to which the Group is a party;</li> <li>- use of an expert to critically evaluate the assessments of the Group and its legal advisers regarding ongoing litigation and judgments on the recognition of provisions or the disclosure of contingent liabilities;</li> <li>- assessment of the completeness and adequacy of the Group's disclosures regarding material litigation.</li> </ul>

## 3. Property, plant and equipment and non-material assets, reported on revaluation method – we refer to Notes 3.1,13 and 17.

Key audit matter	How our audit addressed the key audit matter
The Group applies the revaluation model for the subsequent measurement of the reported property, plant, equipment and intangible assets. As it is disclosed in Note 3.1, the Group's policy provides for the initial applying of	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>- a review of the Group's accounting policies adopted in respect of subsequent accounting for property, plant and equipment and intangible</li> </ul>

the revaluation model on January 1, 2020, a subsequent valuation to be applied not later than five years. If there are indicators for significant deviation between the fair value of the assets and their carrying amount, an earlier valuation may be carried out. The Management considered that given the high inflation rates for the last year, there may be significant variance between the fair values of the assets and therefore a new appraisal is ordered as at December 31, 2022. Accordingly, property, plant and equipment and intangible assets are presented in the 2022 consolidated financial statements at revalued amounts based on the December 31, 2022 valuations.

Because the asset valuations (which account for around 23% of all assets) is a complex process that also involves several assumptions, we have identified this as a key issue.

assets and analysis for its compliance with applicable accounting standards.

- research into the objectivity and competence of the independent valuers employed by the Group;
- used our own experts to assess the key judgements in determining the fair value of the assets being valued, the methods applied and significant assumptions made;
- assessing selected inputs on which the valuations are based;
- a sample-based review of the calculations associated with the revaluations;
- an assessment of the completeness and adequacy of the Group's disclosures in respect of property, plant and equipment and intangible assets.

**4. Application of IFRS 16, Recognised Right-of-Use Assets and Related Lease Liabilities - we refer to Notes 3.2 and 19.**

Key audit matter	How our audit addressed the key audit matter
<p>The most significant change in the consolidated statement of financial position for the current period relates to the recognition of right-of-use assets and lease liabilities under IFRS 16. As at December 31, 2022, right-of-use assets amounted to BGN 52,578 thousand, an increase of BGN 45,727 thousand from December 31, 2021, they represent a material part of the Group's assets, as do the lease liabilities incurred, which total BGN 55,746 thousand at 31 December 2022, an increase of BGN 49,181 thousand from the prior period and represent a material part of the Group's liabilities. In addition, the cost structure has changed significantly, with a decrease in external service costs and an increase in depreciation and interest expenses. The application of IFRS 16 requires certain judgements such as the timing, interest rate for discounting lease payments, and significant calculations to apply the model to account for right-of-use assets and related liabilities.</p>	<p><i>Our audit procedures included, among others:</i></p> <ul style="list-style-type: none"> <li>- understanding the process applied by the Group's management with respect to the analysis and application of IFRS 16;</li> <li>- a review of the accounting policies in relation to the accounting for right-of-use assets and lease liabilities and an assessment of compliance with applicable accounting standards;</li> <li>- a sample review of lease contracts, their terms, the appropriateness of the interest rate used to discount lease payments and the restatement of recognised right-of-use assets and lease liabilities and related costs for the year;</li> <li>- a review of the consistency of the depreciation and interest expense recorded for the year with the plans under the leases and the models prepared by the Group;</li> <li>- assessing the completeness and adequacy of the Group's disclosures.</li> </ul>

#### **Other information different of the consolidated financial statements and auditor's report thereon**

The Management is responsible for the other information. The other information comprises the information included in the consolidated management report, including a corporate governance statement, prepared by the management pursuant to Chapter seven of the Accountancy Act, but does not include the consolidated financial statements and our audit report thereon, which we received before the date of our audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, except otherwise explicitly stated in our report and to the extent it is stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on our work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact.

We do not have anything to report on this matter.

#### **Responsibilities of the management and the persons, in charge of the overall management for the consolidated financial statements**

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, applied in EU and for such internal control system, as the management determine is necessary to ensure the preparation of the consolidated financial statements, which are free from material misstatements, whether or not due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using a going concern basis of accounting, unless the Management either intend to liquidate the Group or to cease operations, or the Management has no other alternative but to do so.

The persons, in charge with the overall management, are responsible for the supervision of the process of Group's financial reporting.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether or not due to fraud or error, and to issue an auditor's report that includes our auditor's opinion. Reasonable assurance is a high level of assurance, but it is not guaranteed that an audit conducted in accordance with ISA will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material, whether they can reasonably be expected, individually or



in the aggregate, to influence the economic decision of users taken on the basis of these consolidated financial statements.

As a part of the audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the whole audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether or not due to fraud or error, develop and perform audit procedures responsive to those risks, and obtain audit evidence, which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override or evasion of internal control.
- obtain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidences obtained, whether a material uncertainty exists, related to events or conditions that may arise significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the persons in charge with the overall management, among the other matters, the planning scope and timing of the audit and the significant audit findings, including any significant deficiencies in the internal control that we identify during the audit conducted by us.

We also provide the persons in charge with the overall management a statement that we have complied with the relevant ethical requirements related to the independence and to communicate with them all relationships and other matters that may reasonably be studied to bear on our independence and where applicable related save measures.

Among the matters communicated with the persons in charge with the overall management, we determine those matters, which were of most significance in the audit of the consolidated financial statements for the current period and which are therefore key audit matters. We describe these matters in our auditor's report, except in cases when law or regulation precludes public disclosure of information about this matter or when, in extremely rare circumstances, we decide that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other legal and regulatory requirements**

### ***Additional matters prescribed to report according to Accountancy Act and Public Offering of Securities Act***

In addition to our responsibilities and reporting according to ISA, described above in Other information different to the consolidated financial statements and auditor's report thereon section regarding the consolidated management report, corporate governance statement and consolidated non-financial declaration, we complied with the procedures, added to the requirements under ISA, according to Instructions regarding new and extended audit reports and auditor's communication of the professional organization of the registered auditors in Bulgaria, The Institute of the certified public accountants (ICPA). These procedures concern the audits for the existence and audits of the format and the content of this other information on purpose to help us form an opinion regarding whether the other information includes disclosures and reports, pursuant to Chapter seven of the Accountancy Act and the Public Offering of Securities Act, (Art. 100n, par.10 of POSA in relation to Art. 100n, par.8, item 3 and 4 of POSA) applicable in Bulgaria.

#### *Opinion in relation to Art. 37, par. 6 of the Accountancy Act*

Based on the conducted procedures, our opinion is that:

- a) The information included in the consolidated management report for the financial year, for which the consolidated financial statements were prepared, corresponds to the consolidated financial statements.
- b) The consolidated management report is prepared in accordance with the requirements of the Chapter seven of the Accountancy Act and Art. 100(n), par.7 of the Public Offering of Securities Act (POSA).
- c) In the corporate governance statement of the Group for the financial year, for which the consolidated financial statements were prepared, is presented pursuant to the requirements of Chapter seven of the Accountancy Act and Art. 100(n), par.8 of the Public Offering of Securities Act (POSA).
- d) The consolidated non-financial declaration for the financial year, for which the consolidated financial statements were prepared, is presented and prepared in accordance with the requirements of the Chapter seven of the Accountancy Act.

### ***Opinion in relation to Art. 100(n), par.10 in relation to Art.100(n), par.8, item 3 and 4 of the Public Offering of Securities Act***

Based on the conducted procedures and the obtained knowledge and understanding on the Group's operations and the environment where it operates, on our opinion, the description of the main characteristics of the internal control and risk management systems of the Group in relation to the process of financial reporting, which is part of the consolidated management report (as section in the corporate governance statement) and information under Art. 10, par. 1, letters "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and to the Counsel of April, 21 2004 regarding the proposals for acquisitions, does not comprise cases of significant misstatement.



***Reporting on compliance with the electronic format of the consolidated financial statements included in the annual consolidated financial statements for the activity under Art. 100n, par. 5 of Public Offering of Securities Act (POSA) with the requirements of the ESEF Regulation***

We are committed to expressing a reasonable degree of certainty regarding the compliance of the electronic format of the consolidated financial statements of Petrol AD for the year ending December 31, 2022, attached to the electronic file "4851003SBNLWFQX4XS80-20221231-BG-CON.zip", With the requirements of Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council through regulatory technical standards for the definition of the uniform electronic reporting format ("ESEF Regulation"). Our opinion is only regarding the electronic format of the consolidated financial statements and does not cover the other information included in the annual consolidated financial statements for the activity under Art. 100n, para. 5 of the POSA.

***Description of the subject and applicable criteria***

The Management Board has prepared an electronic format of the consolidated financial statements of the Group for the year ended December 31, 2022 under the ESEF Regulation in order to comply with the requirements of the POSA. The rules for the preparation of consolidated financial statements in this electronic format are set out in the ESEF Regulation and, in our view, have the characteristics of appropriate criteria for forming a reasonable assurance opinion.

***Responsibilities of management and persons charged with governance***

The Group's management is responsible for applying the requirements of the ESEF Regulation when preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and application of appropriate iXBRL markings using the taxonomy of the ESEF Regulation, as well as the introduction and implementation of such internal control system as management deems necessary for the preparation of the electronic format of the Group's annual consolidated financial statements. does not contain significant inconsistencies with the requirements of the ESEF Regulation.

The persons in charge of general management are responsible for overseeing the process of preparing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

***Auditor's responsibilities***

Our responsibility is to express an opinion of reasonable assurance as to whether the electronic format of the consolidated financial statements is in conformity with the requirements of the ESEF Regulation. To this end, we have complied with the Guidelines on the Audit Opinion on the Implementation of the European Single Electronic Format (ESEF) for the Financial Statements of Companies "whose securities are admitted for trading on a regulated market in the European Union (EU)" of the professional organization of Registered Auditors in Bulgaria, Institute of Certified Accountants (ICA) "and we have committed to express a reasonable level of assurance in accordance with ISAE 3000 (revised) Assurance Exercises Other than Audits and Reviews of Historical Financial Information" ( ISAE 3000 (revised)) This standard requires us to comply with ethical requirements, plan and perform appropriate procedures to obtain reasonable assurance whether the electronic format of the Group's consolidated financial statements has been prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and scope of the procedures selected depend on our professional judgment, including the assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

A reasonable level of assurance is a high level of assurance, but there is no guarantee that a commitment made in accordance with ISAE 3000 (revised) will always reveal a material non-compliance where applicable.

*Quality control requirements*

We apply the requirements of the International Standard on Quality Control (ISQC) 1 and, accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements for registered auditors in Bulgaria.

We meet the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the International Ethics Standards Board for Accountants (IESBA Code), adopted by ICA through the Independent Financial Audit Act.

*Summary of our work performed*

The purpose of the procedures planned and performed by us was to obtain a reasonable degree of assurance that the electronic format of the consolidated financial statements has been prepared, in all material respects in accordance with the requirements of the ESEF Regulation. As part of our assessment of compliance with the ESEF Regulation's electronic (XHTML) format for reporting on the Group's consolidated accounts, we maintained professional skepticism and used professional judgment. We also:

- we received an understanding of the internal control and the processes related to the implementation of the ESEF Regulation regarding the consolidated financial statements of the Group and including the preparation of the consolidated financial statements of the Group in XHTML format and its marking in machine readable language (iXBRL);
- we checked if the applied XHTML format is valid;
- we checked whether the human readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;
- we assessed the completeness of the markings in the consolidated financial statements of the Group in the use of machine-readable language (iXBRL) in accordance with the requirements of the ESEF Regulation;
- assessed the appropriateness of the iXBRL markings selected from the main taxonomy used, as well as the creation of an extended taxonomy element in accordance with the ESEF Regulation where an appropriate element in the basic taxonomy is missing;
- we assess the appropriateness of the correlation (fixation) of the elements of the extended taxonomy in accordance with the ESEF Regulation.

*Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation*

In our opinion, based on our procedures, the electronic format of the consolidated financial statements of the Group for the year ended December 31, 2022, contained in the attached electronic file „4851003SBNLWFQX4XS80-20221231-BG- CON.zip“ has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

**Reporting pursuant to Art. 10 of the Regulations (EU) No 537/2014 in relation to the requirements of Art. 59 of the Independent Financial Audit Act**

Pursuant to the requirements of the Independent Financial Audit Act in relation to Art.10 of Regulation (EU) No 537/2014, we report additionally the information disclosed below:

- The registered auditor Evgeni Atanasov has been appointed as a mandatory auditor of the consolidated financial statements for the year ending on December 31, 2022 of PETROL AD (the Parent company) by the General Meeting of Shareholders, held on July 19, 2022, for a period of one year.
- The audit of the consolidated financial statements for the year ended December 31, 2022 of the Group is the first full continuous commitment for mandatory audit of this Group conducted by us.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of Petrol AD, in accordance with the requirements of Arti. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided the information specified in Art. 64 of the Independent Financial Audit Act prohibited services outside the audit.
- We confirm that in conducting the audit we have maintained our independence from the Group.
- For the period covered by our statutory audit, apart from the audit, we have not provided any other services to the Group.

Registered auditor, № 0701:

Evgeni Atanasov

fl.4, 1 bul. Vitosha, Sofia

April 30, 2023